Contents

Vision & Mission

Pioneer Cement Limited
is committed to make
sustained efforts towards
optimum utilization
of its resources through
good corporate governance
for serving the interests of
all its stakeholders.

Strategic Goals

Customers' satisfaction
Efficient deployment of resources
Research and development
Maximization of profits
Environmental protection

Core Values

Professional ethics

Respect and courtesy

Recognition of human assets

Teamwork

Innovations and improvement

Business Ethics

Transparency in transactions

Sound business policies

Judicious use of Company's resources

Avoidance of conflicts of interest

Justice to all

Integrity at all levels

Compliance of laws of the land

Quality Policy

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

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

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

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

Environmental Protection

Ensuring environment friendly operations, products and services.

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

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

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

Social Obligations

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

- Primary Schools of Boys and Girls were constructed in 1995 in Chenki Village and is being managed by the Company.

- A dispensary was established near the factory site to cater the emergency requirements of the workers as well as villagers residing in the vicinity of the factory.

- A mosque has been constructed in Chenki village and is being maintained by the Company.

- Metal road of 15 km length was re-constructed, raised and widened to 30 feet for the residents of Jabbi and Chenki Villages.

- Donations were extended for construction of educational block in District Public School, Khushab.

- Donations were made to employees living in earthquake affected areas and also to the victims of these areas.

- PCL is playing an active role in Khushab District Industrial Association.

- PCL is providing technical support to Vocational Training Institute, Quaidabad.

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

Corporate Information

Board of Directors

Chairman
Mr. Manzoor Hayat Noon

Managing Director & CEO
Syed Mazher Iqbal

Directors
Mr. Aly Khan
Mr. Omer Adil Jaffar
Mr. William Gordon Rodgers
Mr. Wajahat A. Baqai (NBP)
Mr. Rafique Dawood (FDIB)
Mr. Cevdet DAL
Mr. Etrat Hussain Rizvi
Mr. Saleem Shahzada

Audit Committee

Chairman
Mr. Rafique Dawood (FDIB)

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

Chief Financial Officer
Mr. Amjad Waqar

Company Secretary
Syed Anwar Ali

Internal Auditor
Mr . Muhammad Zafar Qidwai

Senior Management

Mr. Qaseem N. Siddiqui
Director Operations

Mr. Rizwan Butt
DGM Marketing & Sales

Statutory Auditors
Ernst & Young Ford Rhodes Sidat Hyder

Cost Auditors
Siddiqui & Co.

Legal Advisors
Hassan & Hassan

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

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

SALES OFFICES

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

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

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

Website: www.pioneercement.com

REGISTERED OFFICE / MARKETING OFFICE
1st Floor, AlFalah Building,
Shahrah-e-Quaid-e-Azam,
Lahore, Pakistan.
Telephone (042) 36284820-2
Fax (042) 36284823
Email:pcllahore@pioneercement.com

SHARES DEPARTMENT
66, Garden Block,
New Garden
Town, Lahore, Pakistan.
Telephone (042) 35831462-63
Email: shares@pioneercement.com

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

Seven Years at a Glance

		2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
PRODUCTION & SALES								
Clinker Production	Tons	1,163,230	1,145,094	1,640,092	1,238,168	769,397	690,529	458,545
Cement Production	Tons	1,266,968	1,033,587	1,492,353	1,263,625	815,231	720,214	483,742
Cement/Clinker Sales - Domestic Market	Tons	1,081,700	922,510	1,337,225	1,141,267	716,728	553,461	478,805
- Export	Tons	191,864	243,585	447,789	132,284	118,028	166,486	3,100
	Tons	1,273,564	1,166,095	1,785,014	1,273,551	834,756	719,947	481,905
Capacity Utilization (based on installed capacity)		58%	57%	82%	62%	77%	114%	77%
OPERATING RESULTS:								
Gross Sales	Rs.\Mn.	5,329	6,681	6,607	4,649	4,154	2,800	1,958
Excise Duty & Sales Tax	Rs.\Mn.	1,426	1,634	1,705	1,415	1,027	734	614
Net Sales	Rs.\Mn.	3,873	5,000	4,854	3,185	3,076	2,009	1,323
Gross (Loss)/Profit	Rs.\Mn.	(81)	1,333	513	372	1,231	637	387
Net (Loss)/Profit Before Tax	Rs.\Mn.	(859)	174	(574)	(184)	933	394	238
Net (Loss)/Profit After Tax	Rs.\Mn.	(591)	36	(179)	(93)	676	332	424
FINANCIAL POSITION:								
Assets Employed:								
Operating Assets	Rs.\Mn.	8,938	9,255	9,571	7,511	7,683	6,382	3,657
Current Assets	Rs.\Mn.	1,334	1,021	785	966	618	463	395
Other Assets	Rs.\Mn.	54	72	117	133	104	44	223
	Rs.\Mn.	10,325	10,348	10,473	8,610	8,405	6,888	4,275
Assets Financed By:								
Shareholders' Equity	Rs.\Mn.	2,218	2,401	2,305	2,096	2,322	1,621	545
Surplus on Revaluation of Fixed Assets	Rs.\Mn.	2,121	2,181	2,240	574	605	629	-
Long Term Loan/Deposits	Rs.\Mn.	591	1,354	2,033	2,930	2,781	2,469	2,107
Deferred Liabilities	Rs.\Mn.	488	923	925	937	1,299	1,179	1,239
Current Maturity	Rs.\Mn.	2,570	2,070	1,598	1,151	659	117	196
Other Current Liabilities	Rs.\Mn.	2,338	1,419	1,372	922	739	872	188
		10,325	10,348	10,473	8,610	8,405	6,888	4,275
INVESTORS INFORMATION								
Gross (Loss)/Profit to Sales		(2.1%)	26.7%	10.6%	11.7%	40.0%	31.7%	29.2%
Net (Loss)/Profit Before Tax to Sales		(22.2%)	3.5%	(11.8%)	(5.8%)	30.3%	19.6%	18.0%
Net (Loss)/Profit After Tax to Sales		(15.3%)	0.7%	(3.7%)	(2.9%)	22.0%	16.5%	32.1%
Return on Assets		(5.7%)	0.3%	(1.7%)	(1.1%)	8.0%	4.8%	9.9%
Return on Paid up Capital		(26.5%)	1.8%	(9.0%)	(5.5%)	41.6%	21.5%	44.5%
Return on Equity		(26.6%)	1.5%	(7.8%)	(4.4%)	29.1%	20.5%	77.8%
Inventory Turnover	Times	6.8	25.1	63.2	18.7	19.1	24.1	18.4
Asset Turnover	Times	0.38	0.48	0.46	0.37	0.36	0.30	0.31
Debt\Equity Ratio		12:88	23:77	31:69	52:48	48:52	52:48	86:14
Interest Coverage	Times	(1.2)	1.4	(0.4)	0.5	5.73	4.26	3.03
Current Ratio		0.27	0.29	0.26	0.47	0.44	0.47	-
(Loss)/Earning Per Share	Rs.	(2.87)	0.18	(0.93)	(0.50)	4.16	2.46	3.72
Market Value of Share (KSE)	Rs.	6.37	13.58	28.17	37.4	45.65	20.35	20.10
Price Earning Ratio		(2.22)	75.44	(30.29)	(74.80)	10.97	8.27	5.40

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 24th Annual General Meeting of Pioneer Cement Limited will be held at 66 Garden Block, New Garden Town, Lahore on Saturday, 30 October, 2010 at 11:30 a.m. to transact the following business:-

1. To confirm the minutes of the annual general meeting held on 31 October, 2009.

2. To receive, consider and adopt the audited accounts for the year ended 30 June, 2010 and the reports of the directors and auditors thereon.

3. To appoint auditors for the financial year ending 30 June, 2011 and to fix their remuneration.

4. To transact any other business as may be placed before the meeting with the permission of the Chairman.

CLOSURE OF SHARE TRANSFER BOOKS

The share transfer books of the Company will remain closed from 23 October, 2010 to 30 October, 2010 (both days inclusive) for the purpose of holding the AGM.

By order of the Board
SYED ANWAR ALI
Company Secretary

07 October, 2010

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 and follow the guidelines contained in Circular No.1 of 2000 dated January 20, 2000 issued by SECP reproduced on reverse of the Proxy Form.

2. The members are requested to notify the change in their address, if any.

DIRECTORS' REPORT

The directors of your company would like to present the financial report for the year ended June 30, 2010.

ECONOMIC HORIZON:

Pakistan economy has been facing economic upheavals since early 2008. These challenges stemmed from both indigenous and exogenous factors such as political turmoil, volatile oil prices and a massive surge in commodities prices in the international market triggering inflation, slow down of economy and depreciation of Pak Rupee. The fast depleting foreign exchange reserves necessitated IMF lending on harsh terms. This forced economic managers to take stringent budgetary measures like elimination of subsidy on electricity, hike in interest rate, increase in the burden of taxes, depreciation of Pak Rupee etc.

Some improvements started appearing in the economic indicators last year but the economic scenario completely changed with the recent heavy rainfall which started in July 2010, causing a humanitarian crises of unprecedented proportions, affecting over 20 million people, killing more than 1750, injuring over 2700 and damaging or destroying over 1.8 million homes and other infrastructure, agricultural produce, agricultural land, irrigation system and livestock. In other words, Pakistan economy face multitude of challenges in the near future.

CEMENT SECTOR OVERVIEW:

The year under review had been one of the worst in the history of local cement industry in terms of prices and profitability. The ongoing recession coupled with capacity expansions in the Pakistani cement sector have created the supply glut in the country resulting in free fall in prices due to a severe price war. The fierce price war has drastically eroded retention prices on one hand, while on the other hand input prices have also increased in general, particularly electricity charges that have increased by 24%. On the backdrop of declining prices, overall cement volumetric growth registered an increase of 9.3% to stand at 34.2 million tons.

BUSINESS PERFORMANCE:

Production and Sales Volume:

Clinker production during the year under review registered a nominal growth of 2% to stand at 1,163,230 tons as compared to 1,145,094 tons produced last year, mainly on account of shrinking exports due to increase in capacities in neighbouring countries, coupled with slowdown in construction activities. Last year, the Company was able to export a significant quantity of clinker i.e. 139,350 tons which was not feasible this year due to low clinker prices in international market. However, increase in domestic demand of cement helped clinker production to rise.

Production of cement has registered a healthy growth of 23% from 1,033,587 tons last year to 1,266,968 tons this year mainly on account of increase in cement demand in the country.

	2009-10	2008-09	Change
	Tons	Tons	%
Clinker Production	1,163,230	1,145,094	2%
Cement Production	1,266,968	1,033,587	23%
Sales Volume:			
Local	1,081,500	922,510	17%
Export	191,624	104,235	84%
Clinker sale	440	139,350	-100%
	1,273,564	1,166,095	9%

Overall volumetric sales showed an increase of 9% to stand at 1,273,564 tons as compared to 1,166,095 tons sold during last year. It comprised 1,081,700 tons domestic sales and 191,864 tons (include 240 tons clinker) export this year in contrast to 922,510 tons local sales and 243,585 tons (include 139,350 tons clinker) of exports last year.

Domestic sales registered a growth of 17% from 922,510 tons last year to 1,081,700 tons this year due to increased domestic demand on the back of dwindling prices due to price war.

Overall export for the year under review stands at 191,864 tons of cement including a small quantity of 240 tons clinker registering a decline of 21% as compared to 243,585 tons (comprising 104,235 tons of cement and 139,350 tons clinker) dispatched last year. Despite slump in construction activities in the aftermath of global financial crisis, the Company was able to dispatch 191,624 tons of cement registering a substantial rise of 84% as compared to 104,235 tons cement exported during the last year.

Financial Results:

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

	2009-10 Rs in Million	2008-09 Rs in Million
Net Sales Revenue	3,872.83	5,000.24
Cost of Goods Sold	3,953.81	3,667.34
Gross (loss) / Profit	(80.98)	1,332.89
Operating (loss) /profit	(318.66)	875.26
Net (Loss)/profit before tax	(859.32)	174.31
Net (Loss)/profit after tax	(590.93)	36.11

Despite increase in volumetric sales by 9%, net sales revenue plummeted by 23% from Rs. 5,000 million last year to Rs. 3,873 million mainly on account of steep decline in retention prices that has alone hurt the profitability of the Company to the extent of Rs. 1,594 million. As a result, gross profit turned into gross loss amounting to Rs. 81 million as against gross profit of Rs.1,333 million earned during last year. Cost of goods sold have surged by 7.8% as against 9.2% jump in volumetric sales, lesser increase in cost of sales is due to efficiencies and cost control in production process despite increase in electricity tariff, and general increase in input cost.

The Company registered a loss before tax of Rs. 859 million as against a profit before tax of Rs174 million earned during the same period last year, however, net profit after tax decreased to Rs. 590 million after accounting for a deferred tax credit of Rs. 268 million in contrast to net profit after tax of Rs. 36 million last year. The Company incurred net exchange loss of Rs. 168 million on account of devaluation of Pak-rupee as compared to Rs. 264 million charged in the last year.

The on-going cost control efforts and austerity drive helped in overall reduction in expenses whereby admin expenses have reduced by 22% to Rs. 78.8 million from Rs. 97.7 million last year whereas distribution expenses (net of export expenses) have also declined by 27% to Rs. 42.7 million from Rs. 58.4 million in previous year. Finance cost registered a decline of 14% to stand at Rs. 393 million as compared to Rs. 451 million charged in last year, mainly on account of in-process restructuring of loans, settlement of certain finance leases and better utilization of funds. Furthermore, your Company has taken various measures to remove bottlenecks in plant and bring efficiency in operations such as homogenization of raw materials for better yield, homogenization of local and imported coal to reduce rising fuel cost, and predictive maintenance program resulting in reduction in down time and substantial saving of 7 kwh in electricity consumption compared to last year.

The Competition Commission of Pakistan imposed a penalty of Rs. 364 million on the Company alongwith other cement companies, for alleged price hike on the back of cartelization. The Company has filed an appeal in Lahore High Court and believes that decision of Apex Court will InshaAllah be in the favour of the Company.

Appropriation:

Keeping in view the financial position of the Company, the Directors have not recommended any dividend or bonus shares for the year ended June 30, 2010.

Financial Restructuring:

The Company has issued 23,222,813 ordinary shares @ Rs.15/- each to National Bank of Pakistan under financial restructuring package. Other formalities under the restructuring package are under process and shall be completed within next three to six months. The financial restructuring with Bank of Punjab is also under advance stage of approval and a revised repayment schedule has been agreed and implemented.

FUTURE PROSPECTS:

The prospects of cement industry are linked to improvement in the economy, especially macro-economic indicators and law and order situation. The government had allocated Rs. 663 billion under public sector development program (PSDP) with a GDP target of 4.5% in the Federal Budget 2010-11. Due to floods that have wreaked havoc across the country, the government had revised its GDP target to 2%, with limited resources to finance reconstruction activities. PSDP allocation could be slashed by as much as 50%. On flip side, these funds would ultimately divert to rebuilding of houses and infrastructures that would balance out the cement demand as the damage to housing and infrastructures have been enormous. The international agencies and world community in general are also expected to provide funds for reconstruction activities. Similarly construction of small and medium size dams and reconstruction activities in flood as well as army operation affected areas will provide the required imputes to the ailing cement industry.

Your Company keeps focusing on cost reduction measures and efficiencies to bring down fuel and electricity cost and have started using allternate fuel and is planning to install waste heat recovery project for further reduction in production cost. Additionally, the management is pursuing optimum utilization of plant with cost effective measures for the sustained operations. All these measures alongwith financial restructuring will augur well for the profitability of your Company.

The government took a positive step in the last year's trade policy by allowing 35% subsidy on export of cement via Sea but SRO was issued late in 3rd week of March 2010 restricting the benefit for a limited period. The government is expected to continue this subsidy in the coming trade policy to boost exports and help earn foreign exchange. The cement industry is heavily under tax burden when compared with its neighbouring countries such as India and Iran which hamper competitiveness in the international market. The government should reduce sales tax and excise duty that will provide some breather to the ailing cement industry.

COMMENTS ON AUDITORS OBSERVATION

We would like to draw your attention to the auditor's opinion on the profitability and the liquidity position of the company whereby the company has incurred gross and net loss of Rs. 80.98 million and Rs. 590.925 million respectively, and current liabilities exceeds its current assets by Rs. 3,574 million.

To improve the liquidity position of the Company, restructuring of financial liabilities with various financial institutions are under process as explained in detail in note 1.4 of the annexed financial statements. During the year the company has issued 23,222,813 ordinary shares @ Rs. 15/- each to National Bank of Pakistan under restructuring proposal to convert debt into equity. In addition restructuring with the Bank of Punjab (BOP) is in advance stage and from July 2010 the Company has started repayment to BOP as per revised schedule. The management is also pursuing for restructuring of liabilities with other banks / financial institutions.

Profitability of the company was badly affected due to unprecedented fall in selling prices in local and international markets. The situation was further aggravated due to increasing input cost particularly electricity cost. To mitigate these factors the Company has taken several initiatives to reduce its operational cost which include use of alternate fuel, efficiency in electricity consumption, effective and efficient preventive maintenance and reduction in administrative and distribution cost. The Company also managed to reduce its financial charges from Rs. 451.465 million to Rs 392.658 million to help improve the bottom line.

The Company plans to raise fresh capital by issuance of preference shares for the repayment of its financial liabilities which shall improve the current ratio and will help in securing working capital.

CONTRIBUTION TO NATIONAL EXCHEQUER

Your Company has contributed Rs.1,426 million to the National Exchequer during the year under review in the shape of Excise Duty and Sales Tax alone.

CORPORATE SOCIAL RESPONSIBILITIES

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

PROVIDENT FUND/GRATUITY

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

BUSINESS ETHICS

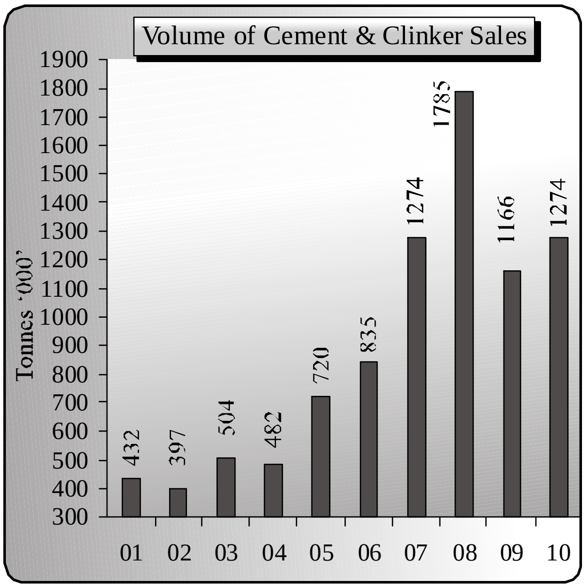
The board has adopted the Statement of Business Ethics and Practices. All employees are informed of this statement and are required to follow them in all their business dealings.

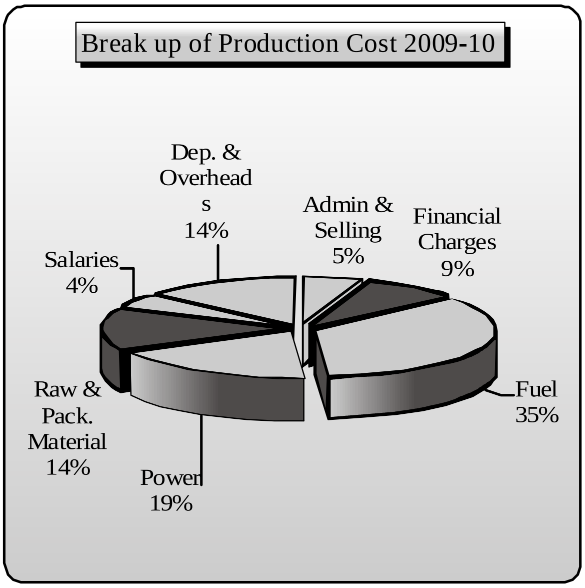
BOARD OF DIRECTORS

Mr. Nadir Rahman resigned from the Board and in his place Mr. Omar Adil Jaffer was co-opted as Director of the company. The Board would like to thank the outgoing director and welcome the new director on Board of the company.

AUDIT COMMITTEE

The audit committee appointed by the Board consists of five non-executive directors including the chairman of the committee. The committee supervises the internal controls of the company through internal audit department in accordance with the guidelines provided in the Listing Regulations and reviews the financial statements before they are published.





CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

Your directors are pleased to report that:

a) The financial statements prepared by the management, present fairly its state of affairs, the result of its operations, cash flow and change in equity.

b) Proper books of accounts have been maintained by the Company.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements except as stated in note 3.4.

d) International accounting standard as applicable in Pakistan, have been followed in preparation of financial statements.

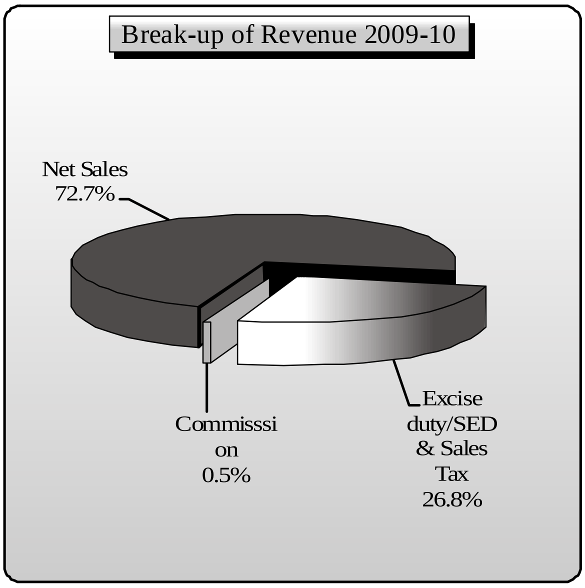
e) The existing internal control system and procedure are regularly reviewed. This is formalized by the Board's Audit Committee and is updated as and when needed.

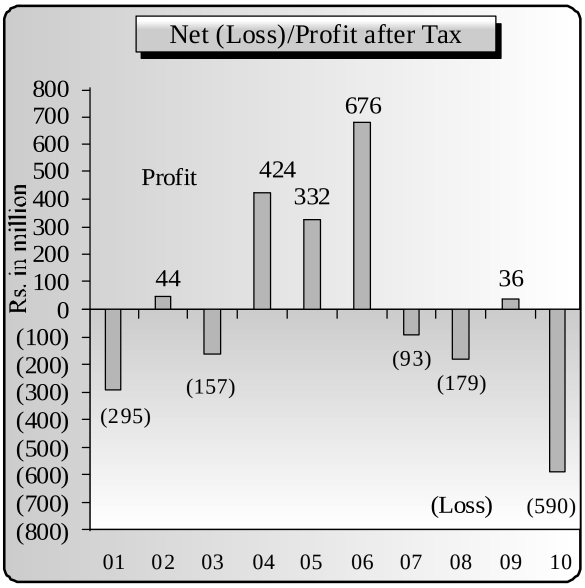
f) There are no significant doubts upon the company's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulation of stock exchanges.

h) Key operating and financial data of last seven years annexed

i) The un-audited value of investment of provident fund as on June 30, 2010 is Rs. 64.9 million.





BOARD MEETINGS

Seven board meetings were held during the year which were attended by the Directors, as under:

NAME	Meetings attended during the year
Mr. Manzoor Hayat Noon	4 *
Mr. Javed Ali Khan	5
Mr. Nadir Rahman	6
Mr. William Gordon Rodgers	6 **
Mr. Aly Khan	6 *
Mr. Cevdet Dal	7 *
Mr. Etrat Hussain Rizvi	6
Mr. Saleem Shahzada	4
Mr. Rafique Dawood (FDIB)	6
Mr. Wajahat A. Baqai (NBP)	6
Syed Mazher Iqbal (appointed CEO during the year in place of Mr. Javed Ali Khan)	1
Mr. Omer Adil Jaffer (appointed during the year in place of Mr. Nadir Rahman)	1

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

SHAREHOLDING

Aggregate number of shares held by:

**THE DIRECTORS/CEO AND THEIR SPOUSE AND MINOR CHILDREN
AS AT JUNE 30, 2010**

NAME	OWN SELF	SPOUSE	MINOR CHILDREN
Mr. Manzoor Hayat Noon	39,230,453	38,650	NIL
Mr. Javed Ali Khan	42,872	NIL	NIL
Mr. Nadir Rehman	1	NIL	NIL
Mr. William Gordon Rodgers	1	NIL	NIL
Mr. Aly Khan	1	NIL	NIL
Mr. Cevdet Dal	2,587,640	NIL	NIL
Mr. Etrat Hussain Rizvi	8,000	NIL	NIL
Mr. Saleem Shahzada	26,243	NIL	NIL
Mr. Rafique Dawood(FDIBL)	19,340	NIL	NIL
Mr. Wajahat A. Baqai(NBP)	NIL	NIL	NIL
Syed Mazher Iqbal	NIL	NIL	NIL
Mr. Omer Adil Jaffer	500	NIL	NIL
EXECUTIVES	NIL	NIL	NIL

SHAREHOLDERS HOLDING 10% OR MORE SHARES

MANZOOR HAYAT NOON	39,230,453
VISION HOLDINGS MIDDLE EAST LTD	49,084,872
NATIONAL BANK OF PAKISTAN	23,222,813

TRADING IN THE SHARES BY THE DIRECTORS. CEO, CFO AND COMPANY SECRETARY DURING THE YEAR

	SALE	PURCHASE
MR. SALEEM SHAHZADA	397,444	NIL

**SHAREHOLDING OF CEO IN ASSOCIATED COMPANY'S SHAREHOLDING
AS AT JUNE 30, 2010**

Name of Associated Companies	No. of Shares
A) MR. JAVED ALI KHAN (Resigned during the year)	
Noon Sugar Mills Ltd	91
Noon Pakistan Limited	5,755
Noon Pakistan Ltd-Non-Voting Ordinary Shares	792
B) SYED MAZHER IQBAL (Appointed during the year)	NIL

HUMAN CAPITAL

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

HEALTH, SAFETY AND ENVIRONMENT

The Management took up this project in the year 2002 and achieved ISO 14001 Certification from Moody International Certificate Ltd. The environment and safety aspects are at the core of management priorities.

DUST EMISSION

33 Dust Collectors, installed at plant are working very efficiently.

GASEOUS EMISSION

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

NOISE

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

SAFETY

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

AUDITORS

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

ACKNOWLEDGEMENT

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

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

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

For and on behalf of the Board

Syed Mazher Iqbal
Chief Executive

September 28, 2010
Karachi

Compliance With Best Practices of Transfer Pricing

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

On Behalf of the Board

Syed Mazher Iqbal
Chief Executive

September 28, 2010
Karachi

Compliance With Best Practices of Code of Corporate Governance

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

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

1. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

2. The Company encourages representation of independent non-executive directors. At present the Board includes nine non-executive directors. The number of executive directors of the Company including Chief Executive Officer is not more than 75% of total number of directors which is ten (10).

3. Although the two nominated directors on the Board of the Company may not technically qualify as independent directors, they certainly qualify the test prescribed in the Code and they do exercise independent business judgments.

4. The Directors of the Company have confirmed that none of them is serving as a Director in ten (10) other listed companies.

5. All the resident directors of the company are registered as tax payers, whereas the condition of being a Registered Tax Payer in Pakistan does not apply to foreign nationals and non-resident Pakistanis. None of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

6. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and officers of the Company.

7. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The complete record of particulars of significant policies along with the dates on which they were approved / amended has been maintained.

8. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.

9. During the year CEO of the company resigned and the CFO was appointed as CEO of the Company and an acting CFO was appointed who has been subsequently confirmed as CFO.

10. The meetings of the Board are presided over by the Chairman whenever present. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were appropriately circulated at least seven (7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

11. Directors are well conversant with the listing regulations and legal requirements and as such are fully aware of their duties and responsibilities. In view of the foregoing the Board does not require to be given a presentation on the Code.

12. The Board has confirmed the appointments of Chief Financial Officer and Chief Internal Auditor, including their remuneration and terms & conditions of employment, as recommended by the CEO.

13. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

14. The financial statements of the Company were duly endorsed by the CEO and acting CFO before approval of the Board.

15. 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.

16. The Company has complied with the corporate and financial reporting requirements of the Code.

17. The Board has formed an Audit Committee (BAC), it comprises of five members, all of whom are non-executive directors.

18. The meetings of the Board's Audit Committee (BAC) were held at least every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been framed & approved by the Board and the Committee was duly informed for compliance.

19. The Board has set up an effective internal audit function.

20. The transactions with related parties are placed before the Board Audit Committee and Board of Directors for review and approval. A complete party-wise record of related party transactions has been maintained by the Company.

21. 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.

22. 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.

23. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors.

Syed Mazher Iqbal
Chief Executive

September 28, 2010
Karachi

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel : +9221 3565 0007
Fax : +9221 3568 1965
www.ey.com

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 (the Code) for the year ended **30 June, 2010** prepared by the Board of Directors of Pioneer Cement Limited to comply with the Listing Regulations No. 37(Chapter XI) [now Regulation 35 Chapter XI] of the Karachi Stock Exchange (Guarantee) Limited, Clause 45 (Chapter XIII) [now Regulation 37 Chapter XI] of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Section 45 (Chapter XI) [now Regulation 37 Chapter XI] of the Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii) of Listing Regulations 37 [now Regulation 35] notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January, 2009 requires the company to place before the board of directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, for the year ended **30 June, 2010**.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
September 28, 2010
Karachi

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel : +9221 3565 0007
Fax : +9221 3568 1965
www.ey.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pioneer Cement Limited (the Company) as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change as stated in note 3.4 to the accompanying financial statements, with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of the loss, its comprehensive loss, cash flows and changes in equity for the year then ended; and

d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our opinion, we draw attention to the contents of note 1.4 to the accompanying financial statements which indicates that the Company incurred a gross loss of Rs.80.980 million and a net loss of Rs.590.925 million during the year ended 30 June 2010 and, as of that date the Company's current liabilities exceeded its current assets by Rs.3,574 million and the mitigating factors as more fully explained in aforementioned note regarding the efforts being made by the Company to restructure / reschedule the amounts due to banks and financial institutions. These factors indicate a material dependency of future operations of the Company on successful completion of the aforementioned efforts as referred to in the said note.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner: Shariq Ali Zaidi
September 28, 2010
Karachi.

BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010	2009
		(Rupees in '000')	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**8,937,904**	9,254,674
Long-term loans – secured, considered good	5	**482**	7,563
Long-term deposits – considered good	6	**53,080**	64,920
		8,991,466	9,327,157
CURRENT ASSETS			
Stores, spare parts and loose tools	7	**932,961**	506,050
Stock-in-trade	8	**132,072**	146,066
Trade debts – unsecured, considered good	9	**36,851**	37,402
Loans and advances – considered good	10	**53,542**	25,202
Trade deposits and short-term prepayments	11	**360**	613
Other receivables	12	**20,845**	19,382
Current portion of long-term deposits	6	**25,014**	45,517
Taxation – net		**76,511**	81,043
Cash and bank balances	13	**55,872**	159,302
		1,334,028	1,020,577
TOTAL ASSETS		**10,325,494**	10,347,734
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	14	**3,500,000**	2,500,000
Issued, subscribed and paid-up capital	15	**2,227,552**	1,995,324
Reserves		**(9,334)**	405,217
		2,218,218	2,400,541
SURPLUS ON REVALUATION OF FIXED ASSETS – net of tax	16	**2,120,629**	2,180,889
NON-CURRENT LIABILITIES			
Long-term financing – secured	17	**-**	41,191
Liabilities against assets subject to finance lease	18	**120,797**	215,480
Long-term deposits	19	**1,168**	1,068
Long-term creditor – unsecured	20	**2,348**	8,731
Deferred liabilities	21	**487,764**	923,120
Long-term loans – secured	22	**466,231**	1,087,583
		1,078,308	2,277,173
CURRENT LIABILITIES			
Trade and other payables	23	**903,936**	629,132
Accrued interest / mark up		**342,892**	226,748
Short-term Murabaha – secured	24	**399,109**	-
Short-term finances	25	**670,852**	524,929
Current portion of non-current liabilities	26	**2,569,938**	2,069,927
Sales tax – net		**21,612**	38,395
		4,908,339	3,489,131
CONTINGENCIES AND COMMITMENTS	27		
TOTAL EQUITY AND LIABILITIES		**10,325,494**	10,347,734

The annexed notes from 1 to 43 form an integral part of these financial statements.

Syed Mazher Iqbal
Chief Executive

Rafique Dawood
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rupees in '000')	
Gross turnover	28	**5,329,223**	6,680,759
Excise duty [including special excise duty Rs.32,230,209/- (2009: Rs.40,057,123/-)		**789,420**	861,491
Sales tax		**636,834**	772,178
Commission		**30,135**	46,855
		1,456,389	1,680,524
Net turnover		**3,872,834**	5,000,235
Cost of sales	29	**3,953,814**	3,667,343
Gross (loss) / profit		**(80,980)**	1,332,892
Distribution cost	30	**158,842**	359,975
Administrative expenses	31	**78,835**	97,654
Other operating income	32	**(20,285)**	(28,047)
Finance cost	33	**392,658**	451,465
Other operating expenses	34	**168,289**	277,539
(Loss) / profit before taxation		**(859,319)**	174,306
Taxation	35	**268,394**	(138,192)
(Loss) / profit after taxation		**(590,925)**	36,114
		(Rupees)	**(Rupees)**
(Loss) / earning per share - Basic and diluted	36	**(2.87)**	0.18

The annexed notes from 1 to 43 form an integral part of these financial statements.

Syed Mazher Iqbal
Chief Executive

Rafique Dawood
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in '000')	
(Loss) / profit for the year	**(590,925)**	36,114
Other comprehensive income / (loss)	-	-
Total comprehensive (loss) / profit for the year	**(590,925)**	36,114

The annexed notes from 1 to 43 form an integral part of these financial statements.

Syed Mazher Iqbal
Chief Executive

Rafique Dawood
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rupees in '000')	
Cash (used in) / generated from operations	40	**(87,770)**	980,573
Income tax paid		**(18,774)**	(80,426)
Worker's profit participation fund		**(9,371)**	-
Gratuity and compensated absences paid		**(5,879)**	(2,760)
Dividend paid		**(19)**	(60)
		(34,043)	(83,246)
Decrease in long-term loans		**7,081**	1,157
Decrease in long-term deposits – net		**32,343**	15,081
Net cash (used in) / generated from operating activities		**(82,389)**	913,565
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(77,301)**	(68,940)
Proceeds from sale of fixed assets		**3,838**	5,397
Net cash used in investing activities		**(73,463)**	(63,543)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Murabaha finance		**399,109**	-
Long-term loans		**(116,385)**	(382,681)
Long-term finance		**-**	(9,315)
Liabilities against assets subject to finance lease		**(210,044)**	(256,149)
Short-term finance		**115,152**	207,046
Finance cost paid		**(135,410)**	(341,918)
Net cash generated from / (used in) financing activities		**52,422**	(783,017)
Net (decrease) / increase in cash and bank balances		**(103,430)**	67,005
Cash and cash equivalents at the beginning of the year		**159,302**	92,297
Cash and cash equivalents at the end of the year	13	**55,872**	159,302

The annexed notes from 1 to 43 form an integral part of these financial statements.

Syed Mazher Iqbal
Chief Executive

Rafique Dawood
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Issued, subscribed and paid-up capital	Capital reserve Share premium	Revenue reserve Accumulated profit/(loss)	Total reserves	Total Equity
	-------------------------	(Rupees in '000')	-------------------------		
Balance as at July 01, 2008	1,995,324	59,435	250,701	310,136	2,305,460
Profit for the year after taxation	-	-	36,114	36,114	36,114
Other comprehensive income	-	-	-	-	-
Total comprehensive income, net of tax	-	-	36,114	36,114	36,114
Surplus on revaluation of fixed assets realized through incremental depreciation charged on related assets for the year – net of tax	-	-	58,967	58,967	58,967
Balance as at June 30, 2009	**1,995,324**	**59,435**	**345,782**	**405,217**	**2,400,541**
Issuance of shares against outstanding liability (note 15.2)	**232,228**	**116,114**	**-**	**116,114**	**348,342**
Loss for the year after taxation	**-**	**-**	**(590,925)**	**(590,925)**	**(590,925)**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**
Total comprehensive loss, net of tax	**-**	**-**	**(590,925)**	**(590,925)**	**(590,925)**
Surplus on revaluation of fixed assets realized through incremental depreciation charged on related assets for the year – net of tax	**-**	**-**	**60,260**	**60,260**	**60,260**
Balance as at June 30, 2010	**2,227,552**	**175,549**	**(184,883)**	**(9,334)**	**2,218,218**

The annexed notes from 1 to 43 form an integral part of these financial statements.

Syed Mazher Iqbal
Chief Executive

Rafique Dawood
Director

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. During the year, the Company has increased its authorized share capital from Rs.2,500 million to Rs.3,500 million by increasing 100,000,000 ordinary shares of Rs. 10/- each as approved by shareholders in their general meeting held on October 31, 2009.

1.4. During the year, the Company incurred gross loss and net loss amounting to Rs.80.98 million and Rs.590.925 million respectively, which in turn resulted in accumulated losses aggregating to Rs.184.883 million. Further, as of the balance sheet date, the current liabilities exceeds the current assets by Rs. 3,574 million (2009: Rs. 2,469 million) which is mainly due to current portion of long-term liabilities aggregating to Rs.2,570 million (2009: Rs. 2,070 million). In order to mitigate the above situation, the Company is taking appropriate steps which include reduction in cost of production by using alternate fuel resources and increase in sales through export of cement to neighbouring countries. Moreover, the management of the Company anticipates that the increase in sales prices will continue further and the demand for cement is also expected to rise significantly consequent to the destruction of infrastructure caused by recent floods. Hence, the aforementioned anticipated increase in sales prices and demand along with the other measures, as stated above, will improve the profitability and liquidity position of the Company.

In order to further improve the liquidity position, the management is in the process of restructuring and rescheduling the liabilities of banks and financial institutions. In connection therewith, the restructuring of financing facilities with the major lender, National Bank of Pakistan (NBP) is in final stage. In addition, the Company plans to issue preference shares amounting to Rs.757 million approximately within the next three to six months, subject to completion of legal formalities. Similarly, restructuring of liabilities due to Bank of Punjab is under negotiation whereby repayment of Rs.272 million appearing in current liabilities will be restructured to be repayable in easy installments in next five years. Furthermore, management is pursuing for restructuring of its liabilities with Asian Development Bank.

Based on the above, the management believes that the outcome of its plans in this respect will contribute towards improving the aforementioned situation resulting in increase in gross profit margin and improvement in liquidity position which will enable the Company to have adequate resources to continue its business on a sustainable basis in the foreseeable future.

2. STATEMENT OF COMPLIANCE

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of preparation

The financial statements have been prepared under the 'historical cost convention' except for freehold land, factory building, plant and machinery and coal firing system which have been carried at revalued amounts as referred to in notes 3.6 and 4.1. The financial statements are presented in Company's functional currency of Pakistan Rupee.

3.2. Standards, interpretations and amendments to published approved accounting standards that are 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)
IFRS - 2 Share-based Payments: Amended relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IAS -24 Related Party Disclosures (Revised)	January 01, 2011
IAS -32 Financial Instruments: Presentation - Classification of Right Issue (Amendment)	February 01, 2010
IFRIC-14 The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC-19 Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

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

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009 primarily with a view to remove inconsistencies and clarify wordings. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

3.3. Standards, amendments and interpretations adopted during the year

During the year, the following new / revised standards, amendments and interpretations of accounting standards become effective:

Standards, amendments and interpretations

IFRS - 2	Share Based Payment - Vesting Conditions and Cancellations (Amendment)
IFRS - 3	Business Combinations (Revised)
IFRS - 7	Financial Instruments: Disclosures (Amendments)
IFRS - 8	Operating Segments
IAS -1	Presentation of Financial Statements (Revised)
IAS -23	Borrowing Costs (Revised)
IAS -27	Consolidated and Separate Financial Statements (Amendment)
IAS -32	Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements- Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)
IAS -39	Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendments)
IFRIC -15	Agreement for the Construction of Real Estate
IFRIC-16	Hedges of a Net Investment in a Foreign Operation
IFRIC-17	Distributions of Non-Cash Assets to Owners
IFRIC-18	Transfers of Assets from Customers

Improvement to International Financial Reporting Standards (Issued 2008)

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except for IAS - 1 (revised) which is explained in note 3.4 below.

3.4. Change in accounting policy and disclosures

The accounting policies adopted in preparation of these financial statements are consistent with those of the previous financial year except for the adoption of IAS 1 (Revised) as of July 1, 2009:

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owner, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement (the statement of comprehensive income), or in two linked statements (the income statement and the statement of comprehensive income).

The Company has elected to present two statements; a profit and loss account and a statement of comprehensive income. However, surplus on revaluation of operating fixed assets is reported under separate account shown below equity in accordance with the requirements of the Companies Ordinance, 1984. The Company currently does not have any items of income and expense representing other comprehensive income.

3.5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are 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 3.16);
(b) determining the residual values and useful lives of property, plant and equipment (note 3.6);
(c) accounting for post employment benefits (note 3.13);
(d) impairment of inventories / adjustment of inventories to their net realizable value (note 3.8);
(e) provision for doubtful debts / other receivables (note 3.9);and
(f) valuation of work in process and finished goods (note 3.8).

3.6. Property, plant and equipment

3.6.1. Operating fixed assets

Owned

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

Depreciation is calculated at the rates specified in note 4.1 to these financial statements on straight line method except plant and machinery and coal firing system on which depreciation is charged on the basis of units of production method. Depreciation on additions is charged from the month in which the asset is available for use and on disposals 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.

3.6.2. Capital work in progress

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

3.7. Stores, spare parts and loose tools

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

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

3.8. Stock-in-trade

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

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

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

3.9. Trade debts and other receivables

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

3.10. 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.

3.11. Surplus on revaluation of fixed assets

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

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and

- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profits / losses through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

3.12. 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.

3.13. Employees' benefits

Defined benefit plan

The Company operates gratuity scheme as follows:

Contractual workers

The Company operates unfunded gratuity scheme for its contractual workers.

Defined contribution plan

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

Compensated absences

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

3.14. Trade and other payables

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

3.15. 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.

3.16. 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 and tax paid on final tax regime. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred income tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is 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 which 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.

3.17. Foreign currency translations

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

3.18. 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.

3.19. 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.

3.20. 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.

3.21. Borrowing costs

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

3.22. 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.

3.23. 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.

3.24 Related party transactions

All transactions with related parties are carried out at arm's length.

	Note	2010	2009
		(Rupees in '000')	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**8,933,987**	9,253,929
Capital work-in-progress	4.2	**3,917**	745
		8,937,904	9,254,674

4.1. Operating fixed assets

	Note	COST / REVALUATION				Rate	ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
		As at July 01, 2009	Additions/ transfers	Disposals/ transfers	As at June 30, 2010		As at July 01, 2009	Disposals/ transfers	For the year	As at June 30, 2010	As at June 30, 2010
		(Rupees in '000')				%	(Rupees in '000')				
Owned											
Freehold land	4.1.1	60,736			60,736						60,736
Factory building on freehold land	4.1.1	1,692,709	*7,575		1,700,284	5	584,329		84,667	668,996	1,031,288
Office building		14,830	334		15,164	10	14,283		73	14,356	808
Roads and quarry development		56,008	-	-	56,008	20	36,406		11,202	47,608	8,400
Plant and machinery line I	4.1.1	5,082,136	43,319		5,125,455	Units of production method based on 25 years life	2,029,492		142,480	2,171,972	2,953,483
Plant and machinery line II	4.1.1	3,649,139	8,423 *446 **64,451		3,722,459	Units of production method based on 20 years life	168,144	**4,743	100,535	273,422	3,449,037
Coal firing system	4.1.1	371,888	-	-	371,888	Units of production method based on 15 years life	117,523		9,780	127,303	244,585
Furniture and fixture		25,768	1,703	(1,014)	26,457	10	18,359	(559)	1,056	18,856	7,601
Office equipment		13,977	4,115	(368)	17,724	10	9,674	(94)	702	10,282	7,442
Computers and accessories		19,530	1,032	(532)	20,030	33	17,608	(493)	1,352	16,467	1,563
Vehicles		28,224	7,182	(2,763)	32,643	20	18,631	(2,587)	4,137	20,181	12,462
		11,014,945	138,580	(4,677)	11,148,848		3,014,449	1,010	355,984	3,371,443	7,777,405
Assets subject to finance lease											
Plant and machinery line II	4.1.1	1,313,443	-	**(64,451)	1,248,992	Units of production method based on 20 years life	66,321	** (4,743)	33,757	95,335	1,153,657
Vehicles		12,731	-	(2,470)	10,261	20	6,420	(1,186)	2,102	7,336	2,925
		1,326,174		(66,921)	1,259,253		72,741	(5,929)	35,859	102,671	1,156,582
2010		12,341,119	138,580	(71,598)	12,408,101		3,087,190	(4,919)	391,843	3,474,114	6,933,987

* Transferred from capital work in-progress
** Transferred from assets subject to finance lease

	Note	COST / REVALUATION As at July 01, 2008	Additions/ transfers	Disposals/ transfers	As at June 30, 2009	Rate %	ACCUMULATED DEPRECIATION As at July 01, 2008	Disposals/ transfers	For the year	As at June 30, 2009	WRITTEN DOWN VALUE As at June 30, 2009
		(Rupees in '000')					(Rupees in '000')				
Owned											
Freehold land	4.1.1	60,736			60,736						60,736
Factory building on freehold land	4.1.1	1,578,622	*114,087		1,692,709	5	504,923		79,406	584,329	1,108,380
Office building		14,830			14,830	10	14,218		65	14,283	547
Roads and quarry development		56,008			56,008	20	25,204		11,202	36,406	19,602
Plant and machinery line I	4.1.1	5,076,669	5,467		5,082,136	Units of production method based on 25 years life	1,886,978		142,514	2,029,492	3,052,644
Plant and machinery line II	4.1.1	3,691,539	7,414 **84,900	***134,714	3,649,139	Units of production method based on 20 years life	80,123	**3,242 ***(6,556)	91,335	168,144	3,480,995
Coal firing system	4.1.1	297,709	**74,179		371,888	Units of production method based on 15 years life	93,586	**14,036	9,901	117,523	254,365
Furniture and fixture		26,382	515	1,129	25,768	10	18,044	(699)	1,014	18,359	7,409
Office equipment		14,221		244	13,977	10	9,256	(211)	629	9,674	4,303
Computers and accessories		19,767	951	1,188	19,530	33	16,506	(1,136)	2,238	17,608	1,922
Vehicles		42,187	1,905	15,868	28,224	20	24,639	(11,571)	5,563	18,631	9,593
		10,878,670	289,418	153,143	11,014,945		2,673,477	(2,895)	343,867	3,014,449	8,000,496
Assets subject to finance lease											
Coal firing system	4.1.1	74,179		**74,179		Units of production method based on 15 years life	13,037	**(14,036)	999		
Plant and machinery line II	4.1.1	1,263,629	***134,714	**84,900	1,313,443	Units of production method based on 20 years life	30,101	**(3,242) ***6,556	32,906	66,321	1,247,122
Vehicles		12,731			12,731	20	3,874	-	2,546	6,420	6,311
		1,350,539	134,714	159,079	1,326,174		47,012	(10,722)	36,451	72,741	1,253,433
2009		12,229,209	424,132	312,222	12,341,119		2,720,489	(13,617)	380,318	3,087,190	9,253,929

* Transferred from capital work-in-progress
** Transferred from assets subject to finance lease
*** Transferred to assets subject to finance lease

4.1.1. Plant and Machinery and Coal firing system of the Company were first revalued in the financial year ended 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 in the financial year ended June 30, 2008, by Hamid Mukhtar & Company, representatives in Pakistan for GAB Robins Group, International Loss Adjusters on the basis of market values. This valuation has created a surplus of Rs. 2,240.714 million over its written down value of Rs.7,156.572 million. The values of the factory building and plant and machinery are being depreciated over the remaining useful lives of the assets from the date of revaluations.

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

	June 30, 2010		June 30, 2009
	Cost	Net book value	Net book value
	------ (Rupees in '000') ------		
Freehold land	**31,411**	**31,411**	31,411
Factory buildings	**1,328,034**	**696,262**	754,742
Plant and Machinery-line-I	**4,105,033**	**2,111,933**	2,185,263
Plant and Machinery-line-II including leased items	**3,198,647**	**2,922,193**	2,995,268
Coal firing system	**357,802**	**233,449**	243,840
	9,020,927	**5,995,248**	6,210,524

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

	Note	2010	2009
		(Rupees in '000')	
Cost of sales	29	**376,054**	362,299
Raw material consumed	29.1.1	**11,202**	11,194
Distribution cost	30	**2,385**	3,719
Administrative expenses	31	**2,202**	3,106
		391,843	380,318

4.1.4. The cost of operating fixed assets includes fully depreciated items of Rs.64.664 million (2009: Rs.45.541 million).

4.1.5. 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') --------------------						
Photocopier machine	80	21	59	15	(44)	Negotiation	United business solutions,Karachi
Sony LCD TV 32"	71	15	56	56	-	Company policy	Mr.M.Nadeem Malik-Employee, Lahore
Motor Cycle (Honda CD-70) (KEF-3025)	63	-	63	63	-	Insurance claim	PICIC Insurance, Karachi
Suzuki Cultus-(LRL-2414)	531	478	53	425	372	Company Policy	Mr.Shahid Mohsin-Employee, Lahore
Toyota Corolla GLI (LEC-873)	969	436	533	533	-	Company Policy	Mr.Nurul Ibad-Employee, Lahore
Honda Civic VTI (LEV-903)	1,501	750	751	800	49	Negotiation	Mr.Asif Khan-Employee, Lahore
Aggregate amount of assets disposed off having book value less than Rs. 50,000/- each	3,932	3,219	713	1,946	1,233	Negotiation & Company Policy	Various
2010	**7,147**	**4,919**	**2,228**	**3,838**	**1,610**		
2009	18,430	13,618	4,812	5,397	585		

4.2. Capital work-in-progress

	Opening balance	Additions	Transferred to operating fixed assets	Closing Balance
	(Rupees in '000')			
Plant expansion				
Plant and machinery	745	3,618	446	3,917
Factory building				
Civil works	-	7,575	7,575	-
	745	**11,193**	**8,021**	**3,917**

5. LONG-TERM LOANS – secured, considered good

	Note	2010	2009
		(Rupees in '000')	
House building loan to:			
- Executives	5.1 & 5.3	**4,995**	7,926
- Employees		**586**	741
		5,581	8,667
Motorcycle loan to employees	5.2	**57**	206
		5,638	8,873
Less: Current portion	10	**5,156**	1,310
		482	7,563

5.1. House building loans are secured against retirement benefits due to executives and are repayable in 96 monthly installments. These loans carry interest @ 5 percent (2009: 5 percent) per annum. Maximum aggregate amount due from executives at the end of any month during the year was Rs.7.571 million (2009: Rs.8.867 million).

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

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

	2010	2009
	(Rupees in '000')	
Opening balance	**7,926**	9,005
Additions	**-**	240
Repayments	**(2,931)**	(1,319)
Closing balance	**4,995**	7,926

6. LONG-TERM DEPOSITS – considered good

	2010	2009
Security deposits:		
- Utilities	**35,913**	35,741
- Leasing companies	**40,940**	73,477
- Others	**1,241**	1,219
	78,094	110,437
Less: Current portion of security deposits to leasing companies	**25,014**	45,517
	53,080	64,920

	Note	2010	2009
		(Rupees in '000')	
7. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		**116,297**	159,202
Spare parts		**359,113**	334,313
Loose tools		**6,844**	6,907
		482,254	500,422
In Transit			
Spare parts		**4,156**	5,628
Coal		**446,551**	-
		932,961	506,050
8. STOCK-IN-TRADE			
Raw material	29.1	**18,700**	6,888
Packing material		**9,864**	9,588
Work in process	29	**86,901**	94,847
Finished goods	29	**16,607**	34,743
		132,072	146,066
9. TRADE DEBTS - unsecured			
Considered good	9.1	**36,851**	37,402

9.1. As at June 30, 2010, the ageing analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	Past due but not impaired					
			< 30 days	30 – 90 days	90 – 180 days	180 – 365 days	1 to 2 years	More than 2 years
	(Rupees in '000')							
2010	**36,851**	**-**	**954**	**347**	**14,511**	**113**	**16,672**	**4,254**
2009	37,402	-	31,138	448	96	-	2,943	2,777

	Note	2010	2009
		(Rupees in '000')	
10. LOANS AND ADVANCES - considered good			
Loans – secured			
Current portion of long-term loans	5	**5,156**	1,310
Advances – unsecured			
Executives		**168**	1,934
Employees		**1,263**	2,487
Banks' margin against letter of guarantee		**5,242**	-
Bank margin against letter of Credit		**35,105**	5,308
Suppliers, contractors and service providers		**6,608**	14,163
	10.1	**48,386**	23,892
		53,542	25,202

10.1. Advances are non-interest bearing and generally on terms of 6 to 12 months.

	Note	2010	2009
		(Rupees in '000')	

11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

		2010	2009
Trade deposits		**210**	200
Short-term prepayments		**150**	413
		360	613

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

12. OTHER RECEIVABLES

	Note	2010	2009
Receivable from WAPDA	12.1	**19,381**	19,381
Others		**1,464**	1
		20,845	19,382

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

13. CASH AND BANK BALANCES

	Note	2010	2009
Cash in hand		**2,118**	1,595
Cheques in hand		**24,753**	81,224
		26,871	82,819
With banks in:			
Current accounts			
- Local currency		**23,559**	71,010
- Foreign currency		**13**	13
		23,572	71,023
Deposit accounts			
- Local currency	13.1	**5,429**	5,460
		55,872	159,302

13.1. These carry profit rates ranging from 6 percent to 7.5 percent (2009: 0.75 percent to 5 percent) per annum.

14. AUTHORIZED SHARE CAPITAL

2010	2009		2010	2009
(No. of shares in '000')			(Rupees in '000')	
300,000	200,000	Ordinary shares of Rs. 10/- each	**3,000,000**	2,000,000
50,000	50,000	Preference shares of Rs. 10/- each	**500,000**	500,000
350,000	250,000		**3,500,000**	2,500,000

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010	2009		2010	2009
(No. of shares in '000')			(Rupees in '000')	
		Ordinary shares of Rs. 10/- each		
184,464	184,464	Fully paid in cash	**1,844,642**	1,844,642
23,223	-	Issued as fully paid (note 15.2)	**232,228**	-
15,068	15,068	Issued as fully paid bonus shares	**150,682**	150,682
222,755	199,532		**2,227,552**	1,995,324

15.1. Vision Holding Middle East Limited (VHMEL) held 49.085 million (2009: 49.085 million) ordinary shares of Rs.10/- each as of the balance sheet date which is 21.6 percent (2009: 24.6 percent). VHMEL, a company incorporated in British Virgin Islands, has also entered into a call-and-put option agreement with certain shareholders of the Company for further 25.28 percent of the total issued and paid up share capital of the Company valid till December 2010.

15.2. During the period, the Company has issued 23,222,813 ordinary shares to National Bank of Pakistan with a face value of Rs.10/- each under restructuring arrangement against outstanding loan liabilities at the rate of Rs15/- per share. The arrangement was approved by the share holders in their general meeting held on October 31, 2009.The premium of Rs 5/- per share has been shown under capital reserve account in the statement of changes in equity.

	Note	2010	2009
		(Rupees in '000')	
16. SURPLUS ON REVALUATION OF FIXED ASSETS – net of tax			
Gross surplus			
Opening balance of surplus on revaluation of fixed assets		**2,990,260**	3,080,979
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		**(92,707)**	(90,719)
		2,897,553	2,990,260
Less: Deferred tax liability on :			
Opening balance of revaluation		**809,371**	841,123
Incremental depreciation charged on related assets		**(32,447)**	(31,752)
	21.4	**776,924**	809,371
Closing balance of surplus on revaluation of fixed assets		**2,120,629**	2,180,889

16.1. Includes surplus on revaluation of freehold land amounting to Rs.29.325 (2009: Rs.29.325) million.

17. LONG-TERM FINANCING – Secured

	Note	2010	2009
From banking companies and other financial institutions:			
Bankers Equity Limited - under liquidation (BEL) Term Finance Certificates (TFCs)	17.1 & 27.1.11	**97,518**	97,518
Less: Current portion of Bankers Equity Limited - under liquidation (BEL) Term Finance Certificates (TFCs)	26	**97,518**	56,327
		-	41,191

17.1. The TFCs are secured by creation of an equitable mortgage and first floating charges on all the properties and assets of the Company ranking pari passu with the mortgages, floating charges and hypothecation created in 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 markup and other charges on TFCs (note 21) have been frozen and will be paid during September 2008 to June 2011. During the year, BEL has filed a suit against the Company for the recovery of all dues (note 27.1.11).

Six installments aggregating to Rs.109.019 million have not been paid, which includes principal, markup and deferred markup amounting to Rs.46.502 million, Rs.13.650 million and Rs.48.867 million respectively.

18. 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.295.121 (2009: Rs.505.326) million and are payable in equal monthly / quarterly / semi-annual installments latest by December 2012. 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 14.50 percent to 19.70 percent (2009: 14.36 percent to 20.67 percent) per annum have been used as discounting factor. The finance lease liability is as follows:

	Note	2010 Minimum Lease Payments	2010 Present Value	2009 Minimum Lease Payments	2009 Present Value
		(Rupees in '000')			
Upto one year		**159,922**	**134,711**	249,261	203,807
One year to five years		**135,199**	**120,797**	256,065	215,480
		295,121	**255,508**	505,326	419,287
Less: Finance charges allocated to future periods		**39,613**	**-**	86,039	-
		255,508	**255,508**	419,287	419,287
Less: Current maturity	26	**134,711**	**134,711**	203,807	203,807
		120,797	**120,797**	215,480	215,480

19. LONG-TERM DEPOSITS

	Note	2010	2009
		(Rupees in '000')	
From employees	19.1	**277**	277
From suppliers and distributors		**891**	791
		1,168	1,068

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

20. LONG-TERM CREDITOR – unsecured

	Note	2010	2009
Contractor	20.1	**8,731**	15,114
Less: Current portion	23.1	**6,383**	6,383
		2,348	8,731

20.1. Represents payable to contractor of the expansion project. The contractor has agreed to receive the outstanding liability in monthly installments of Rs.0.532 million per month. The said balance is interest free and has not been discounted to its present value as the financial impact thereof is not considered material by the management.

21. DEFERRED LIABILITIES

	Note	2010	2009
		(Rupees in '000')	
Deferred interest / mark up			
Bankers Equity Limited – TFCs	17.1 & 27.1.11	**103,076**	107,970
Asian Development Bank	22.1	**180,618**	158,429
Bankers Equity Limited – LMM	17.1 & 22.3 & 27.1.11	**30,401**	31,849
National Bank of Pakistan (Former NDFC)	21.1, 22.5 & 22.10	**346,526**	346,527
Industrial Development Bank of Pakistan	22.6	**44,906**	53,887
		705,527	698,662
Less: Current portion	26	**538,045**	379,431
	21.2	**167,482**	319,231
Gratuity – vested contractual workers	21.3	**33,247**	25,155
Deferred taxation	21.4	**287,035**	578,734
		487,764	923,120

21.1. It carries service fee at the rate of 2 percent (2009: 2 percent) per annum on the outstanding mark up as at June 30, 2003, payable in semi annual installments till June 30, 2013.

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

	2010	2009
	(Rupees in '000')	

21.3. Defined benefit plan

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

	2010	2009
Present value of defined benefit obligation	**39,166**	31,361
Unrecognised actuarial loss	**(5,919)**	(6,206)
Liability recognised in the balance sheet	**33,247**	25,155

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

	2010	2009
Current service cost	**4,761**	4,615
Interest cost	**4,761**	4,615
	9,522	9,230

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

	2010	2009
Balance as at July 01	**25,155**	18,409
Net charge for the year	**9,522**	9,230
	34,677	27,639
Benefits paid during the year	**(1,430)**	(2,484)
Balance as at June 30	**33,247**	25,155

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

	2010	2009
Balance as at July 01	**25,155**	18,409
Current service cost	**4,761**	4,615
Interest cost	**4,761**	4,615
Benefits paid during the year	**(1,430)**	(2,484)
Balance as at June 30	**33,247**	25,155

21.3.5. Principal actuarial assumptions used are as follows:

	2010	2009
Expected rate of increase in salary level	**8%**	13%
Valuation discount rate	**13%**	13%

21.4. Deferred taxation

	Note	2010	2009
		(Rupees in '000')	
Credit balance arising due to:			
- accelerated tax depreciation		**1,028,094**	989,897
- surplus on revaluation of fixed assets	16	**776,924**	809,371
		1,805,018	1,799,268
Debit balance arising due to:			
- available tax losses		**(1,504,550)**	(1,209,550)
- compensated absences		**(13,433)**	(10,984)
		(1,517,983)	(1,220,534)
		287,035	578,734

22. LONG-TERM LOANS – secured

	Note	Installments Number	Installments Commencing from	Installments Rate of interest / markup	2010 (Rupees in '000')	2009 (Rupees in '000')
Foreign Currency Loans						
From banking companies and other financial institutions:						
Asian Development Bank (ADB) - Japanese Yen	22.1	9 half yearly	November 15, 2006	1.3% above 6 months LIBOR	**827,850**	726,146
Asian Finance & Investment Corporation Limited (AFIC) – US Dollar	22.2	23 quarterly	March 31, 2007	2.5% above 3 months LIBOR	**278,013**	264,048
					1,105,863	990,194
Local Currency Loans						
From banking companies and other financial institutions:						
Bankers Equity Limited - Locally Manufactured Machinery (LMM)	17.1, 22.3 & 27.1.11	21 quarterly	September 30, 2004	1.26%	**105,000**	105,000
National Bank of Pakistan (NBP)	22.4, 22.10	30 quarterly	March 31, 2006	2% above 3 months KIBOR	**222,601**	286,201
National Bank of Pakistan (Former NDFC)	22.5, 22.7, & 22.10	30 quarterly	March 31, 2006	2% above 3 months KIBOR	**227,744**	227,978
Industrial Development Bank of Pakistan (IDBP)	22.6 & 22.7	25 quarterly	December 31, 2006	8.62%	**42,187**	47,461
National Bank of Pakistan (NBP)	22.8, 22.10	8 half yearly	December 2008	2.5% above 6 months KIBOR	**312,500**	500,000
The Bank of Punjab	22.9	36 monthly	July 2008	3.5% above 3 months KIBOR	**250,000**	361,111
					1,160,032	1,527,751
					2,265,895	2,517,945
Less: Current portion	26				**1,799,664**	1,430,362
					466,231	1,087,583

22.1. 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 including interest. Outstanding interest upto September 30, 1999 has been deferred and was payable in two equal half yearly installments due on November 15, 2008 and May 15, 2009 (Note 21).

Five installments including liquidated damages and other charges have not been paid aggregating to Rs 938.339 million, which includes principal, markup and deferred charges amounting to Rs.701.223 million, Rs.35.235 million and Rs.180.618 million respectively. The Company is pursuing for restructuring of loan.

22.2. The loan is secured by creation of an equitable mortgage over the Company's immovable assets, undertaking by the Company to execute and register further security as may be required by AFIC and a letter of hypothecation providing first charge over the Company's moveable assets other than book debts. In the event of delay in payments, the Company shall pay additional interest at the rate of 1 percent of the overdue amount including interest and liquidated damages.

Nine installments including liquidated damages and other charges have not been paid aggregating to Rs.147.609 million, which includes principal and markup amounting to Rs.134.548 million and Rs.11.643 million respectively. The Company is pursuing for restructuring of loan.

22.3. 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. Further, the Company shall pay additional mark up at the rate of 12 percent per annum of the overdue amount with a grace period of 30 days. The construction period mark up and other charges have been frozen and is payable from September 2008 to June 2011 (note 21 & 27.1.11).

Six installments aggregating to Rs.79.435 million have not been paid, which includes principal, markup and deferred markup amounting to Rs.49.927, Rs.14.453 million and Rs.15.055 million respectively.

22.4. The loan is secured by an agreement of hypothecation, floating charge and personal guarantees of the sponsoring directors of the Company.

22.5. 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.

22.6. As a result of restructuring of loan liability with IDBP, the frozen markup upto June 30, 2001 was deferred and was to be paid in quarterly installments commenced from June 30, 2009. Further, in case of default in any payment, a penalty at the rate of 0.60 Rupee per Rupees thousand per day shall be charged on the defaulted amount for the period for which it remains unpaid.

Two installments have not been paid aggregating to Rs.15.857 million, which includes principal, markup and deferred markup amounting to Rs.5.273 million, Rs.1.603 million and Rs.8.981 million respectively The Company is negotiating for rescheduling of the loan.

22.7. 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.

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

22.9. 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 (Ex-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.

Five installments have not been paid aggregating to Rs. 87.001 million, which includes principal and markup amounting to Rs.69.444 million and Rs.17.557 million respectively. The restructuring of the liability is in advance stage and since July 2010 the Company has started repayment under agreed schedule. Accordingly, the effects of restructuring are not accounted for in these financial statements.

22.10 The Company is in process of finalization of restructuring of their long-term loan with NBP and has issued 23,222,813 ordinary shares (note 15.2) at Rs.15/- each. Further, 3,006,187 ordinary shares at Rs.15/- each are yet to be issued.

In addition, the Company is in process of issuance of preference shares amounting to Rs.757 million approximately at par (Rs.10/- per share) as stated in note 1.4.

23. TRADE AND OTHER PAYABLES

	Note	2010 (Rupees in '000')	2009 (Rupees in '000')
Creditors	23.1	**381,054**	359,615
Accrued expenses		**104,212**	63,360
Advances from customers		**284,286**	67,233
Retention money payable		**8,315**	11,983
Payable to provident fund		**-**	5,470
Payable to staff gratuity fund		**-**	2,270
Deposits		**12,999**	8,605
Excise duty payable on cement		**84,240**	74,436
Royalty and excise duty on minerals		**8,441**	4,356
Withholding tax		**716**	750
Employees compensated absences		**16,596**	14,838
Worker profit participation fund		**-**	9,371
Worker welfare fund		**-**	3,749
Unclaimed dividend		**3,077**	3,096
		903,936	629,132

23.1. These are non-interest bearing and generally are of 30 to 90 days term. The amount includes current portion of long-term creditor (note 20).

24. SHORT-TERM MURABAHA - secured

The Murabaha finance facility was taken from Meezan Bank Ltd originally on November 02, 2009 for the amount of Rs.160 million and it was valid upto June 30, 2010. On April 30, 2010 a new Spot Murabaha facility was taken for the amount of Rs.550 million to finance the import of coal. This facility is valid until maturity of all the sub-murabahas/financings disbursed upto December 31, 2010 under this limit. The profit (Markup) rate for this facility is 3 months KIBOR + 1.25%. Under the facility 15% cash margin held for the duration of LC will be used to retire the LC, while the bank will finance 85% of the LC amount at retirement.

25. SHORT-TERM FINANCES

	Note	2010	2009
		(Rupees in '000')	
National Bank of Pakistan – FE 25	25.1	**201,851**	299,982
National Bank of Pakistan – Demand finance (Letter of credits)	25.1	**-**	224,947
National Bank of Pakistan – Cash finance account	25.1	**298,499**	-
United Bank Limited – RF account	25.2	**170,502**	-
		670,852	524,929

25.1. During the year the cash finance limit of Rs. 300 million was enhanced to Rs. 500 million and sub limit under FE-25 was discontinued. The outstanding balances against FE-25 and demand finance against letter of credit were merged to a new cash finance facility of Rs.500 million. Any balance over and above Rs.500 million against FE-25 and demand finance against letter of credit was settled by the Company. The facility carries markup ranging between the rate of 3 months KIBOR plus 0.5 percent to 1.5 percent. The facility is secured against first joint pari passu charge over current and fixed asset of the Company at the margin of 25 percent and personal guarantees of sponsoring directors. The facility expires on December 31, 2010 and is renewable.

25.2. Represents short term cash finance facility up to Rs.200 million obtained from United Bank Limited. The facility carries markup at the rate of 1 month KIBOR plus 0.75 percent which shall be determined on daily product basis payable to the bank at the end of each quarter. The facility is secured against a stand by letter of credit.

26. CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2010	2009
		(Rupees in '000')	
Long-term financing	17	**97,518**	56,327
Long-term loans	22	**1,799,664**	1,430,362
Liabilities against assets subject to finance lease	18	**134,711**	203,807
Deferred liabilities	21	**538,045**	379,431
		2,569,938	2,069,927

27. CONTINGENCIES AND COMMITMENTS

27.1. Contingencies

27.1.1. The issue pertaining to interpretation of sub-section (2) of section 4 of the Central Excise Act, 1944 (the "1944 Act") has been adjudicated by the Honorable Supreme Court of Pakistan vide judgment dated 15-02-2007 (the "Supreme Court Judgment") in appeal nos. 1388 and 1389 of 2002, 410 to 418 of 2005, 266, 267 & 395 of 2005 (the "Appeal"). By way of background it is pointed out that the controversy between the revenue and the assesees pertained to whether in view of the words of sub-section (2) of section 4 of the 1944 Act "duty shall be charged on the retail price fixed by the manufacturer, inclusive of all charges and taxes, other than sales tax..." retail prices would include the excise duty leviable on the goods. The Honorable Lahore High Court as well as the 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 ended June 30, 2008, the Company had filed a refund claim amounting to a sum of Rs.734.056 million before Collector, sales tax and federal excise duty, Government of Pakistan (the Department). During the year, the aforesaid refund claim has been rejected by the department, however, the Company has filed an appeal before Commissioner (Appeals) Inland Revenue, Lahore which is pending. Hence, presently the same has not been accounted for in the books of account of the Company.

27.1.2. The Federal Board of Revenue had raised a demand of Rs.8.842 million for stamp duty on agreements signed with financial institutions. The Company had filed a petition as a result of which the demand was reduced to Rs. 4.412 million by the Federal Board of Revenue. The Company filed a petition against the above decision in the High Court of Sindh which was allowed. The Federal 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.

27.1.3. Demands of sales tax including additional tax and penalty on lime stone and clay amounting to Rs.16.465 million, Rs.4.518 million and Rs.8.292 million were raised by the Sales Tax Department. The case for Rs.16.465 million has been remanded back to the 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. The management anticipates a favorable outcome of this petition; hence, no provision has been made against the above demand in these financial statements.

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

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

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

27.1.7. The Company has challenged 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 these financial statements. The management anticipates a favorable outcome of this petition.

27.1.8. During the year, the Company has challenged The Federal Board of Revenue in Lahore High Court regarding the application of advance tax payable of Rs.4.9 million under section 235 of the Income Tax Ordinance, 2001, particularly as amended by Finance Act 2008, is confiscatory, hence ultra vires to the Constitution. The Honorable High Court through an order dated 18 June 2009 instructed the respondent not to insist upon the payment of Rs.4.9 million of the income tax along with the electricity bill of the Company till the next date of hearing. On December 22, 2009 the Honorable High Court has decided the case against the Company; however, the Company has filed another writ petition no. 515/2010 against the recovery of aforesaid advance income tax. The Honorable Lahore High Court then passed an order that the tax demand through electricity bill upto June 2009 is unlawful, but tax may be collected from the Company for the current tax year amounting to Rs.34.07 million. The Company again filed writ petition no. 5707/2010 on March 26, 2010 for exemption regarding collection of tax for the period from July 2009 to December 2009, pleading that Company has already paid the advance tax for the same period and there being no other tax liability towards the Company, the collection of excess advance tax from the Department should not be made. The Court ordered the Federal Board of Revenue to file a detailed response on the application of the Company. The management is confident that the decision of the Court would be in favor of the Company.

27.1.9. The Company has not acknowledged the claim of Industrial Engineering amounting to Rs.22 million in respect of services received at the time of construction of Line II. The Company refused to acknowledge this claim due to non-completion of work as agreed.

27.1.10. On August 31, 2009, the Competition Commission of Pakistan (CCP) imposed a penalty on the Company via an order dated August 27, 2009 amounting to Rs. 364 million, which is 7.5% of the turnover as reported in the last published financial statements. CCP has also imposed penalties on 19 other cement manufacturing companies against cartelization by cement manufacturers under the platform of All Pakistan Cement Manufacturers Association (APCMA) to increase cement prices by artificially restricting production.

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

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

27.1.11. On March 1, 2010, Bankers Equity Limited (BEL), on the basis of the order of Honorable Sindh High Court (the Court) dated February 17, 2010, has withdrawn the rescheduling / restructuring allowed to the Company as approved by the Court vide its order dated March 3, 2010 on account of non-payment of loan installments. The Company has filed an application on March 26, 2010 against the above order in the Court, explaining the unavoidable circumstances beyond the control of the Company which led to the default i.e. distress position of the cement industry due to global turmoil resulting in tight liquidity position of the Company.

BEL filed suit no. B-62/2010 in the Court on May 3, 2010 against the Company in which it has prayed for a final mortgage decree for sale of land of the Company situated at Chinki Shumaili, Tehsil and District Khushab, together with all buildings, plant and machinery thereon, and payment of sale proceeds towards satisfaction of BEL's claim in the suit aggregating to Rs.381.573 million, which include Rs.12.887 million and Rs.3.930 million in respect of cushion period penalty and future additional markup respectively, along with liquidated damages amounting to Rs. 76.315 million. In response to the aforesaid case, the Company filed an application for leave to defend the aforesaid suit in the Court on August 06, 2010 and claimed Rs. 1,215 million as compensation in respect of various losses sustained due to delayed disbursement of funds by BEL and loss of reputation

The aforementioned cushion period penalty, future additional markup and liquidated damages have not been recorded in these financial statements as the Company's legal counsel is of the view that there is no likelihood of any liability accruing on the Company.

27.2. Commitments

27.2.1. Commitments in respect of outstanding letters of credit amounting to Rs.221.227 million (2009: Rs.14.148 million) and in respect of bank guarantee issued in favor of Faisalabad Electric Supply Corporation amounting to Rs.26.702 million (2009: Nil).

	Note	2010	2009
		(Rupees in '000')	
28. GROSS TURNOVER			
Local		**4,649,275**	5,638,351
Export		**679,948**	1,042,408
		5,329,223	6,680,759
29. COST OF SALES			
Raw material consumed	29.1	**263,372**	220,209
Packing material consumed		**389,453**	322,517
Fuel and power		**2,439,570**	2,428,120
Stores and spare parts consumed		**163,565**	156,177
Salaries, wages and benefits	29.2	**204,443**	195,060
Travelling and conveyance		**26,114**	27,318
Insurance		**10,120**	10,236
Repairs and maintenance		**42,318**	37,935
Communication		**1,815**	2,324
Depreciation	4.1.3	**376,054**	362,299
Other manufacturing expenses		**10,908**	9,734
		3,664,360	3,551,720
Total cost		**3,927,732**	3,771,929
Work in process			
Opening balance		**94,847**	13,068
Closing balance	8	**(86,901)**	(94,847)
		7,946	(81,779)
Cost of goods manufactured		**3,935,678**	3,690,150
Finished goods			
Opening balance		**34,743**	11,936
Closing balance	8	**(16,607)**	(34,743)
		18,136	(22,807)
		3,953,814	3,667,343

	Note	2010	2009
		(Rupees in '000')	

29.1. Raw material consumed

	Note	2010	2009
Opening balance		**6,888**	7,936
Quarrying / transportation / purchases and other overheads	29.1.1	**278,243**	220,691
		285,131	228,627
Closing balance	8	**(18,700)**	(6,888)
		266,431	221,739
Duty drawback on exports		**(3,059)**	(1,530)
		263,372	220,209

29.1.1. Includes depreciation amounting to Rs.11.202 million (2009: Rs.11.194 million) [note 4.1.3].

29.2. Includes employees' benefits as follows:

	2010	2009
Defined contribution plan	**2,942**	4,352
Defined benefit plan	**9,522**	22,330
Compensated absences	**3,443**	3,912
	15,907	30,594

30. DISTRIBUTION COST

	Note	2010	2009
Salaries, wages and benefits	30.1	**22,730**	31,425
Travelling and conveyance		**378**	722
Vehicle running expenses		**2,101**	3,474
Communication		**1,513**	2,335
Printing and stationery		**586**	1,454
Rent, rates and taxes		**1,803**	1,789
Utilities		**1,272**	1,457
Repairs and maintenance		**792**	1,597
Legal and professional charges		**5,921**	5,038
Insurance		**490**	830
Fee and subscription		**433**	1,661
Advertisements / sales promotion		**1,727**	2,137
Freight and handling charges	30.2	**116,138**	301,599
Entertainment		**573**	738
Depreciation	4.1.3	**2,385**	3,719
		158,842	359,975

30.1. Includes employees' benefits as follows:

	2010	2009
Defined contribution plan	**833**	1,377
Defined benefit plan	**-**	5,063
Compensated absences	**1,145**	322
	1,978	6,762

30.2. Represents freight and handling charges against export sales.

31. ADMINISTRATIVE EXPENSES

	Note	2010	2009
		(Rupees in '000')	
Salaries, wages and benefits	31.1	**52,048**	69,126
Travelling and conveyance		**1,807**	2,095
Vehicle running expenses		**3,551**	4,150
Communication		**1,696**	2,232
Printing and stationery		**1,352**	1,528
Rent, rates and taxes		**959**	1,846
Utilities		**3,574**	3,809
Repairs and maintenance		**1,737**	1,667
Legal and professional charges		**3,081**	1,835
Insurance		**428**	799
Auditors' remuneration	31.2	**2,695**	3,381
Fee and subscription		**3,081**	548
Depreciation	4.1.3	**2,202**	3,106
Entertainment		**539**	707
Others		**85**	825
		78,835	97,654

31.1. Includes employees' benefits as follows:

Defined contribution plan	**1,580**	3,300
Defined benefit plan	**-**	11,397
Compensated absences	**1,618**	1,446
	3,198	16,143

31.2. Auditors' remuneration

Annual audit fee	**1,000**	1,000
Fee for half yearly review	**400**	400
Special certifications and other advisory services	**1,100**	1,745
Out of pocket expenses	**195**	236
	2,695	3,381

32. OTHER OPERATING INCOME

Profit on bank deposits		**2,416**	196
Interest on long-term loans		**24**	271
Scrap sales		**5,367**	24,516
Gain on disposal of fixed assets	4.1.5	**1,610**	585
Reversal of WWF provision		**3,749**	-
Others		**7,119**	2,479
		20,285	28,047

33. FINANCE COST

Mark-up on:		
Long-term financing	**6,657**	12,999
Long-term loans - local currency	**200,728**	280,364
Lease financing	**48,741**	50,441
	256,126	343,804
Profit on Murabaha financing	**14,464**	17,986
Interest on:		
Long-term loans foreign currency	**41,697**	37,790
Worker's profit participation fund	**1,055**	-
Short-term finance	**64,052**	37,184
	106,804	74,974
Fee, charges and commission		
Service charges	**6,931**	7,872
Bank charges	**3,333**	6,611
Arrangement Fee	**5,000**	-
Others	**-**	218
	15,264	14,701
	392,658	451,465

	Note	2010	2009
		(Rupees in '000')	
34. OTHER OPERATING EXPENSES			
Exchange losses – net		**167,499**	263,477
Donations	34.1	**57**	807
Worker profit participation fund		**-**	9,371
Worker welfare fund		**-**	3,749
Bad debts written off		**733**	-
Others		**-**	135
		168,289	277,539

34.1. No directors or their spouses have any interest in any donee to whom donations were made.

35. TAXATION

	Note	2010	2009
Current	35.1	**(23,073)**	(10,108)
Prior year		**(233)**	-
Deferred		**291,700**	(128,084)
		268,394	(138,192)

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

36. (LOSS) / EARNING PER SHARE - Basic and diluted

There is no dilutive effect on the basic earning / (loss) per share of the Company, which is based on:

	2010	2009
(Loss) / profit after taxation (Rupees in '000')	**(590,925)**	36,114
Weighted average number of ordinary shares in issue (in '000')	**206,149**	199,532
(Loss) / earning per share – Basic and diluted (Rupee)	**(2.87)**	0.18

37. TRANSACTIONS WITH RELATED PARTIES

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

	2010	2009
	(Rupees in '000')	
Entities having directors in common with the Company		
First Dawood Investment Bank		
Repayment of lease financing	**15,735**	14,225
Finance cost	**25,645**	19,642
BRR International Modaraba		
Repayment of lease financing	**5,635**	9,673
Finance cost paid	**477**	3,286
Guardian Modaraba		
Repayment of lease financing	**9,715**	8,586
Finance cost paid	**1,018**	3,332
Staff retirement contribution plan		
Contribution to staff provident fund	**5,355**	9,029
Contribution to staff gratuity fund	**-**	38,790

37.1. 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 39 to the financial statements.

37.2. The related party status of outstanding receivables and payables as at June 30, 2010 are disclosed in respective notes to the financial statements.

38. FINANCIAL RISKS AND MANAGEMENT OBJECTIVES

38.1. Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business sustain future development of the business and maximize shareholders value. The Company closely monitors the return on capital along with the level of distributions to ordinary shareholders. No changes were made in the objectives, policies or processes during the year ended June 30, 2010.

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

The Company monitors capital using a debt equity ratio, which is net debt divided by total capital plus net debt. Equity comprises of share capital, capital and revenue reserves. During the year, the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2010 and 2009 were as follows:

	2010	2009
	(Rupees in '000)	
Long-term financing	-	41,191
Liabilities against assets subject to finance lease	**120,797**	215,480
Long term creditor	**2,348**	8,731
Deferred liabilities	**200,729**	344,386
Long term loans	**466,231**	1,087,583
Trade and other payables	**903,936**	629,132
Accrued interest / mark-up	**342,892**	226,748
Short-term Murabaha	**399,109**	-
Short-term Finances	**670,852**	524,929
Current portion of non-current liabilities	**2,569,938**	2,069,927
Total debt	**5,676,832**	5,148,107
Less: Cash and bank balances	**55,872**	78,078
Net debt	**5,620,960**	5,070,029
Total Equity	**2,218,218**	2,400,541
Total Capital	**7,839,178**	7,470,570
Gearing ratio	**71.70%**	67.87%

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. The management of the Company continuing with operational and infrastructure rehabilitation program with the objective of converting the Company into profitable entity and has taken financial measures to support such rehabilitation program. In order to improve liquidity and profitability of the Company, the management is planning to take certain appropriate steps such as increase sales through export of cement to neighbouring countries and curtailing financing cost by means of converting loans into equity. (also see note 1.4)

38.2. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments. The Company is exposed to interest rate risk, liquidity risk and credit risk. The sensitivity analyses in the following sections relate to the position as at June 30, 2010 and 2009.

38.3. Liquidity risk

Liquidity risk reflects the Company's inability of raising funds to meet commitments. The Company's management closely monitors the Company's liquidity and cash flow position and foresees that the negative working capital position will become favorable during the next year due to increase in retention price which will result in positive cash flows from operations. Further, the management is also in the process of evaluating other options such as restructuring and rescheduling of financing by converting long term loans into equity as stated in note 1.4.

The table below summarizes the maturity profile of the Company's financial liabilities at June 30, 2010 based on contractual undiscounted payment dates and present market interest rates:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	----	----	----	Rupees in '000	----	----
June 30, 2010						
Long-term financing	56,327	9,825	31,366	-	-	**97,518**
Liabilities against assets subject to finance lease	-	70,019	64,692	120,797	-	**255,508**
Long-term deposits	-	-	-	1,168	-	**1,168**
Long-term creditor	-	-	-	2,348	-	**2,348**
Deferred liabilities	419,545	17,869	133,879	167,482	-	**738,775**
Long-term loans	1,157,374	95,923	546,367	466,231	-	**2,265,895**
Trade and other payables	104,789	769,553	29,595	-	-	**903,936**
Accrued mark-up	-	342,892	-	-	-	**342,892**
Short-term finances	-	670,852	-	-	-	**670,852**
Short-term Murabaha	-	-	399,109	-	-	**399,109**
	1,738,034	**1,976,933**	**1,205,008**	**758,026**	**-**	**5,678,001**

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	----	----	----	Rupees in '000	----	----
June 30, 2009						
Long-term financing	20,667	8,005	27,655	41,191	-	97,518
Liabilities against assets subject to finance lease	-	68,227	135,580	215,480	-	419,287
Long-term deposits	-	-	-	1,068	-	1,068
Long-term creditor	-	-	-	8,731	-	8,731
Deferred liabilities	235,907	15,390	128,134	344,386	-	723,817
Long-term loans	706,750	92,914	630,768	1,087,513	-	2,517,945
Trade and other payables	-	207,331	421,801	-	-	629,132
Accrued mark-up	-	226,748	-	-	-	226,748
Short-term finances	-	524,929	-	-	-	524,929
	963,324	**1,143,544**	**1,343,938**	**1,698,369**	**-**	**5,149,175**

38.4. Yield / Mark-up rate risk

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

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

38.5. Interest rate sensitivity

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

	Increase / decrease in basis points	Effect on profit/(loss) before tax Rupees in '000'
2010		
Pak Rupee	**+50**	**(14,684)**
Pak Rupee	**-50**	**14,684**
2009		
Pak Rupee	+50	(15,702)
Pak Rupee	-50	15,702

38.6. Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company is mainly exposed to credit risk on trade debts, loans and advances and other receivables aggregating to Rs.106.082 million (2009: Rs.80.616 million). The Company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy.

38.7. Foreign exchange risk management

Foreign currency risk arises mainly where balances exist due to the transactions with foreign undertakings. The Company is exposed to foreign exchange risk with respect to foreign currency loans payable amounting to Rs.1,105.863 million (2009: Rs.990.194 million) as disclosed in note 22 to these financial statements and interest payable on foreign currency loans amounting to Rs.256.981 million (2009: Rs.189.849 million). The management has assessed that hedging its foreign currency borrowings will be more expensive than self assuming the risk. This risk management strategy is reviewed each year on the basis of market conditions.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollars, Japanese Yens exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and equity at June 30, 2010.

	2010		2009	
	US Dollars '000	Japanese Yens '000	US Dollars '000	Japanese Yens '000
Foreign currency denominated monetary assets	-	-	36	-
Foreign currency denominated monetary liabilities	**3,429**	**1,106,712**	3,426	887,148

	Increase / decrease in US Dollars to Pak Rupee	Increase / decrease in Japanese Yen to Pak Rupee	Effect on profit / (loss) before tax (Rs. in '000)
2010	**+5%**	**+5%**	**(55,507)**
	-5%	**-5%**	**55,507**
2009	+5%	+5%	44,527
	-5%	-5%	(44,527)

38.8. Equity price risk

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

38.9. Fair value of financial instruments

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

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

39. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	Chief Executive		Executives	
	2010	**2009**	**2010**	**2009**
Total number	**1**	1	**20**	17
	(Rupees in '000')			
Basic salary	**3,563**	4,784	**20,845**	19,764
Contribution to provident fund trust	**84**	478	**1,393**	1,979
Contribution to gratuity	**-**	1,182	**-**	4,350
Allowances & benefits:				
- House rent	**1,603**	2,153	**9,380**	8,894
- Utilities	**1,797**	1,673	**1,864**	1,755
- Cost of living allowance	**-**	-	**42**	38
- Medical	**1,024**	892	**2,754**	2,846
- Consolidated allowances	**820**	1,056	**7,071**	6,743
	8,891	12,218	**43,349**	46,369

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.

	2010	2009
	(Rupees in '000')	

40. CASH (USED IN) / GENERATED FROM OPERATIONS

	2010	2009
(Loss) / profit before taxation	**(859,319)**	174,306
Adjustments for non cash and other items:		
Depreciation	**391,843**	380,318
Provision for compensated absences and gratuity	**15,728**	5,678
Finance cost	**392,658**	451,466
Profit on disposal of property, plant and equipment	**(1,610)**	(585)
Workers' Profits Participation Fund	**-**	9,371
Workers' Welfare Fund	**(3,749)**	3,749
Unclaimed balances written back	**-**	(1,770)
Reversal of provision over and above actual expense	**(1,617)**	-
Bad debts written off	**733**	-
Exchange losses – unrealized	**156,167**	256,282
	950,153	1,104,509
Cash flows before working capital changes	**90,834**	1,278,815
Movement in working capital		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	**(426,911)**	(78,040)
Stock-in-trade	**13,994**	(77,376)
Trade debts	**(182)**	2,722
Loans and advances	**(28,340)**	35,540
Deposits and prepayments	**253**	(187)
Other receivables	**(1,463)**	245
	(442,649)	(117,096)
Increase / (decrease) in current liabilities:		
Trade and other payables	**280,828**	(212,277)
Sales tax payable	**(16,783)**	31,131
	264,044	(181,146)
	(178,604)	(298,242)
	(87,770)	980,573

41. PRODUCTION CAPACITY

	2010 Mt. Tons	2009 Mt. Tons
Rated capacity - clinker		
- Line I (after optimization)	**705,000**	705,000
- Line II	**1,290,000**	1,290,000
	1,995,000	1,995,000
Actual production – clinker		
- Line I	**469,240**	493,426
- Line II	**693,990**	651,668
	1,163,230	1,145,094

The Company has not utilised its full production capacity due to certain plant modifications and decline in prices as well as demand due to recessionary condition.

	2010 Mt. Tons	2009 Mt. Tons
Sales – cement		
- Local	**1,081,500**	922,510
- Export	**191,624**	104,235
- Export clinker	**440**	139,350
	1,273,564	1,166,095

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 28, 2010 by the Board of Directors of the Company.

43. GENERAL

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

Rafique Dawood **Director**	**Rafique Dawood** **Director**

Pattern of Shareholding
as at June 30, 2010

NUMBER OF SHAREHOLDERS	NUMBER OF SHARES		TOTAL SHARES HELD	PERCENTAGE
	FROM	TO		
1805	1	100	57,830	0.03
2077	101	500	524,630	0.24
1613	501	1000	1,182,504	0.53
1722	1001	5000	3,728,739	1.67
302	5001	10000	2,209,760	0.99
107	10001	15000	1,322,218	0.59
44	15001	20000	774,425	0.35
30	20001	25000	662,159	0.30
27	25001	30000	753,902	0.34
13	30001	35000	425,524	0.19
12	35001	40000	454,369	0.20
6	40001	45000	257,736	0.12
8	45001	50000	388,056	0.17
5	50001	55000	255,090	0.11
7	55001	60000	407,982	0.18
2	60001	65000	128,748	0.06
5	65001	70000	340,554	0.15
4	70001	75000	293,084	0.13
6	75001	80000	469,032	0.21
3	80001	85000	243,209	0.11
2	85001	90000	171,930	0.08
4	90001	95000	370,410	0.17
7	95001	100000	688,080	0.31
4	100001	105000	406,717	0.18
1	105001	110000	108,599	0.05
2	110001	115000	225,549	0.10
1	120001	125000	123,500	0.06
1	130001	135000	131,952	0.06
1	140001	145000	143,235	0.06
1	145001	150000	150,000	0.07
2	155001	160000	313,108	0.14
1	165001	170000	170,000	0.08
1	190001	195000	192,368	0.09
2	195001	200000	400,000	0.18
1	210001	215000	211,682	0.10
1	270001	275000	272,088	0.12
1	285001	290000	286,755	0.13
1	300001	305000	300,035	0.13
1	320001	325000	322,353	0.14
1	350001	355000	354,911	0.16
1	355001	360000	356,002	0.16
1	525001	530000	528,732	0.24
1	550001	555000	554,635	0.25
3	575001	580000	1,728,597	0.78
1	620001	625000	620,500	0.28
2	740001	745000	1,489,000	0.67
1	750001	755000	752,764	0.34
1	765001	770000	769,027	0.35
1	770001	775000	774,000	0.35
1	1035001	1040000	1,040,000	0.47
1	1170001	1175000	1,175,000	0.53
1	1285001	1290000	1,286,444	0.58
1	1300001	1305000	1,304,000	0.59
1	2110001	2115000	2,113,935	0.95
1	2585001	2590000	2,587,640	1.16
1	3495001	3500000	3,500,000	1.57
1	3825001	3830000	3,826,151	1.72
1	6005001	6010000	6,010,000	2.70
1	7955001	7960000	7,959,707	3.57
1	8530001	8535000	8,531,583	3.83
1	8980001	8985000	8,981,643	4.03
1	9485001	9490000	9,486,000	4.26
1	11745001	11750000	11,747,149	5.27
1	13870001	13875000	13,871,633	6.23
1	23220001	23225000	23,222,813	10.43
1	39230001	39235000	39,230,453	17.61
1	49080001	49085000	49,084,872	22.04
7864			**222,755,103**	**100.00**

Categories of Shareholders Shares Held Percentage

CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors, Chief Executive Officer, and their spouse and minor children	41,910,828	18.81
Associated Companies, undertakings and related parties	3,826,151	1.72
NIT	1,319,189	0.59
ICP	40,200	0.02
Banks Development Financial Inst. Non Banking Financial Institutions	46,569,465	20.91
Insurance Companies	115,888	0.05
Modarabas and Mutual Funds	143,349	0.06
Share holders holding 10%		
Malik Manzoor Hayat Noon	39,230,453	17.61
Vision Holdings Middle East Ltd.	49,084,872	22.04
National Bank of Pakistan	24,520,572	11.01
General Public		
a: Local	31,852,324	14.30
b: Foreign	72,543	0.03
OTHERS Joint Stock Companies / Cooperative Societies / Trusts / Govt. Institutions	47,820,294	21.47

Form of Proxy

Registered Folio No./
CDC Account No.________________

I/We ____

of ____

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

____

Name

of ____

Address

or failing him ____

Name

of ____

Address

(also being a member of the company) as my/our proxy to attend, act and vote for me/us and on my/our behalf, of the 24th Annual General Meeting of the Company to be held on Saturday, October 30, 2010 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 __________ 2010

____

Signature of Shareholder

Revenue
Stamp

Witness 1

Signature ________________________

Name ________________________

Address ________________________

____

CNIC ________________________

Witness 2

Signature ________________________

Name ________________________

Address ________________________

____

CNIC ________________________

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

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

AFFIX
CORRECT
POSTAGE

The Company Secretary
PIONEER CEMENT LIMITED
66, Garden Block, New Garden Town,
Lahore.
Phone: (042) 35831 462-63

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

January 26, 2000

Circular No. 1 of 2000

Sub: **GUIDELINES FOR ATTENDING GENERAL MEETINGS AND APPOINTMENT OF PROXIES**

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

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

(1) The company shall obtain list of beneficial owners from the CDC as per Regulation # 12.3.5 of the CDC Regulations.

(2) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are up-loaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.

(3) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced of the time of the meeting.

B. Appointment of Proxies

(1) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per requirement notified by the company.

(2) The proxy form shall be witnessed by the two persons whose names, addresses and NIC numbers shall be mentioned on the form.

(3) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(4) The proxy shall produce his original NIC or original passport at the time of the meeting.

(5) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted alongwith proxy form to the company.