Annual Report 2009

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AL-ABBAS CEMENT INDUSTRIES LTD.

AL-ABBAS
GROUP

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS	Syed Ajaz Ahmed Momal Shunaid Asma Cochinwala Aves Cochinwala Momina Duraid Salman Rasheed Tariq Usman Bhatti	Chairman Chief Executive Director Director Director Director Director
COMPANY SECRETARY	K.A. Jamal	
CHIEF OPERATING OFFICER	S.N. Jaffri	
CHIEF FINANCIAL OFFICER	Zuhair Abbas	
AUDIT COMMITTEE	Aves Cochinwala Momina Duraid Tariq Usman Bhatti Syed Muhammad Talha	Chairman Member Member Secretary
AUDITORS	M. Sikandar & Co.	Chartered Accountants
COST AUDITORS	Siddiqui & Company	Cost & Management Accountants
LEGAL ADVISOR	Usmani & Iqbal Muzzaffar & Co. Chaudhry Law Associates Fakhruddin G. Ibrahim	Advocate & Solicitors Advocate & Solicitors Advocate & Solicitors Advocate & Solicitors
TAX ADVISOR	Hyder Bhimji & Co. Shekha & Mufti	Chartered Accountants Chartered Accountants
BANKERS	Al-Baraka Islamic Bank Limited Allied Bank Limited Arif Habib Bank Limited Bank Al-Falah Limited Bank Islami Pakistan Limited Barclays Bank PLC, Pakistan Habib Bank Limited KASB Bank Limited Meezan Bank Limited National Bank of Pakistan Silk Bank Limited Standard Chartered Bank Limited United Bank Limited	
REGISTERED OFFICE	Pardesi House, Survey No. 2/1, R.Y. 16, Old Queens Road, Karachi. Ph : 021-111-111-224 Fax : 021-32470090, 021-32470189 Website : www.alabbascement.com E-mail : info@alabbascement.com	
FACTORY	Nooriabad Industrial Area, Kalo Kohar Distt. Dadu, Sindh.	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 18th Annual General Meeting of Al-Abbas Cement Industries Limited will be held at the **Registered Office of the Company - Pardesi House, Survey No. 2/1, R.Y.16, Old Queens Road, Karachi** on **Wednesday, October 28, 2009, at 4:30 p.m.** to transact the following business:

Ordinary Business

1. To confirm the minutes of 17th Annual General Meeting of the shareholders held on October 31, 2008.
2. To receive, consider and adopt Annual Audited Financial Statements for the year ended June 30th, 2009, together with the Reports of the Auditors, and Directors, thereon.
3. To appoint Auditors for the ensuing year, and to fix their remuneration. The Audit Committee has recommended the name of M/s. M. Sikander & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

K. A. Jamal
Company Secretary

Karachi: October 7, 2009

Notes:

1. Share transfer books will remain closed from October 21, 2009 to October 28, 2009 (both days inclusive).
2. All Members are entitled to attend and vote at the meeting. A Member may appoint a proxy who need be a Member of the Company.
3. The instrument appointing the proxy and the other authority under which it is signed, or a notarially certified copy thereof, must be lodged at the Company's Registered Office or Share Registrar's Office at least 48 hours before the time of the meeting.
4. Any change of address of Members should be notified immediately to the Company's Registered Officer or Share Registrar Office.

   CDC Account Holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

A. For Attending the Meeting:

i. 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 uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

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

B. For Appointing Proxies:

i. In case of individuals, the account holder or sub-account holder / 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 the requirement by the Company.

ii. The proxy form shall be witnessed by two persons whose names, address and CNIC numbers shall be mentioned on the form.

iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv. The proxy shall produce his original CNIC or original passport at the time of meeting.

v. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Company.

DIRECTORS' REPORT

The Board of Directors of Al-Abbas Cement Industries Limited present herewith the annual report together with the Company's audited financial statements for the year ended June 30, 2009.

PRODUCTION AND SALES

During the year under review the comparative figures of Production and Sales are given as under:-

	For the year ended June 30, 2009	For the year ended June 30, 2008
	In M. Tons	
Clinker Production	**582,824**	323,636
Cement Production	**494,042**	176,288
Cement Sales	**542,087**	179,687
Clinker Sales	**115,233**	173,946

By the grace of Al-mighty Allah, the Clinker and Cement production registered an increase of 259,188 M.T. and 317,754 M.T. respectively as compared to last year. Cement sales both local and export witnessed increase of 362,400 M.T as compared to the last year.

OPERATIONAL AND FINANCIAL RESULTS

Following is the summary of comparative financial results.

	2009	2008
	(Rupees in thousand)	
Sales - net	2,982,686	1,162,403
Loss before taxation	(41,973)	(128,930)
Provision for taxation	163,786	20,687
Profit/(Loss) after taxation	121,813	(108,263)
Profit/(Loss) per share (in rupees)	0.67	(0.59)

The Company during the year under review earned profit amounting to Rs. 121.813 million as compared to last year's loss of Rs. (108.263) million. Your Company managed to increase its sales to the tune of Rs. 2,983 million as against the sale of Rs. 1,162 million last year. The Company thus earned gross profit of Rs. 700 million as compared to last year's gross profit of Rs. 115 million. This phenomenal increase can mainly be attributed to improved performance in the form of increased production, dispatches and improved retention prices.

AUDIT COMMITTEE

The Board of Directors has established an Audit Committee in compliance with the Code of Corporate Governance, which comprises of following members:

Mr. Aves Cochinwala	Chairman	Non Executive Director
Mr. Salman Rasheed	Member	Non Executive Director
Mr. Tariq Usman Bhatti	Member	Non Executive Director
Ms. Momina Duraid	Member	Non Executive Director

The Audit Committee reviewed the quarterly, half yearly and annual financial statements before submission to the Board and their publication. The Audit Committee also reviewed internal auditor's findings and held separate meetings with internal and external auditors as required under the Code of Corporate Governance.

AUDITORS

The auditors, M/s. M. Sikandar and Company, Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Board of Directors endorses recommendation of the Audit Committee for their re-appointment as auditors of the Company for the financial year June 2010 in the ensuing Annual General Meeting.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

a. The financial statements prepared by the Management, present fairly the Company's state of affairs, the result of operations, cash flows and changes in equity.

b. The Company has maintained proper books of accounts.

c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d. International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements.

e. The system of internal control is sound in design and has been effectively implemented and monitored.

f. There are no doubts upon the Company's ability to continue as a going concern. Further the Company is paying all debts in time and no default is made on the part of Company to repay its debts to the banks.

g. Statements regarding the following are annexed:
   - Key financial data for the last six years.
   - Pattern of shareholding.

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

i. The economic outlook for the coming year is not so promising therefore, Board has not recommended dividend for the year.

j. Information about taxes and levies is given in the relevant note to the financial statements.

k. The CEO, Directors, CFO, Company Secretary and their spouses and minor children have made no transaction in the Company's shares during the year.

BOARD OF DIRECTORS

During the year ended June 30, 2009, four meetings of Board of Directors were held and attendance of Directors is as follows:

Director's Name	Meetings attended
Mr. Ajaz Ahmed - Chairman	3
Mr. Asim Ghani	2
Mrs. Asma Aves	2
Mr. Aves Cochinwala	4
Mr. Duraid Qureshi	1
Mrs. Momina Duraid	2
Momal Shunaid	2
Mr. Tariq Usman Bhatti	3
Mr. Shunaid Qureshi	2
Syed Salman Rasheed	3

During the year Mr. Shunaid Qureshi, Mr. Asim Ghani and Mr. Duraid Qureshi have resigned and in their place, Ms. Moomal Shunaid, Ms. Asma Cochinwala and Ms. Momina Duraid have appointed by the Board to fill the causal vacancies.

FUTURE OUTLOOK

Local cement demand witnessed a decline of 14 percent year-on-year basis in current year at 19.4 million tons versus 22.6 million tons in corresponding year. After six years of consecutive year-on-year growth, the domestic cement market depicted a declining pattern in the wake of lukewarm construction activities amid economic slowdown, high interest rates, liquidity crunch and cut in infrastructure spending both in public and private sectors, during the year.

The future of cement industry seems very challenging due to stagflation both in local and global market. The local and export prices are continuously showing a declining trend. More production capacities coming online in future both in local and in the regional countries, may add to the challenges in export and domestic market. Your company has out performed the industry in current year and all our efforts are being made to continue this trend.

ACKNOWLEDGEMENT

The Company strongly believes that its success is driven by the commitment and dedication of its employees. We acknowledge the contribution of each and every member of the Company in areas of expertise. We would also like to express our thanks the customers for their trust in our products and look forward to their continued patronage. We also thank our shareholders, banks and financial institution for their support, guidance and confidence reposed in our enterprise and stand committed to do our best to ensure full reward of their investment in the years ahead. May Allah bless us in our efforts. A'meen!

For and on behalf of the Board

MOMAL SHUNAID
Chief Executive

Karachi: September 24, 2009

PATTERN OF SHAREHOLDINGS

As at June 30, 2009

Number of Shareholders	Shareholdings From	Shareholdings To	Total Number of Shares Held
474	1	100	17,387
581	101	500	183,247
475	501	1,000	430,682
805	1,001	5,000	2,327,613
240	5,001	10,000	2,001,557
82	10,001	15,000	1,076,733
55	15,001	20,000	1,018,906
30	20,001	25,000	708,736
33	25,001	30,000	925,556
15	30,001	35,000	485,651
15	35,001	40,000	573,603
7	40,001	45,000	299,409
13	45,001	50,000	644,171
8	50,001	55,000	418,472
3	55,001	60,000	175,700
4	60,001	65,000	255,151
4	65,001	70,000	269,487
5	70,001	75,000	363,498
4	75,001	80,000	316,500
1	80,001	85,000	81,500
1	85,001	90,000	89,500
8	90,001	100,000	795,500
1	100,001	115,000	111,000
3	115,001	125,000	367,387
2	125,001	140,000	275,800
1	140,001	145,000	144,000
3	145,001	150,000	450,000
1	150,001	160,000	156,000
1	160,001	165,000	162,000
1	165,001	170,000	168,500
3	170,001	200,000	600,000
1	200,001	205,000	202,000
1	205,001	210,000	205,852
1	210,001	220,000	216,500
1	220,001	255,000	253,500
1	255,001	485,000	483,100
2	485,001	500,000	1,000,000
1	500,001	600,000	600,000
1	600,001	613,600	613,600
1	600,001	660,000	660,000
1	660,001	680,000	676,169
1	680,001	960,000	955,902
1	960,001	1,005,000	1,000,300
1	1,005,001	1,135,000	1,133,032
1	1,135,001	1,230,000	1,230,000
1	1,230,001	1,615,440	1,615,440
1	1,230,001	1,635,000	1,635,000
1	1,635,001	1,935,000	1,931,500
1	1,935,001	2,000,000	2,000,000
1	2,000,001	2,420,000	2,418,545
1	2,420,001	4,925,000	4,924,500
1	4,925,001	5,000,000	5,000,000
1	5,000,001	5,286,500	5,286,500
1	5,000,001	5,785,000	5,780,166
1	5,785,001	7,635,000	7,630,110
1	7,635,001	13,305,000	13,302,500
1	13,305,001	13,400,000	13,400,000
1	13,305,001	15,120,000	15,115,525
1	15,120,001	15,571,000	15,571,000
1	15,571,001	30,400,000	30,400,000
1	30,400,001	31,715,000	31,710,997
2,910			**182,844,984**

CATEGORIES OF SHAREHOLDERS

Shareholders Category	Number of Shares Held	Percentage %
Directors, Chief Executive Officer, and their spouse and minor children.	25,334,745	13.8559
Associated Companies, undertaking and related parties	110,511,970	60.4403
NIT and ICP	607	0.0003
Banks Development Financial Institutions, Non Banking Financial Institutions.	1,701,997	0.9308
Insurance Companies	692,169	0.3786
Modarabas and Mutual Fund	155,158	0.0849
Share holders holding 10%	62,110,997	33.9692
General Public a. Local b. Foreign	 37,016,612 72,183	 20.2448 0.0395
Others	7,359,543	4.0250

DETAIL OF SHAREHOLDERS CATEGORIES

1 Associated Companies , Undertakings and Related Parties

	No. of Shares	Percentage
Arif Habib Securities Limited	30,400,000	16.6261
Arif Habib Limited	13,302,500	7.2753
Arif Habib Bank Limited	15,115,525	8.2669
Thatta Cement Company Limited	4,924,500	2.6933
Ghani Osman Securities (Pvt) Limited	1,635,000	0.8942
Haji Ghani	31,710,997	17.3431
Noor Jahan Hajiani	23,448	0.0128
Sultana Siddiqui	13,400,000	7.3286
	110,511,970	**60.4403**

2 NIT and ICP

Investment Corporation of Pakistan	100	0.0001
Investment Corporation of Pakistan	507	0.0003
	607	**0.0003**

3 Directors, CEO and their spouses and minor children

Shunaid Qureshi	15,570,000	8.5154
Moomal Shunaid	1,230,000	0.6727
Tariq Usman Bhatti	613,600	0.3356
Syed Salman Rasheed	500,000	0.2735
Aves Cochinwala	1,600	0.0009
Rehana Salman	5,000,000	2.7346
Syed Saad Salman	2,418,545	1.3227
Duraid Qureshi	1,000	0.0005
	25,334,745	**13.8559**

4 Public sector companies and corporation

The Lahore Stock Exchange (Guarantee) Limited	110	0.0001
	110	**0.0001**

	No. of Shares	Percentage
5 Banks, Development Financial Institutions, Non- Banking Financial Institution, Insurance Companies, Modarabas and Mutual Fund.		
National Bank Of Pakistan,Trustee Deptt	1,615,440	0.8835
Bank Alfalah Limited	12,538	0.0069
Mybank Limited	100	0.0001
First National Equities Limited	1	0.0000
Royal Bank of Scotland	115	0.0001
Crescent Investment Bank	110	0.0001
Islamic Investment Bank Ltd	2,020	0.0011
First Prudential Modaraba	150,000	0.0820
Prudential Capital Management Ltd	5,000	0.0027
Crescent Standard Business Management (Pvt) Limited	1	0.0000
First Interfun Modaraba	122	0.0001
Industrial Capital Modarba	14	0.0000
State Life Insurance Corp. of Pakistan	676,169	0.3698
East West Insurance Co.Ltd	16,000	0.0088
Islamic Investment Bank Limited	20,203	0.0110
Escorts Investment Bank Limited	51,470	0.0281
Asian Stock Fund	21	0.0000
	2,549,324	**1.3943**

6 Shareholder holding ten percent or more voting interest in the Company

Arif Habib Securities Limited	30,400,000	16.6261
Abdul Ghani	31,710,997	17.3431
	62,110,997	**33.9692**

KEY FINANCIAL DATA

Six years at a glance

		2009	2008	2007	2006	2005	2004
INVESTMENT MEASURE							
Ordinary Share Capital	Rs. In '000'	**1,828,450**	1,828,450	1,142,781	1,142,781	380,927	380,927
Reserves	Rs. In '000'	**(111,014)**	(232,827)	(124,564)	17,423	(176)	87,624
Ordinary Shareholder's Equity	Rs. In '000'	**1,717,436**	1,595,623	1,018,217	1,160,204	380,751	468,551
Dividend on Ordinary Shares	Rs. In '000'	**-**	-	-	-	-	38,092
Dividend per Ordinary Share	Rs	**-**	-	-	-	-	1.00
(Loss) / Profit before taxation	Rs. In '000'	**(41,973)**	(128,930)	(168,768)	(75,025)	(76,612)	25,648
Profit / (Loss) after taxation	Rs. In '000'	**121,813**	(108,263)	(141,987)	17,599	(82,341)	(98,145)
Earnings / (Loss) per share	Rs	**0.67**	(0.59)	(1.24)	0.17	(2.16)	(2.58)
MEASURE OF FINANCIAL STATUS							
Current ratio	x : 1	**0.93**	1.34	0.83	1.69	0.86	1.43
Debt to capital ratio	%	**59.39**	62.71	67.61	63.59	63.13	66.17
Debt ratio	x : 1	**0.50**	0.51	0.53	0.54	0.40	0.50
Acid test ratio	x : 1	**0.29**	0.55	0.23	0.56	0.18	0.15
Number of days stock	In days	**57**	68	153	43	13	22
MEASURE OF PERFORMANCE							
Profit after taxation as % of average capital employed	%	**2.8**	(2.8)	(4.2)	0.7	(6.5)	(8.3)
Sales	Rs. In '000'	**2,982,686**	1,162,403	206,412	913,511	593,463	769,713
Cost sales as % of sales	%	**76.5**	90.1	162.6	97.6	106.6	92.4
Profit before taxation as % of sales	%	**(1.4)**	(11.1)	(81.8)	(8.2)	(12.2)	3.3
Profit after taxation as % of sales	%	**4.1**	(9.3)	(68.8)	1.9	(13.9)	(12.8)
Asset turnover	In times	**0.50**	0.22	0.05	0.24	0.30	0.50

VISION STATEMENT

- Al-Abbas Cement Industries Limited aims to be recognized nationally and internationally as a successful cement producer.

MISSION STATEMENT

- To become a profitable organization and exceed the expectations of our customers and stakeholders by producing and marketing competitive and high quality productions through concentration on quality, business values and fair play.

- To promote best use and development of human talent in a safe environment, as an equal opportunity employer and use of advanced technology for efficient and cost effective operations.

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statements of Compliance with the best practices contained in the Code of Corporate Governance prepared by the board of directors of Al-Abbas Cement Industries Limited to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange and (Chapter XIII) of the Lahore Stock Exchange where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 and risks.

Further, Sub-Regulation (xiii) of Listing Regulation 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval 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 June 30, 2009.

M. Sikandar & Co.
Chartered Accountants

Muhammad Sikandar

Karachi: September 24, 2009

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2009

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of directors. At present the Board includes at least 6 independent non-executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or NBFI or being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.

4. Casual vacancy occurred during the year was filled within 30 days.

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

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has arranged an in-house orientation course in which directors have been provided with copy of "Role of Directors under the Companies Ordinance, 1984 And The Code Of Corporate Governance" issued by the Institute of Chartered Accountants of Pakistan. The directors are well conversant with their duties and responsibilities.

10. The Board has approved appointment of Chief Financial Officer (CFO) and Company Secretary including their remuneration and terms and conditions of employment, as determined by the Chief Executive.

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

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

13. 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.

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

15. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-Executive Directors.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program 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 share 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.

19. 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.

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulation number 37 of the Karachi Stock Exchange (Guarantee) Limited.

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

Karachi: September 24, 2009

Momal Shunaid
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AL-ABBAS CEMENT INDUSTRIES LIMITED as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose 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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) In our opinion:

   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2009 and of the profit, its cash flows and changes in equity for the year then ended.

d) In our opinion, no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980

M. Sikandar & Co.
Chartered Accountants

Muhammad Sikandar

Karachi: September 24, 2009

AL-ABBAS GROUP

AL-ABBAS CEMENT INDUSTRIES LTD.

BALANCE SHEET
AS AT JUNE 30, 2009

	Note	June 30, 2009	June 30, 2008
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**4,354,980**	4,236,771
Deferred tax assets	5	**213,399**	28,848
		4,568,379	4,265,619
CURRENT ASSETS			
Stores, spare and loose tools	6	**429,307**	324,218
Stock in trade	7	**472,276**	243,339
Trade debts	8	**42,008**	297,892
Advances and other receivables	9	**121,251**	37,510
Deposits and prepayment	10	**27,366**	24,112
Tax refund due from government	11	**250,903**	71,819
Cash and bank balances	12	**12,421**	9,366
		1,355,532	1,008,256
		5,923,911	5,273,875
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 200,000,000 (2008: 200,000,000) Ordinary shares of Rs. 10/- each		**2,000,000**	2,000,000
Issued, subscribed and paid-up capital 182,844,984 (2008: 182,844,984) Ordinary shares of Rs. 10/- each	13	**1,828,450**	1,828,450
Reserve	14	**80,000**	80,000
Accumulated loss		**(191,014)**	(312,827)
		1,717,436	1,595,623
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term financing	15	**2,500,000**	2,500,000
Liabilities against assets subject to finance lease	16	**6,350**	12,286
Deferred liabilities	17	**245,613**	241,923
		2,751,963	2,754,209
CURRENT LIABILITIES			
Trade and other payables	18	**719,594**	688,258
Mark-up accrued	19	**239,496**	26,573
Short-term borrowings	20	**489,724**	38,252
Current portion of long term financing		**-**	165,000
Current portion of liabilities against assets subject to finance lease		**5,698**	5,960
		1,454,512	924,043
CONTINGENCIES AND COMMITMENTS	21		
		5,923,911	5,273,875

The annexed notes from 1 to 37 form an integral part of these financial statements.

Momal Shunaid	**Aves Cochinwala**
Chief Executive	Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
Sales - net	22	**2,982,686**	1,162,403
Cost of sales	23	**(2,282,298)**	(1,047,160)
Gross profit		**700,388**	115,243
Distribution cost	24	**(390,619)**	(128,993)
Administrative expenses	25	**(30,592)**	(27,432)
Other operating income	26	**30,056**	582
Operating profit/ (loss)		**309,233**	(40,600)
Finance cost	27	**(351,206)**	(88,330)
Loss before taxation		**(41,973)**	(128,930)
Taxation	28	**163,786**	20,667
Profit / (Loss) after taxation		**121,813**	(108,263)
Earnings/ (Loss) per share - Basic and diluted in Rupees	29	**0.67**	(0.59)

The annexed notes from 1 to 37 form an integral part of these financial statements.

Momal Shunaid
Chief Executive

Aves Cochinwala
Director

AL-ABBAS GROUP

AL-ABBAS CEMENT INDUSTRIES LTD.

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/ (used in) operations	31	**108,982**	(144,030)
Gratuity - paid	17.1.a)	**(1,879)**	(514)
Income tax paid		**(23,024)**	(8,181)
Income tax refunded		**2,359**	-
Finance cost paid		**(138,283)**	(99,575)
		(160,827)	(108,270)
Net cash used in operating activities		**(51,845)**	(252,300)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(224,068)**	(419,817)
Proceed from sale of fixed asset		**806**	-
Net cash used in investing activities		**(223,262)**	(419,817)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long-term finance		**-**	2,500,000
Repayment of long-term finance		**(165,000)**	(1,957,792)
Deferred liabilities		**(1,522)**	(4,413)
Repayment of liablities against asset subject to finance lease		**(6,788)**	(2,407)
Proceeds from issue of right shares		**-**	322,791
Net cash (used in)/ from financing activities		**(173,310)**	858,179
Net (decrease)/ increase in cash and cash equivalents		**(448,417)**	186,062
Cash and cash equivalents at the beginning of the year		**(28,886)**	(214,948)
Cash and cash equivalents at the end of the year	32	**(477,303)**	(28,886)

The annexed notes from 1 to 37 form an integral part of these financial statements.

Momal Shunaid
Chief Executive

Aves Cochinwala
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009

	Share Capital	Revenue Reserve			Total
		General	Accumulated Loss	Total	
	(Rupees in thousand)				
Balance as at July 1, 2007	1,142,781	80,000	(204,564)	(124,564)	1,018,217
Issue of right shares	685,669	-	-	-	685,669
Loss for the year ended June 30, 2008	-	-	(108,263)	(108,263)	(108,263)
Balance as at June 30, 2008	1,828,450	80,000	(312,827)	(232,827)	1,595,623
Profit for the year ended June 30, 2009	-	-	121,813	121,813	121,813
Balance as at June 30, 2009	**1,828,450**	**80,000**	**(191,014)**	**(111,014)**	**1,717,436**

The annexed notes from 1 to 37 form an integral part of these financial statements.

Momal Shunaid
Chief Executive

Aves Cochinwala
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2009

1 STATUS AND NATURE OF BUSINESS

Al-Abbas Cement Industries Limited was established as Private Limited Company on 1st December, 1981 and was converted into Public Limited Company on 9th July 1987 and is listed on Karachi and Lahore Stock Exchanges. The Company's principal activity is manufacturing, sell and marketing of cement The registered office of the Company is situated at Pardesi House, Survey No. 2/1, R.Y. 16, Old Queens Road, Karachi and its undertaking is situated at Deh Kalo Kohar, Nooriabad Industrial Estate, District Dadu (Sindh).

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Cost convention

These financial statements have been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for financial assets and liabilities which are carried at their fair values and certain employee benefits are based on actuarial valuation and stock in trade which are valued at net realizable value, if it is less than the cost. Further, accrual basis of accounting is followed except for cash flow information.

2.3 Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani rupees, which is the Company's functional and presentational currency.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standard as, applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

a) **Property, plant and equipments**

The Company estimates the rate of depreciation of property, plant and equipment. Further, the Company review the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

b) **Stock in trade and stores and spares**

The Company reviews the net realizable value of stock in trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock in trade and stores and spares. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

c) **Income taxes**

In making the estimates for income taxes currently payable the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

d) **Staff retirement benefits**

Certain actuarial assumptions have been adopted for valuation of present value of defined benefit obligations.

2.5 Standards, interpretations and amendments to published approved accounting standards

a) **The following standards, amendments and Interpretations become effective during the current year.**

IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after July 1, 2008) supersedes IAS 30 – Disclosures in the financial statements of Banks and similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and presentation. The application of the standard is not expected to have significant impact on the Company's financial statements other than increase in disclosures.

IAS 29 – Financial Reporting in Hyperinflationary Economic (effective for annual periods beginning on or after July 1, 2008). The Company does not have any operations in hyperinflationary Economics and therefore the application of the standard is not likely to have an effect on the Company's financial statements.

IFRIC 12 – Service Concession Arrangements (effective for annual period beginning on or after January 1, 2008). The application of this standard did not affect the financial statements of the Company.

IFRIC 13 Customer Loyalty Programs (effective for annual periods on or after July 1, 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programs under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effect on the Company's financial statements.

IFRIC 14 IAS 19- The limit on defined benefit asset, minimum funding requirements and their interaction (effective for annual periods beginning on or after January 1, 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset. The interpretation has no effect on Company's financial statements for the year ended June 30, 2009.

IFRIC 14 'IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from period begin on or after January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The management has assessed that the adoption would not have any impact on the Company's financial statements.

b) Standards, interpretations and amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases:

Revised IAS 1- Presentation of financial statements (effective for annual periods beginning on or after January 1, 2009) introduces the term total comprehensive income, which represents changes in equity during a periods other than those changes resulting from transaction with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statements and all non-owner changes in equity in a single statement) or in an income statement and a separate statement of comprehensive income.

Revised IAS 23- Borrowing costs (effective for annual periods beginning on or after January 1, 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

IAS 27- Consolidated and separate financial statements (effective for annual periods beginning on or after January 1, 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.

Amended IAS 27- Consolidated and separate financial statements (effective for annual periods beginning on or after July 1, 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former a subsidiary will be measured as fair value with gain or loss recognized in the profit or loss.

Amendment to IAS 32- Financial Instruments: Presentation and IAS I- Presentation of financial statements (effective for annual periods beginning on or after January 1, 2009)- Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that on the entity an obligation to deliver to another party pro rate share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

Amendments to IAS 39 and IFRIC 9- Embedded derivative (effective for annual beginning on or after January 1, 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instruments when financial instrument are reclassified out of the fair value.

Amendment to IAS 39 Financial Instruments: Recognition and measurement - Eligible hedged items (effective for annual periods beginning on or after July 1, 2009) clarifies the application of existing principles that determine whether specific risk or portions of cash flows are eligible for designation in a hedging relationship.

Amendment to IFRS 2- Share-based payment-vesting conditions and cancellation (effective for annual periods beginning on or after January 1, 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires no vesting condition to be reflected in grant –date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

Amendment to IFRS 2- Share-based payment- Group cash settled share-based payments transaction (effective for annual periods beginning on or after January 1, 2010) currently effective IFRS requires attribution of group share-based payment transaction only if they are equity-settled. The amendment resolve diversity in practice regarding attribution of cash-settled share-based payments transaction and require an entity receiving goods or services in either an equity-settled or a cash-settled payments transaction to account for the transaction in its separate or individual financial statements.

Revised IFRS 3- Business Combinations (Applicable for annual periods beginning on or after July 1, 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-exciting interest in an acquire to be measured at fair value with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, are at its proportionate interests in identification assets and liabilities of an acquire, on a transaction –by–transaction basis.

IFRS 4- Insurance Contracts (effective for annual periods beginning on or after January 1, 2009). The IFRS makes limited improvement to accounting for insurance contracts until the Board completes second phase of its project on insurance contracts. The standards also require an entity issuing insurance (an insurance) to disclose information about those contracts.

Amendment to IFRS 7- Improving disclosures about Financial Instruments (effective for annual periods beginning on or after January 1, 2009) These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosers and require entities to provide additional disclosures about the re iability of fair value measurements.

IFRS 8 Operating segments (effective for annual periods beginning on or after January 1, 2009) introduces the management approach "to segment reporting. IFRS 8 will require a change in presentation and disclosure of segment information based in the internal reports that are regularly reviewed by the Company's chief operating decision maker" in order to assess each segment's performance and to allocate resources to them.

IFRIC 15- Agreement for Construction of Real Estate (effective for annual periods on or after October 1, 2009) clarifies the recognition of revenues by real estate developers for sale of units, such as apartments of houses, off-plan. that is before construction is complete.

IFRIC 16 Hedge of Net Investment in a Foreign Operating (effective for annual periods beginning on or after October 1, 2008) clarifies that investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign for operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determine to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used.

IFRIC-17 Distributions of Non-cash Assets to Owners (effective annual periods beginning on or after July 1, 2009) states that when Company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement.

IFRIC 18- Transfers of assets from customers (to be applied prospectively to transfers of assets from customers received on or after July 1, 2009). This interpretation clarifies the requirements of IFRSs in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as supply of electricity, gas or water).

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

a) Operating fixed assets

i) Owned

These are stated at cost less accumulated depreciation except for freehold land, which is stated at cost.

Depreciation on plant and machinery is charged using units of production method. The unit of production method resulted in depreciation charge based in the expected use or output.

Depreciation other than plant and machinery is charged, on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the asset's economic benefits are consumed by the company, at the rates specified in fixed assets note. Depreciation on additions is charged from the quarter in which the asset is put to use and on disposals up to the quarter of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains or losses on disposals, if any, are included in income currently.

The assets' residual values and useful lives are continually reviewed by the Company and adjusted if impact on depreciation is significant. The Company's estimate of residual values of property, plant and equipment as at June 30, 2009 has not required any adjustment as its impact is considered insignificant.

ii) **Assets subject to finance lease**

The Company accounts for property, plant and equipment held under finance leases by recording the asset and the related liability. These amounts are determined on the basis of discounted value of minimum lease payments or fair value whichever is lower. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation on plant and machinery is charged on the unit of production method basis. Depreciation on assets other than plant and machinery is charged, on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the asset's economic benefits are consumed by the Company, at the rates specified in fixed assets note. Depreciation on additions is charged from the quarter in which the asset is put to use and on disposals up to the quarter of disposal.

b) **Capital work-in-progress**

Capital work in progress represents expenditures on fixed assets in the course of construction and installation. Transfers are made to relevant category of property, plant and equipment as and when assets are available for use. Capital work in progress is stated at cost.

c) **Intangible assets**

Intangible asset is stated at cost less accumulated amortization and any impairment loss. Cost in relation to intangible asset presently held by the Company includes cost of computer software and other expenses incidental to the purchase of computer software. Intangible asset is amortized from the year when this asset is available for use on the straight line method whereby the cost of an intangible asset is written off over the period which reflects the pattern in which the economic benefits associated with the asset are likely to be consumed by the Company. Costs associated with maintaining computer software products are recognized as an expense as incurred.

d) **Impairment**

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognized in the profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.2 Stores, spare parts and loose tools

These are valued at cost determined on moving average basis, less provision for obsolescence. Stores and spares in transit are valued at invoice value plus other charges incurred thereon as on balance sheet date.

3.3 Stock in trade

Stock of raw and packing materials, work in process and finished goods are valued at the lower of cost and net realizable value. Cost in relation to work in process and finished goods includes prime cost and appropriate proportion of production overheads. Stocks of raw and packing material are valued at moving average cost.

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

3.4 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written off when identified.

3.5 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank balances net of short term borrowings. The cash and cash equivalents are subject to insignificant risk of changes in value.

3.6 Taxation

a) Current

The Company falls under the presumptive tax regime under Section 115 (4) and 169 of the Income Tax Ordinance, 2001 , to the extent of direct export sales. Provision for tax on other income and local sales is based on taxable income at the rates applicable for the current tax year, after considering the rebates and tax credits available, if any.

b) Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their tax base, to the extent of probability that taxable profits will be available against which these deductible temporary differences can be utilized. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will realized. Deferred tax assets and liabilities are off set if there is a legally enforceable right to off set current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

3.7 Staff retirement benefits

a) Defined benefit plan

The Company operates an unfunded gratuity scheme covering all employees according to the terms of employment, payable on the cessation of employment, subject to a minimum qualifying period of service. The actuarial valuation in this regard was carried out as at June 30, 2009, by using the Projected credit unit method The actuarial gain and loss recognized as per paragraph 92 of IAS - 19.

b) Compensated absences

The Company accounts for liability in respect of un-availed compensated absences for all its permanent employees, in the period of absence. Provision for liabilities towards compensated absences is made on the basis of last drawn gross salary.

3.8 Trade and other payables

These are carried at cost which is fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

3.9 Provisions

Provisions are recognized 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 can be made of the amount of obligation.

3.10 Foreign currency transactions

Transaction in foreign currencies are recorded into rupees at the rates approximating those prevailing on the date of each transaction. Monetary assets and liabilities in foreign currencies are reported in rupees using the exchange rates approximating those prevailing on the balance sheet date. Exchange differences are included in income currently.

3.11 Financial instruments

a) Recognition

All the financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. Any gain/loss on de-recognition of the financial assets and liabilities is included in the profit/loss for the period to which it arises.

b) Offsetting

Financial asset and financial liability is set off and the net amount is reported in the balance sheet if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on assets and charge on liability is also offset.

c) Derivative

Derivatives that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss. Derivative financial instruments are carried as assets when fair value is positives and liabilities when fair value is negative.

3.12 Borrowing and finance costs

Borrowing cost incurred up to the date of commencement of commercial production is capitalized to each individual fixed assets respectively. All other markup, interest and other related charges are taken to the profit and loss account currently.

Finance cost comprise interest expense on borrowings, if any, unwinding of the discount on provisions and bank charges. Mark up, interest and other charges on borrowings are charged to income in the period in which they are incurred.

3.13 Revenue recognition

Sales are recorded on dispatch of cement to customers.

Profit on bank deposits is recorded on accrual basis.

Gain on sale of fixed assets is recorded when title is transferred in favor of transferee.

Income from scrap is recorded on dispatch of scrap to the customers.

Rebate on export is recognized after finalization of export documents.

Miscellaneous income consists income from rental of equipment for excavation purpose and is recognized on accrual basis.

3.14 Transactions with related parties

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses such as sharing of common staff salaries, electricity, gas, water, repair and maintenance relating to the head office, shared with associated companies, which are based on the advices received.

3.15 Dividend

Dividend is recognized as a liability in the period in which it is approved by the shareholders.

	Note	**June 30, 2009**	June 30, 2008
		(Rupees in thousand)	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating property plant and equipment	4.1	**3,539,718**	3,609,934
Capital work-in-progress	4.5	**815,262**	626,837
		4,354,980	4,236,771

4.1 Operating property, plant and equipment

Description	Cost			Rate %	Depreciation			
	As at July 01, 2008	Additions/ (Deletion)	As at June 30, 2009		As at July 01, 2008	For the year	As at June 30, 2009	Written down value as at June 30, 2009
	(Rupees in thousand)				(Rupees in thousand)			
OWNED ASSETS								
Land - freehold	3,025	-	3,025		-	-	-	3,025
Factory building on freehold land	766,179	-	766,179	5%	142,662	31,176	173,838	592,341
Non factory building on free hold land	20,938	-	20,938	10%	3,053	1,789	4,842	16,096
Plant and machinery	3,651,545	23,900	3,675,445	Unit of Prod.	732,115	66,862	798,977	2,876,468
Factory and laboratory equipment	13,485	986	14,471	10%	3,590	1,088	4,678	9,793
Quarry equipment	9,447	-	9,447	15%	8,293	173	8,466	981
Office equipments	7,935	1,145	9,080	10%	3,832	525	4,357	4,723
Furniture and fixture	8,631	7,680	16,311	10%	2,624	1,369	3,993	12,318
Vehicles	12,321	1,931	13,885	20%	7,587	1,303	8,673	5,212
		(367)				(217)		
LEASED ASSETS								
Plant and machinery	16,000	-	16,000	Unit of Prod.	154	296	450	15,550
Vehicles	6,921	-	6,331	20%	2,583	803	3,120	3,211
		(590)				(266)		
June 30, 2009	**4,516,427**	**35,642**	**4,551,112**		**906,493**	**105,384**	**1,011,394**	**3,539,718**
		(957)				**(483)**		

Description	Cost				Rate %	Depreciation			
	As at July 01, 2007	Additions	Transfer from C.W.I.P	As at June 30, 2008		As at July 01, 2007	For the year	As at June 30, 2008	Written down value as at June 30, 2008
	(Rupees in thousand)					(Rupees in thousand)			
OWNED ASSETS									
Land - freehold	3,025	-		3,025		-	-	-	3,025
Factory building on freehold land	510,848	-	255,331	766,179	5%	109,845	32,817	142,662	623,517
Non factory building on free hold land	20,938	-		20,938	10%	1,066	1,987	3,053	17,885
Plant and machinery	2,510,285	8,000	1,133,260	3,651,545	Unit of Prod.	703,721	28,394	732,115	2,919,430
Factory and laboratory equipment	13,484	1		13,485	10%	2,491	1,099	3,590	9,895
Quarry equipment	9,447	-		9,447	15%	8,089	204	8,293	1,154
Office equipments	7,297	638		7,935	10%	3,376	456	3,832	4,103
Furniture and fixture	7,921	710		8,631	10%	1,956	668	2,624	6,007
Vehicles	12,306	15		12,321	20%	6,404	1,183	7,587	4,734
LEASED ASSETS									
Plant and machinery	-	16,000		16,000	Unit of Prod.	-	154	154	15,846
Vehicles	4,756	2,165		6,921	20%	1,499	1,084	2,583	4,338
Jun 30, 2008	3,100,307	27,529	1,388,591	4,516,427		838,447	68,046	906,493	3,609,934

4.2 Allocation of depreciation

The charge of depreciation for the period has been allocated as under:

	Note	June 30, 2009	June 30, 2008
		(Rupees in thousand)	
Cost of sales	23	**98,507**	61,569
Distribution cost	24	**1,719**	1,619
Administrative expenses	25	**5,158**	4,858
		105,384	68,046

4.3 Reconciliation of carrying amount of operating property, plant and equipment

Description	Opening net book Value as on July 01, 2008	Additions	Disposals	Depreciation charge	Closing book value as at June 30, 2009
	(Rupees in thousand)				
OWNED ASSETS					
Land - freehold	3,025	-	-	-	3,025
Factory building on freehold land	623,517	-	-	31,176	592,341
Non factory building on free hold land	17,885	-	-	1,789	16,096
Plant and machinery	2,919,430	23,900	-	66,862	2,876,468
Factory and laboratory equipment	9,895	986	-	1,088	9,793
Quarry equipment	1,154	-	-	173	981
Office equipments	4,103	1,145	-	525	4,723
Furniture and fixture	6,007	7,680	-	1,369	12,318
Vehicles	4,734	1,931	(150)	1,303	5,212
LEASED ASSETS					
Plant and machinery	15,846	-	-	296	15,550
Vehicles	4,338	-	(324)	803	3,211
June 30, 2009	**3,609,934**	**35,642**	**(474)**	**105,384**	**3,539,718**

Description	Opening net book value as on July 01, 2007	Additions	Disposals	Depreciation charge	Closing book value as at June 30, 2008
	(Rupees in thousand)				
OWNED ASSETS					
Land - freehold	3,025	-	-	-	3,025
Factory building on freehold land	401,003	255,331	-	32,817	623,517
Non factory building on free hold land	19,872	-	-	1,987	17,885
Plant and machinery	1,806,564	1,141,260	-	28,394	2,919,430
Factory and laboratory equipment	10,993	1	-	1,099	9,895
Quarry equipment	1,358	-	-	204	1,154
Office equipments	3,921	638	-	456	4,103
Furniture and fixture	5,965	710	-	668	6,007
Vehicles	5,902	15	-	1,183	4,734
LEASED ASSETS					
Plant and machinery	-	16,000	-	154	15,846
Vehicles	3,257	2,165	-	1,084	4,338
June 30, 2008	2,261,860	1,416,120	-	68,046	3,609,934

4.4 The detail of property, plant and equipment disposed off during the year are as follows:

Description	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyer
	(Rupees in thousand)				
Vehicles					
Owned	367	150	306	Negotiation	Mr. Muhammad Ali
Leased	590	324	500	Insurance claim	EFU General Insurance Co.
	957	474	806		

4.5 Capital work-in-progress

Description	2009 Cost at July 01, 2008	2009 Addition	2009 Cost at June 30, 2009	2008 Cost at July 01, 2007	2008 Addition	2008 Transferred	2008 Cost at June 30, 2008
	(Rupees in thousand)			(Rupees in thousand)			
Civil work	-	-	-	126,649	83,669	210,318	-
Plant and machinery	506,600	78,327	584,927	1,346,764	93,570	933,734	506,600
Borrowing cost	120,237	110,098	230,335	131,562	233,214	244,539	120,237
	626,837	188,425	815,262	1,604,975	410,453	1,388,591	626,837

* The Average annualized rate of 9% (2008: 8%) has been used for capitalization of borrowing cost.

	Note	June 30, 2009	June 30,2008
		(Rupees in thousand)	
5 DEFERRED TAX ASSETS			
Deferred tax asset comprises as follows:			
Taxable temporary differences			
Accelerated depreciation for tax purposes		**(180,999)**	(498,534)
Deductible temporary differences			
Liabilities against assets subject to finance leases		**1,477**	6,386
Deferred liability - Gratuity		**1,301**	2,214
Carry forward losses		**391,620**	518,782
		394,398	527,382
		213,399	28,848

The Company expects that in future it will have the sufficient taxable profit against which unabsorbed depreciation loss can be adjust, in view of that the Company has recognized the deferred tax assets.

6 STORES, SPARES AND LOOSE TOOLS

	2009	2008
Stores	**239,124**	179,881
Coal	**7,189**	10,309
Spare parts	**179,122**	133,488
Loose tools	**3,872**	540
	429,307	324,218

7 STOCK IN TRADE

	2009	2008
Raw material	**118,352**	76,534
Packing material	**31,960**	27,602
Work in process	**292,394**	84,093
Finished goods	**29,570**	55,110
	472,276	243,339

	June 30, 2009	June 30, 2008
	(Rupees in thousand)	

8 TRADE DEBTS - Considered good

Secured against letter of credit	**2,887**	255,628
Unsecured	**39,121**	42,264
	42,008	297,892

9 ADVANCES AND OTHER RECEIVABLES - Unsecured (considered good)

To employees - Non Executive	**2,852**	1,990
To contractors and suppliers	**52,223**	29,679
Against letter of credit	**6,502**	1,353
Income tax net of provision	**51,147**	4,346
Rebate receivable	**8,484**	-
Others	**43**	142
	121,251	37,510

10 DEPOSITS AND PREPAYMENTS

Security deposits against leased assets	**-**	118
Security deposits others	**24,121**	23,841
Prepayments	**3,245**	153
	27,366	24,112

11 TAX REFUND DUE FROM GOVERNMENT

Income tax refundable	**826**	5,714
Sales tax refundable	**215,963**	59,228
Excise duty receivable	**34,114**	6,877
	250,903	71,819

12 CASH AND BANK BALANCES

Cash in hand	**392**	396
Cash with banks in current accounts	**12,029**	8,970
	12,421	9,366

13 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2009	2008			
No of Shares				
		Fully paid ordinary shares of Rs. 10 each issued as		
170,665,396	170,665,396	For cash	**1,706,654**	1,706,654
840,000	840,000	For consideration other than cash	**8,400**	8,400
11,339,588	11,339,588	Bonus shares	**113,396**	113,396
182,844,984	182,844,984		**1,828,450**	1,828,450

	Note	2009	2008
		No of Shares	
13.1 Movement of share capital			
Opening balance		**182,844,984**	114,278,115
Issued during the period as right shares		-	68,566,869
Closing balance		**182,844,984**	182.844,984

13.2 Shares held by the associated companies as at the balance sheet date were 65,747,525 (2008: 19,200,000).

14 RESERVE

	2009	2008
	(Rupees in thousand)	
Revenue reserves - General	**80,000**	80,000

It represents accumulation made out of profits in past years and is kept in order to meet future exigencies.

15 LONG TERM FINANCES

	Note	2009	2008
Secured from banking companies			
Musharakah	15.1	**500,000**	500,000
Term finance	15.2	**2,000,000**	2,000,000
Term finance II	15.3	-	165,000
		2,500,000	2,665,000
Less: Current maturity shown under current liability		-	(165,000)
		2,500,000	2,500,000

15.1 The Company has obtained Syndicate Facility of Rs. 2,500 million from consortium of five banks. Out of 2,500 million, the Company has acquired Rs. 500 million under the Musharakah Arrangement. This represent the 1,000,000 Musharakah Units of Rs. 500 each. The purpose of loan was to swap the Company's other long term and short term loans by way of balance sheet restructuring, long term debt reprofiling and permanent working capital lines of the Company. It is secured by way of first parri passu charge over all present and future fixed assets of the Company. It carries mark up at the rate of six months KIBOR plus 1.75% payable half yearly. It has grace period of two years and is repayable in 10 equal half yearly installment commencing from December 2010.

15.2 The Company has obtained Syndicate Facility of Rs. 2,500 million from consortium of five banks. Out of 2,500, the Company acquired 2,000 million as Term Finance. The purpose of loan was to swap the Company's other long term and short term loans by way of balance sheet restructuring, long term debt re-profiling and permanent working capital lines of the Company. It is secured by way of first parri passu charge over all present and future fixed assets of the Company. It carries mark up at the rate of six months KIBOR plus 1.75% payable half yearly. It has grace period of two years and is repayable in 10 equal half yearly installment commencing from December 2010.

15.3 The Company has obtained Term Finance facility against sanction limit of Rs.300 million from Commercial Bank. It is secured by way of first ranking parri passu charge over fixed assets of the Company. It carries mark up at the rate of six month KIBOR plus 1.5% payable quarterly. It is repayable in 20 equal quarterly installment commencing from April 2006. However, during the year the Company has fully paid this loan.

	Note	2009	2008
		(Rupees in thousand)	

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2009	2008
Minimum lease payment			
Not later than one year		6,926	7,850
Later than one year but not later than five years		6,638	13,622
		13,564	21,472
Mark-up			
Not later than one year		1,228	1,890
Later than one year but not later than five years		288	1,337
		1,516	3,227
Present value of minimum lease payment			
Not later than one year		5,698	5,960
Later than one year but not later than five years		6,350	12,286
		12,048	18,246
Less: Current maturity shown under current liabilities		(5,698)	(5,960)
		6,350	12,286

The above leases have been obtained from leasing companies. The rate used as discounting factor is ranging from 10.00% to 13.80% (2008: 10.00% to 16.00%). Lease rental are payable in equal monthly installments in advance. The Company can exercise its option to purchase the assets on expiry of lease term. In case of default in payment of rentals, penal interest at the rate of 0.1 % per day is chargeable.

17 DEFERRED LIABILITIES

	Note	2009	2008
Provision for employees gratuity	17.1	11,537	6,325
Loan from related parties	17.2	234,076	235,598
		245,613	241,923

17.1 Provision for employees gratuity

		2009	2008
a)	**Reconciliation of liability recognized in the balance sheet**		
	Present value of defined benefit obligations	6,325	4,981
	Expenses for the period	7,091	1,858
		13,416	6,839
	Less: Payment made during the period	1,879	514
	Liability recognized in the balance sheet	11,537	6,325
b)	**Change in present value of defined benefits obligations**		
	Present value of defined benefits obligation as on June 30, 2008	6,325	4,981
	Current service cost for the year	4,124	2,881
	Interest cost for the year	758	498
	Benefits paid during the year	(1,879)	(79)
	Actuarial loss on PVDBO	2,209	(1,956)
		11,537	6,325
c)	**Expenses recognized in the profit and loss account**		
	Current service cost	4,123	2,882
	Interest cost	759	498
	Net actuarial loss recognized in the period	2,209	1,956
		7,091	5,336
d)	**Change in actuarial gains/(losses)**		
	Net gains/(losses) arising during the year	(2,209)	1,956
	Charged to the profit and loss account	2,209	(1,956)
		-	-

	2009	2008
	(Rupees in thousand)	
e) Principle actuarial assumptions		
Discount rate	**12%**	12%
Expected rate of eligible salary increase in future years	**11%**	11%
Average expected remaining working life time of employees	**14 Years**	14 Years

f) **Expected charge for the year 2009-10 is Rs. 6.968 million.**

g) **Present value of defined benefits obligations**

	2009	2008	2007	2006	2005
	(Rupees in thousand)				
Present value of defined obligations at the end of the year	**11,537**	6,325	4,981	2,434	-

h) **Experience adjustments**

	2009	2008	2007	2006	2005
Experience adjustment arising on plan liabilities	**2,209**	(1,956)	286	-	-

	Note	2009	2008
		(Rupees in thousand)	
i) The charge for the year has been allocated as follows:			
Cost of sales	23	**5,647**	1,672
Distribution cost	24	**722**	149
Administrative expenses	25	**722**	37
		7,091	1,858

17.2 The charge of the Company was taken over by the present management and one of the condition of takeover from the previous sponsors was that the amount payable was required to be adjusted in respect of any differences in the value of assets and /or unrecorded liabilities. Due to dispute between old Sponsors and new Sponsors, the final amount of Sponsors' loan remains un-determined and un-settled.

The Company has no direct involvement but its liability is subject to determination of un-recorded liability of the sponsors, which has to be adjusted to finally determine the amount of old sponsors' loan. Pending the outcome of the decision, the amount standing to the credit of previous Sponsor has been kept intact under the head "Deferred Liabilities" the present Sponsors have committed to bear and pay the amount of interest if decided payable in this context. Thus though the quantum of amount payable cannot be determined with any accuracy yet there will be no adverse impact on the financial statement of the Company in this behalf. The effect of the same will be incorporated once the matter is settled between the present and previous sponsors. The matter is under arbitration as per agreement of old and new Sponsors.

	2009	2008
	(Rupees in thousand)	

18 TRADE AND OTHER PAYABLES

	2009	2008
Trade creditors	**384,508**	315,917
Bills payable	**-**	154,031
Accrued liabilities	**61,501**	63,123
Advances from customers	**198,831**	98,109
Excise duty payable	**39,093**	20,737
Retention money payable	**26,498**	31,295
Unclaimed dividends	**128**	128
Withholding tax payable	**1,342**	1,343
Leave encashment payable	**7,387**	3,415
Others	**306**	160
	719,594	688,258

19 MARK-UP ACCRUED

	2009	2008
On long term financing	**226,830**	17,660
On short term borrowings	**12,666**	8,913
	239,496	26,573

20 SHORT TERM BORROWINGS

	2009	2008
From banking companies		
Secured - running finances	**489,724**	38,252

The Company has arranged short-term running finance facilities from various banks on mark-up basis to the extent of Rs. 500 million (2008: Rs.150 million). It carry mark up at the rate ranging between one month KIBOR plus 1.50% to 6 months KIBOR plus 3.5% (2008: one month KIBOR plus 1.25% to 6 months KIBOR plus 1.5 %) per annum. These finances were obtained to meet the working capital requirements of the Company. The facilities are renewable and expired latest by July, 2009. The arrangements are secured by first charge ranking pari passu against current assets of the Company.

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

a) Central Excise and Land Custom has passed an order for the recovery of excise duty, sales tax and penalty of Rs. 91.046 million (2008: Rs. 91.046 million). The Company has however disputed the same both on grounds of lack of jurisdiction as well as on the merits, the matter is subjudice. The stay order was granted by the Honorable High Court of Sind against the said order.

b) From 1993-94 to 1998-99 the excise duty was levied and recovered from the Company being wrongly worked out on retail price based on the misinterpretation of sub section 2 of section 4 of the Central Excise Act, 1944 by Central Board of Revenue. Such erroneous basis of working of excise duty has been held, being without lawful authority, by the Honorable Supreme Court of Pakistan as per its judgment dated February 15, 2007 in the civil appeal Nos. 1388 & 1389 of 2002, civil appeal Nos. 410 to 418 of 2005, civil appeal No. 266 of 2006, civil appeal No. 267 of 2006 and civil appeal No. 395 of 2006. Accordingly, the Company has filed an application to the Collector of Federal Excise and Sales Tax to refund the excess excise duty amounting to Rs. 182.604 million. The case is pending before Collector.

c) The Competition Commission of Pakistan (here-in-after referred to as CCP) had issued a show cause notice to the Company against increase in prices of cement . Similar notices were also issued to the other cement manufacturers. The Company filed a writ petition before the Honorable High Court (here-in-after referred to as the Court) challenging the Competition Ordinance, 2007. The Court granted the stay order restricting the CCP to pass any adverse orders against the show cause notices issued to the cement manufacturers.

Subsequent to the year end, the Court has dismissed the writ petition and vacated the stay order and as a result the CCP has issued order by imposing a penalty of Rs. 87 million (2008: Nil). The Company has filed the Constitutional Petition against the recovery order dated August 27, 2009 before the Court. The Court has confirmed the stay with the direction to file an amended Petition in consequence of CCP demand, which the Company has filed. The case is pending before the Court. The Management is hope full that there will be no adverse out come of the same as Company.

21.2 Commitment

Commitment against open letter of credit amounting to Rs. 32.069 million (2008: Rs. 358.089 million).

		Note	2009	2008
			(Rupees in thousand)	
22	**SALES - NET**			
	Local		**1,327,798**	639,467
	Export	22.1	**2,051,871**	723,168
			3,379,669	1,362,635
	Less :			
	Sales tax		**(181,860)**	(82,864)
	Central excise duty		**(205,815)**	(112,997)
	Special excise duty		**(9,308)**	(4,371)
			(396,983)	(200,232)
			2,982,686	1,162,403

22.1 It includes exchange difference of Rs. 29.245 million (2008: Rs. 11.722 million).

		Note	2009	2008
23	**COST OF SALES**			
	Salaries, wages and other benefits including retirement benefits	23.1	**77,169**	83,420
	Raw and packing material consumed		**405,670**	135,616
	Stores, spares and loose tools		**79,743**	61,290
	Fuel and power		**1,517,441**	729,965
	Insurance		**15,237**	6,335
	Repairs and maintenance		**91,264**	12,226
	Depreciation	4.2	**98,507**	61,569
	Other production overheads		**18,587**	14,603
			2,303,618	1,105,024
	Work in process			
	Opening		**84,093**	62,812
	Closing		**(292,394)**	(84,093)
			(208,301)	(21,281)
	Cost of goods manufactured		**2,095,317**	1,083,743
	Finished goods			
	Opening		**55,110**	18,527
	Finished goods purchase for sale		**161,441**	-
	Closing		**(29,570)**	(55,110)
			186,981	(36,583)
			2,282,298	1,047,160

23.1 It includes Rs. 5.647 million (2008: Rs. 1.672 million) against staff retirement benefits.

	Note	2009	2008
		(Rupees in thousand)	

24 DISTRIBUTION COST

	Note	2009	2008
Salaries, wages and other benefits	24.1	**5,151**	3,180
Export expenses		**368,202**	112,227
Traveling and conveyance		**1,937**	106
Cartage outward		**4,949**	-
Entertainment		**167**	-
Depreciation	4.2	**1,719**	1,619
Amortization of intangible asset		**-**	52
Marking fee		**3,350**	10,396
Others		**5,144**	1,413
		390,619	128,993

24.1 It includes Rs. 0.722 million (2008: Rs. 0.149 million) against staff retirement benefits.

25 ADMINISTRATIVE EXPENSES

	Note	2009	2008
Salaries, wages and other benefits	25.1	**10,595**	11,549
Traveling and conveyance		**1,036**	517
Printing and stationery		**900**	481
Utilities		**324**	513
Repair and maintenance		**654**	814
Legal and professional charges		**5,371**	2,167
Auditor's remuneration	25.2	**428**	313
Rent, rates and taxes		**2,212**	746
Advertisement		**294**	581
Postage, telephone and telegram		**332**	324
Entertainment		**496**	410
Fees and subscription		**1,606**	2,719
Depreciation	4.2	**5,158**	4,858
Amortization of intangible asset		**-**	157
Miscellaneous		**1,186**	1,283
		30,592	27,432

25.1 It includes Rs. 0.722 million (2008: Rs. 0.037 million) against staff retirement benefits.

25.2 Auditor's remuneration

	2009	2008
Statutory Audit fees - M. Sikandar & Co.	**300**	205
Cost audit fees - Siddiqui & Co.	**100**	80
Out of pocket expenses	**28**	28
	428	313

26 OTHER OPERATING INCOME

	2009	2008
From non financial assets		
Gain on disposal of property, plant and equipment	**332**	-
Sale of scrap	**29,724**	582
	30,056	582

27 FINANCE COST

	2009	2008
Mark-up on long term financings	**309,355**	59,729
Mark-up on short term borrowings	**37,338**	25,655
Mark-up on lease liabilities	**2,025**	554
Bank charges and commission	**2,488**	2,392
	351,206	88,330

	2009	2008
	(Rupees in thousand)	

28 TAXATION

	2009	2008
Current year		
For the period	**23,024**	7,232
Prior year	**(2,259)**	949
	20,765	8,181
Deferred	**(184,551)**	(28,848)
	(163,786)	(20,667)

Income Tax assessments of the Company have been finalized upto and including the tax year 2008. However the Commissioner of Income Tax may at any time during a period of five years from the date of filing of return may select the deemed assessment for audit. Since the Company is liable to pay minimum tax, therefore, no numerical tax reconciliation is given.

29 PROFIT/(LOSS) PER SHARE - BASIC

	2009	2008
Profit/(Loss) after taxation	**121,813**	(108,263)
Weighted average number of ordinary shares	**182,844,984**	182,844,984
Earning/(Loss) per share in rupees - basic and diluted	**0.67**	(0.59)

30. Financial Instruments

The Company has exposures to the following risks from its use of financial instruments:
Credit risk
Liquidity risk
Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

30.1 Credit risk

Credit risk is the risk that one party to the financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company believes that it is not exposed to major concentration of credit risk. However, to reduce exposure to credit risk, if any, the management monitors the credit exposure towards the customers and makes provisions against those balances considered doubtful of recovery.

The maximum exposure to credit risk at the reporting date is:

	2009	2008
Trade debts	**42,008**	297,892
Advances and other receivables	**121,251**	37,510
Deposits	**24,121**	23,959
Cash with banks in current accounts	**12,029**	8,970
	199,409	368,331

30.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liability when due.

The company is exposed to liquidity risk in respect of non current interest bearing liabilities, short term borrow ngs, trade and other payable and mark up accrued.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2009					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	Rupees in '000'					
Financial liabilities						
Long term finance	**2,500,000**	**(3,870,625)**	**(182,750)**	**(182,750)**	**(847,225)**	**(2,657,900)**
Liabilities agai ıst assets subject to finance lease	**12,048**	**(13,564)**	**(3,463)**	**(3,463)**	**(6,638)**	**-**
Short term borrowings	**489,724**	**(561,322)**	**(280,661)**	**(280,661)**	**-**	**-**
Trade and other payables	**719,594**	**(719,594)**	**(719,594)**	**-**	**-**	**-**
Mark-up accrued	**239,496**	**(239,496)**	**(239,496)**	**-**	**-**	**-**
	3,960,862	**(5,404,601)**	**(1,425,964)**	**(466,874)**	**(853,863)**	**(2,657,900)**

	2008					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	Rupees in '000'					
Financial liabilities						
Long term finance	2,665,000	(4,458,125)	(353,750)	(188,750)	(377,500)	(3,538,125)
Liabilities against assets subject to finance lease	18,246	(21,472)	(3,925)	(3,925)	(6,984)	(6,638)
Short term borrowings	38,252	(44,028)	(22,014)	(22,014)	-	-
Trade and other payables	688,258	(688,258)	(344,129)	(344,129)	-	-
Mark-up accrued	26,573	(26,573)	(26,573)	-	-	-
	3,436,329	(5,238,456)	(750,391)	(558,818)	(384,484)	(3,544,763)

30.3 Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate resulting in as a result of changes in market prices. The Company manages market risk through binding contracts.

a) Currency risk

Foreign currency risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. The Company is not materially exposed to foreign currency risk on foreign currency assets and liabilities.

b) Interest rate risk

The Company has availed long term and short term financing facility from a banking company carrying mark up based on KIBOR, therefore the Company is exposed to Interest rate risk.

c) Cash flow sensitivity

100 basis points increase / (decrease) in KIBOR would have increased / (decreased) the profit for the year by Rs. 30.018 million assuming all other variables are constant.

30.4 Risk management policies

Risk management is carried out by the management under policies approved by Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas like foreign exchange risk, interest rate risk and investing excessive liquidity.

30.5 Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures commensurating to the circumstances.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('long term loan' and 'short term borrowings' as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

	2009	2008
	(Rupees in thousand)	
Total borrowings	2,512,048	2,683,246
Less: Cash and bank balances	12,421	9,366
Net debt	2,499,627	2,673,880
Total equity	1,717,436	1,595,623
Total capital	4,217,063	4,269,503
Gearing ratio	59.27%	62.63%

30.6 Fair value of financial instruments

Fair value is an amount for which an assets could be exchanged, or a liability settled, between knowledgeable willing parties in arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

As at the reporting date the fair value of all financial assets and liabilities are estimated to approximate their carrying values.

31 CASH GENERATED FROM/ (USED IN) OPERATIONS

	2009	2008
Loss before taxation	(41,973)	(128,930)
Adjustment for:		
Depreciation	105,384	68,046
Amortisation of intangible assets	-	209
Financial costs	351,206	88,330
Gain on disposal of property, plant and equipment	(332)	-
Provision for gratuity	7,091	1,858
	463,349	158,443
Operating profit before working capital changes	421,376	29,513
(Increase)/ decrease in current assets		
Stores, spares and loose tools	(105,089)	(79,261)
Stock in trade	(228,937)	(98,493)
Trade debts	255,884	(296,944)
Advances and other receivables	(83,250)	103,511
Short term deposit and prepayments	(3,254)	813
Refund due from government - other than income tax	(179,084)	(54,960)
	(343,730)	(425,334)
Increase in trade and other payables	31,336	251,791
Cash generated from/ (used in) operations	108,982	(144,030)

	2009	2008
	(Rupees in thousand)	

32 CASH AND CASH EQUIVALENT

	2009	2008
Cash and bank balance	**12,421**	9,366
Short term borrowings	**(489,724)**	(38,252)
	(477,303)	(28,886)

33 CAPACITY (Clinker)

	2009	2008
Installed capacity (M.Tons)	**900,000**	900,000
Actual production (M.Tons)	**582,824**	323,636

Reason for shortfall:
Actual production is less than the installed capacity due to planned shut down for maintenance and in line with the industry demand.

34 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related group companies and persons, directors of the Company and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due to related parties are shown in under respective note to the financial statement. Remuneration of executive and key management personnel is disclosed in note 35. Transactions with related parties are as follows:

	2009	2008
	(Rupees in thousand)	
Associated companies		
Purchase of cement	**230,884**	-
Purchase of stores and spares	**11,084**	5,555
Sale of clinker	**292,465**	90,613
Sale of cement	**3,589**	2,200
Sale of stores and spares	**3,961**	194
Shared expenditure	**3,263**	-

The above transactions are at arm's length basis on commercial terms and conditions.

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Executives	
Managerial remuneration	**22,557**	15,945
Medical	**2,256**	1,595
Retirement benefits	**2,289**	1,462
	27,102	19,002
Number of persons	**20**	16

The Company also provides some Executives with free use of Company maintained cars. The Company has not paid any remuneration to the Chief Executive or any of its Directors.

36 AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors on September 24, 2009.

37 GENERAL

Figures have been rounded off to the nearest thousand of Rupees.

Momal Shunaid
Chief Executive

Aves Cochinwala
Director

AL-ABBAS
GROUP

AL-ABBAS CEMENT INDUSTRIES LTD.

FORM OF PROXY

The Secretary,

The Al-Abbas Cement Industries Limited

Pardesi House, Survey No. 2/1,

R.Y. 16,

Old Queens Road,

Karachi

Please quote:

No. of shares held ____________________

Folio No. ____________________________

I/We ____

of ____

Member(s) of the **Al-Abbas Cement Industries Limited**, hereby appoint ____________________

____ of _______________________________

or failing him ____

of ____

as proxy in my/our behalf at the Annual General Meeting of the Company to be held at Pardesi House, Survey No. 2/1, R.Y. 16, Old Queens Road, Karachi on Wednesday, October 28, 2009 at 4:30 p.m. and at any adjournment thereof.

As witness my hand this ____________________________________ day of ___________2009

Signed by ____

Signature

in the presence of ______________________

Rupees five revenue stamp

Important:

1. This Form of Proxy duly completed must be deposited at our Share Registrar Office M/s. Technology Trade (Pvt) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Off: Shahrah-e-Quaideen, Karachi, not later than 48 hours before the time of holding the meeting.

2. A Proxy should also be a shareholder of the Company.

AL-ABBAS GROUP

If undelivered please return to:

AL-ABBAS CEMENT INDUSTRIES LIMITED

Pardesi House, Survey No. 2/1, R. Y. 16,

Old Queens Road, Karachi-74000