

PIONEER CEMENT LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2005
(UN-AUDITED)

	Note	December 2005 (Rupees in '000') (Unaudited)	June 2005 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	7,181,041	6,381,731
Long term loans		6,120	6,718
Long term deposits	5	84,218	36,783
		<u>7,271,379</u>	<u>6,425,232</u>
CURRENT ASSETS			
Stores, spares and loose tools	6	462,677	287,119
Stock-in-trade		67,387	56,825
Trade debts - unsecured, considered good		17,747	18,944
Loans and advances		33,391	61,652
Deposits and prepayments		4,203	1,835
Other receivables		3,695	6,533
Taxation – net		14,295	12,246
Cash and bank balances		43,030	17,529
		<u>646,425</u>	<u>462,683</u>
TOTAL ASSETS		<u><u>7,917,804</u></u>	<u><u>6,887,915</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital		<u>2,500,000</u>	<u>2,500,000</u>
Issued, subscribed and paid-up capital		1,624,839	1,547,466
Reserves		<u>398,726</u>	<u>73,643</u>
		2,023,565	1,621,109
SURPLUS ON REVALUATION OF FIXED ASSETS		614,936	629,314
NON-CURRENT LIABILITIES			
Redeemable capital		151,033	171,403
Long term loans	7	1,992,769	1,973,151
Long term musharika finance		50,000	50,000
Liabilities against assets subject to finance lease	8	401,277	274,644
Long term deposits		5,628	6,647
Deferred liabilities		936,744	975,490
Deferred tax liability	9	<u>302,159</u>	<u>196,618</u>
		3,839,610	3,647,953
CURRENT LIABILITIES			
Creditors against expansion project		328,700	488,772
Trade and other payables		376,012	289,668
Interest / mark up accrued		137,714	75,960
Short term borrowings	10	306,000	20,000
Current portion of redeemable capital		27,630	19,600
Current portion of long term loans		198,063	63,695
Current portion of liabilities against assets subject to finance lease		62,531	13,114
Sales tax payable		<u>3,043</u>	<u>18,730</u>
		1,110,993	500,767
		1,439,693	989,539
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		<u><u>7,917,804</u></u>	<u><u>6,887,915</u></u>

The annexed notes form an integral part of these financial statements.

JAVED ALI KHAN
CHIEF EXECUTIVE

MANZOOR HAYAT NOON
CHAIRMAN

PIONEER CEMENT LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED DECEMBER 31, 2005
(UN-AUDITED)

	Note	Half year ended		Quarter ended	
		December 2005	December 2004	December 2005	December 2004
----- (Rupees in '000') -----					
Gross turnover		1,889,050	1,220,989	895,728	587,115
Less:					
Excise duty		234,647	195,302	111,594	92,526
Sales tax		210,922	145,575	101,699	69,617
Commission		12,769	9,775	5,575	4,733
		<u>458,338</u>	<u>350,652</u>	<u>218,868</u>	<u>166,876</u>
Net turnover		<u>1,430,712</u>	<u>870,337</u>	<u>676,860</u>	<u>420,239</u>
Cost of sales	12	834,406	591,612	389,190	280,056
Gross profit		<u>596,306</u>	<u>278,725</u>	<u>287,670</u>	<u>140,183</u>
Distribution cost		38,112	16,718	17,276	7,786
Administrative expenses		33,843	26,342	17,917	12,901
		71,955	43,060	35,193	20,687
Other operating income	13	(81,703)	(2,099)	(49,484)	(1,900)
		<u>606,054</u>	<u>237,764</u>	<u>301,961</u>	<u>121,396</u>
Finance cost		79,426	57,105	42,001	27,734
Other charges		24,484	17,726	11,116	12,502
		<u>103,910</u>	<u>74,831</u>	<u>53,117</u>	<u>40,236</u>
Profit before taxation		<u>502,144</u>	<u>162,933</u>	<u>248,844</u>	<u>81,160</u>
Taxation		114,066	1,974	62,025	30,146
Profit after taxation		<u>388,078</u>	<u>160,959</u>	<u>186,819</u>	<u>51,014</u>
----- (Rupees) -----					
Basic earning per share (prior period restated)		<u>2.39</u>	<u>1.07</u>	<u>1.15</u>	<u>0.33</u>
Diluted earning per share (prior period restated)		<u>2.32</u>	<u>0.97</u>	<u>1.12</u>	<u>0.31</u>

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MANZOOR HAYAT NOON
CHAIRMAN

PIONEER CEMENT LIMITED
CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED DECEMBER 31, 2005
(UN-AUDITED)

Note	December 2005	December 2004
	(Rupees in '000')	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	502,144	162,933
Adjustments for non cash and other items:		
Depreciation	148,464	106,079
Reversal of un realized loss on fair value of derivative	(30,715)	-
Realized gain on settlement of derivative	(38,250)	-
Provision for gratuity	7,214	5,038
Finance cost	79,426	57,104
(Profit)/ loss on disposal of fixed assets	(53)	610
Workers' Profit Participation Fund	24,415	8,575
Exchange (profit)/loss	(9,308)	8,542
	<u>181,193</u>	<u>185,948</u>
Cash flow before working capital changes	683,337	348,881
Movement in working capital		
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(175,557)	(39,061)
Stock-in-trade	(10,562)	(65,169)
Trade debts	1,197	(3,522)
Loans and advances	28,261	(26,771)
Deposits and prepayments	(2,368)	(1,983)
Other receivables	2,839	(6,818)
	<u>(156,190)</u>	<u>(143,324)</u>
(Decrease)/increase in current liabilities:		
Creditors against expansion project	(157,098)	-
Trade and other payables	91,865	98,503
Sales tax payable	(15,687)	(3,184)
	<u>(80,920)</u>	<u>95,319</u>
	<u>(237,110)</u>	<u>(48,005)</u>
Cash generated from operations	446,227	300,876
Finance cost paid	(66,385)	(116,371)
Income tax paid	(7,907)	(2,248)
Gratuity and compensated absences paid	(1,681)	(2,860)
Dividend paid	(10)	(2)
	<u>(75,983)</u>	<u>(121,481)</u>
(Decrease)/increase in long term loans	(598)	476
Decrease in long term deposits – net	(48,454)	(12,352)
	<u>(49,052)</u>	<u>(11,876)</u>
Net cash generated from operating activities	321,192	167,519
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(977,745)	(493,444)
Proceeds from disposal of fixed assets	80	3,166
Net cash used in investing activities	(977,665)	(490,278)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from right share issue	-	477,186
Long term loans - net of repayments	219,924	(66,681)
Liabilities against assets subject to finance lease – net of repayments	176,050	88,834
Short term borrowings	286,000	50,000
Net cash generated from financing activities	681,974	549,339
Net increase in cash and bank balances	25,501	226,580
Cash and bank balances at the beginning of the period	17,529	37,199
Cash and bank balances at the end of the period	43,030	263,779

The annexed notes form an integral part of these financial statements.

JAVED ALI KHAN
CHIEF EXECUTIVE

MANZOOR HAYAT NOON
CHAIRMAN

PIONEER CEMENT LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2005
(UN-AUDITED)

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserve	Total reserves	Total equity
		Share premium	Accumulated loss		
Balance as at July 01, 2004	954,371	-	(409,128)	(409,128)	545,243
Issue of right shares @ 2:1	477,186	-	-	-	477,186
Profit after taxation for the half year ended December 31, 2004	-	-	160,959	160,959	160,959
Balance as at December 31, 2004	1,431,557	-	(248,169)	(248,169)	1,183,388
Balance as at July 01, 2005	1,547,466	150,682	(77,039)	73,643	1,621,109
Issue of bonus shares@ 20:1	77,373	(77,373)	-	(77,373)	-
Profit after taxation for the half year ended December 31, 2005	-	-	388,078	388,078	388,078
Surplus on revaluation of fixed assets realized through incremental depreciation charged on related assets for the period – net of tax	-	-	14,378	14,378	14,378
Balance as at December 31, 2005	1,624,839	73,309	325,417	398,726	2,023,565

The annexed notes form an integral part of these financial statements.

JAVED ALI KHAN
CHIEF EXECUTIVE

MANZOOR HAYAT NOON
CHAIRMAN

PIONEER CEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2005
(UN-AUDITED)

1. STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated in Pakistan as a public company limited by shares on February 09, 1986. Its shares are quoted on all stock exchanges in Pakistan. The registered office of the Company is situated at 1st Floor, Alfalah Building, Shahrah-e-Quaid-e-Azam, Lahore. The principal activity of the Company is manufacturing and sale of cement.

1.2 The Company is in the final stage of completion of expansion project which will enhance the production capacity of the Company by 4,300 tons per day. Trial production of different sections of Plant No. 2 is in process and commercial production is expected to commence after March 2006.

2. BASIS OF PREPARATION

These unaudited financial statements are subjected to limited scope review by external auditors and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 (the Ordinance) and have been prepared in accordance with the requirements of the International Accounting Standard – 34 “Interim Financial Reporting” as applicable in Pakistan. These financial statements should be read in conjunction with the published financial statements of the Company for the year ended June 30, 2005.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these financial statements are the same as those applied in preparing the financial statements for the year ended June 30, 2005.

4. PROPERTY, PLANT AND EQUIPMENT

The following major additions and deletions were made in property, plant and equipment during the period.

		Additions	Deletion
		(Rupees in '000')	
Operating fixed assets			
Plant and machinery		-	40,028
Capital work in progress			
Plant and machinery			
- owned	4.1	408,471	-
- leased		180,400	-
		588,871	-
Advance to suppliers		25,042	-
Civil works		327,588	-
Unallocated capital expenditure	4.2	44,815	-
		397,445	-
		986,316	-

4.1 Includes borrowing cost amounting to Rs. 48.806 million (June 30, 2005: Rs. 15.225 million) capitalized during the period.

4.2 Unallocated capital expenditure		(Rupees in '000')
Staff salaries and benefits		6,164
Travelling and related expenses		2,431
Trial production expenses		20,039
Other expenses		16,181
		44,815

2005 **2005**
December **June**
(Rupees in '000')

5. LONG TERM DEPOSITS

Security deposits

- Utilities	35,730	12,480
- Leasing companies	47,190	23,150
- Others	1,298	1,153
	<u>84,218</u>	<u>36,783</u>

6. STORES, SPARES AND LOOSE TOOLS

Stores	88,031	70,520
Spares	360,114	209,898
Loose tools	3,024	2,590
	<u>451,169</u>	<u>283,008</u>
Spares in transit	11,508	4,111
	<u>462,677</u>	<u>287,119</u>

7. LONG TERM LOANS

Following are the changes in the status of long term loans from those as reported in the audited financial statements for the year ended June 30, 2005.

7.1 Asian Finance and Investment Corporation (AFIC)

As per rescheduling agreement reached with the management of AFIC on December 16, 2005, the Company has to pay accrued unpaid interest of USD 306,992.64 as at January 15, 2006, which includes the balance of deferred interest of USD 87,068.05 for the period covering July 01, 2000 to June 30, 2002, due on June 30, 2005, by January 31, 2006. Other terms and conditions remain the same. The approval for remittance in this respect from State Bank of Pakistan is still in process.

7.2 National Bank of Pakistan (NBP)

A new loan has been obtained from NBP amounting to Rs. 250 million for financing of expansion project on the following terms and conditions:

Rate of mark-up	6 months KIBOR plus 2.5% per annum
Repayment	Starting from May 2006
Number of installments	12 quarterly varying installments

The loan is secured by a ranking charge over entire present and future land, building, plant and machinery of the Company and is further secured by hypothecation of present and future plant and machinery and guarantees of sponsoring directors. The ranking charge shall be upgraded to first pari passu charge after obtaining NoCs from other first charge holders.

7.3 Saudi Pak Industrial and Agricultural Investment Company (Private) Limited

The rate of mark-up on this loan has been revised to 3 months KIBOR plus 2% per annum from 5% per annum with effect from July 01, 2005. Other terms and conditions remain the same.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2005 December (Rupees in '000')	2005 June
Opening balance		287,758	15,725
Assets acquired during the year		180,400	279,505
		<u>468,158</u>	<u>295,230</u>
Less: Payments during the year		4,350	7,472
		<u>463,808</u>	<u>287,758</u>
Less: Current portion of the liability		62,531	13,114
		<u>401,277</u>	<u>274,644</u>

9. DEFERRED TAXATION

Credit balance arising due to:

- accelerated tax depreciation		374,987	392,891
- surplus on revaluation of fixed assets		331,120	338,862
		<u>706,107</u>	<u>731,753</u>

Debit balances arising due to:

- available tax losses		(377,911)	(507,660)
- provisions for gratuity and compensated absences		(26,037)	(24,274)
- others		-	(3,201)
		<u>(403,948)</u>	<u>(535,135)</u>
		<u>302,159</u>	<u>196,618</u>

10. SHORT TERM BORROWINGS

Related parties

First Dawood Investment Bank - secured		10,000	10,000
Guardian Modaraba - secured		10,000	10,000
Employees - unsecured	10.1	20,000	-
		<u>40,000</u>	<u>20,000</u>

Others

Finance under markup arrangement - secured	10.2	266,000	-
		<u>306,000</u>	<u>20,000</u>

10.1 This represents amount received from Pioneer Cement Employees Provident Fund Trust (the fund) on behalf of certain employees of the Company who requested the trustees of the fund to disburse the above amount out of their accounts as a loan to the Company. The said loan carries mark-up at the rate of 15% per annum and is repayable within one year.

10.2 Represents financing facilities obtained from banks and financial institutions and are repayable by June 30, 2006. The rate of mark-up on these facilities ranges from 6 month KIBOR plus 2.5% per annum to 15% per annum. The loan is secured by hypothecation over the Company's all present and future current assets and personal guarantees of directors.

11. CONTINGENCIES AND COMMITMENTS

11.1 There has been no material change in the status of reported contingencies as given in the financial statements for the year ended June 30, 2005, except that the matter disclosed in 27.9 to the financial statements for the year ended June 30, 2005 has been decided in favor of the Company by the Central Board of Revenue

11.2 Commitments in respect of outstanding letters of credit inclusive of capital commitments amount to Rs. 173.600 million (June 30, 2005: Rs. 292.090 million).

	Half year ended		Quarter ended	
	December	December	December	December
	2005	2004	2005	2004
	----- (Rupees in '000') -----			

12. COST OF SALES

Raw material consumed	64,657	50,294	33,490	26,988
Packing material consumed	64,998	50,201	30,052	24,017
Fuel and power	446,151	377,265	224,295	207,107
Stores and spares consumed	29,070	21,121	15,346	9,780
Salaries, wages and benefits	60,973	35,050	31,758	14,431
Travelling and conveyance	4,265	3,610	1,933	1,781
Insurance	2,541	2,402	1,271	1,202
Repairs and maintenance	5,688	6,731	2,024	3,879
Communication	1,001	713	632	450
Fee and subscription	1,477	539	621	258
Depreciation	146,006	103,707	70,082	51,718
Other manufacturing expenses	7,063	4,633	3,462	2,455
	769,233	605,972	381,476	317,078
Work in process				
Opening	25,053	23,380	10,804	16,671
Closing	(19,260)	(91,427)	(19,260)	(91,427)
	5,793	(68,047)	(8,456)	(74,756)
Cost of goods manufactured	839,683	588,219	406,510	269,310
Finished goods				
Opening	21,193	20,983	9,150	28,336
Closing	(26,470)	(17,590)	(26,470)	(17,590)
	(5,277)	3,393	(17,320)	10,746
	834,406	591,612	389,190	280,056

13. OTHER OPERATING INCOME

Exchange gain		11,586	-	10,772	-
Profit on bank deposits		597	1,865	168	1,768
Reversal of unrealized loss on fair value of derivative	13.1	30,716	-	-	-
Gain on settlement of derivative	13.2	38,250	-	38,250	-
Others		554	234	294	132
		81,703	2,099	49,484	1,900

13.1 Represents reversal of negative fair value of derivative recognised in the financial statement for the year ended June 30, 2005 as explained in note 15.2 to the said financial statements.

13.2 As disclosed in note 15.2 to the financial statements for the year ended June 30, 2005. NBP, on September 21, 2005, offered the Company's sponsors to purchase the shares held by it at the prevailing market price of Rs. 27.80 per share (price quoted at Karachi Stock Exchange on September 20, 2005). According to the agreement between the Company and NBP, NBP was required to pass on Rs. 3.3 per share to the Company and retain Rs. 1.50 per share as service charges. Accordingly, the gain of Rs. 38.250 million as a result of the settlement of transaction has been recognized in these financial statements and receivable from NBP has been adjusted against the principal amount of other loan due to it.

14. TRANSACTIONS WITH RELATED PARTIES

	December 2005 (Rupees in '000')	December 2004
Finance cost	<u>13,507</u>	<u>-</u>
Contribution to staff provident fund	<u>2,225</u>	<u>1,871</u>
Arrangements under lease financing - net of payments	<u>-</u>	<u>44,447</u>
Deposit account	<u>-</u>	<u>132,079</u>
Payment against plant and machinery	<u>352,077</u>	<u>260,198</u>
Short term borrowing from employees	<u>20,000</u>	<u>-</u>

15. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 23, 2006 by the Board of Directors of the Company.

16. CORRESPONDING FIGURES

Certain prior year's figures have been rearranged and reclassified, wherever necessary for the purpose of comparison. These are as follows:

Note	Reclassification		Nature	Rupees '000'
	From	To		
13	Other operating income	Other charges	Loss on disposal of fixed asset	610
-	Finance cost	Other charges	Exchange loss on foreign currency translation	8,542
12 and 13	Other operating income	Cost of sales	Subsidy on imports	3,062

17. GENERAL

17.1 The figures of the profit and loss account for the quarters ended December 31, 2005 and December 31, 2004 have not been subject to a limited scope review by the auditors, as the scope of the review covered only the cumulative figures for the half year ended December 31, 2005.

17.2 Rupees have been rounded off to nearest thousands.

JAVED ALI KHAN
CHIEF EXECUTIVE

MANZOOR HAYAT NOON
CHAIRMAN