CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS	Asim Ghani	Chairman
	Shunaid Qureshi	Chief Executive
	Ajaz Ahmed Zaidi	(Nominee of Arif Habib Securities Limited)
	Aves Cochinwala	
	Duraid Qureshi	
	Syed Salman Rasheed	
	Tariq Usman Bhatti	
COMPANY SECRETARY	Khursheed Anwer	
CHIEF FINANCIAL OFFICER	Zuhair Abbas	
AUDIT COMMITTEE	Asim Ghani	Chairman
	Duraid Qureshi	Member
	Tariq Usman Bhatti	Member
	Syed Muhammad Talha	Secretary
AUDITORS	M. Sikandar & Co.	Chartered Accountants
LEGAL ADVISOR	Usmani & Iqbal	Advocate & Solicitors
	Muzaffar & Co.	Advocate & Solicitors
	Chaudry Law Associates	Advocate & Solicitors
	Shekha & Mufti	Chartered Accountants
TAX ADVISOR	Hyder Bhimji & Co.	
BANKERS	Allied Bank Limited	
	Al-baraka Islamic Bank Limited	
	Bank Alfalah Limited	
	Habib Bank Limited	
	KASB Bank Limited	
	National Bank of Pakistan	
	Royal Bank of Scotland Limited	
	Saudi Pak Bank Limited	
	Standard Chartered (Union Bank Limited)	
	United Bank Limited	
REGISTERED OFFICE	Pardesi House, Survey No. 2/1, R.Y. 16, Old Queens Road, Karachi - 74000 Ph : 111-111-224 Fax : 021-2470189, 021-2470090 Website : www.alabbascement.com E-mail : info@alabbascement .com	
FACTROY	Nooriabad Industrial Area, Kalo Kohar Distt. Dadu, Sindh.	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 17th 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 **Friday, October 31, 2008 at 5:30 p.m.** to transact the following business:

Ordinary Business

1. To confirm the minutes of 16th Annual General Meeting of the shareholders of the company held on October 26, 2007.
2. To receive, consider and adopt Annual Audited Financial Statements for the year ended June 30, 2008, 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.Sikandar & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

KHURSHEED ANWER
Company Secretary

Karachi: October 08, 2008

Notes:

1. Share Transfer Books will remain closed from October 24, 2008 to October 31, 2008 (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 the meeting.

B. For Appointing Proxies:

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 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 the 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, 2008.

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, 2008	For the year ended June 30, 2007
	In M. Tons	
Clinker Production	**323,636**	25,034
Cement Production	**176,288**	58,539
Cement Sales	**179,687**	55,119
Clinker Sales	**173,946**	-

By the grace of Allah, your Management is able to complete kiln - line number II which started trial production from the month of December 2007. Line number I already started the trial production last year. As a result, the production of clinker and cement has increased 298,602 M.T. and 117,749 M.T. respectively as compared to last year. The Company could not utilize its grinding capacities as the VR - 7 (Grinding Mill) is under installation, as a result 136,484 M.T. of clinker was exported and 37,462 M.T was sold locally.

OPERATIONAL AND FINANCIAL RESULTS

Following is the summary of comparative financial results.

	2008	2007
	(Rupees in thousand)	
Sales - net	**1,162,403**	206,412
(Loss) before taxation	**(128,930)**	(168,768)
Provision for taxation	**20,687**	26,781
Loss after taxation	**(108,263)**	(141,987)
Loss per share (in rupees)	**(0.59)**	(1.19)

The Company during the year under review incurred loss amounting to Rs. 108.263 million as compared to last year's loss of Rs. 141.987 million. Your Company managed to increase its sales to the tune of Rs. 1,162 million as against the sale of Rs. 206 million last year.

The Company thus earned gross profit of Rs. 115 million as compared to the last year of gross loss of Rs. 129 million. The reason for net loss was mainly attributed to tremendous increase in fuel and coal prices. The coal prices internationally reached to an unprecedented high level during FY08 after registering an increase of 139 percent on Year on Year basis. The overall cement industry have already recorded significant decline in profitability during the year, mainly because of the unprecedented rise in coal and fuel prices.

FINANCIAL RESTRUCTURING

During the year under review, your Company, by the grace of Al-mighty Allah, successfully completed the financial restructuring by swapping its long term and short term debts and its mark up by a new long term finance of Rs. 2 billion and musharaka of Rs. 500 million. Your Company has achieved an excellent break through with close co-operation of our banks as this financial restructuring gave us a breathing time with a grace period of two years. The Company was passing through a very difficult period after tragic EP accident in 2006 which delayed the expansion project by almost one year putting it under lot of financial pressures. The Management acknowledges the contribution of the banks and express thanks for their whole heartedness, support, guidance and confidence reposed in our enterprise.

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. Asim Ghani	Chairman	Executive Director
Mr. Duraid Qureshi	Member	Non Executive Director
Mr. Tariq Usman Bhatti	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. Sikandar & Co. retire and being eligible, offer themselves for re-appointment. The Board of Directors endorsed the recommendation of the Audit Committee for their re-appointment as auditors of the Company for the financial year ending June 30, 2009.

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. Due to investment made by the Company during the year under review on expansion, modernization and up-gradation of the plant, the 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 Company allotted 60% right shares during the year to the members including the directors' their spouses and minors children and impact of this is reflected in the annexed pattern of shareholding. However, the following directors and their spouses have made sales and purchase in addition to right shares subscription.

Sales

S. No.	Director's Name	Nos. of shares
1.	Tariq Usman Bhatti	188,000

Purchases

S. No.	Name	Nos. of shares
1.	Syed Salman Rasheed - Director	500,000
2.	Mrs. Rehana Salman - Spouse	200,000

BOARD OF DIRECTORS

During the year ended June 30. 2008, the four meetings of Board of Directors were held and attendance of Directors is as follows:

Director's Name	Meetings attended
Mr. Ajaz Ahmed Zaidi	3
Mr. Asim Ghani	3
Mr. Aves Cochinwala	3
Mr. Duraid Qureshi	3
Mr. Shunaid Qureshi	4
Syed Salman Rasheed	3
Mr. Tariq Usman Bhatti	4

FUTURE OUTLOOK

The Management of your Company is confident that by the grace of Allah, VR -7 will fully operational in the first quarter of the ensuing financial year.

The future of cement industry seems very promising due to high demand in regional neighboring countries as well as in local market. It is expected that surplus capacity of the Country would be utilized for export of the cement. The Cement industry emerged as a new source for building up of foreign currency reserves for the Country. The demand of cement in local as well as in neighboring countries and in Africa is rising continuously. The high prices of freight due to increase in fuel price has given an added advantage to our Country and your Company as well for exporting the cement to these countries due to its proximity. The Companies having production facilities at South would be the prime beneficiary due to low freight and short voyage time to the Indian port. Under prevailing situation, the Management is of the view that the future outlook of the Company is positive and is likely to perform well in the years ahead. However, the continuous increase in KIBOR rate on debts and input cost (which mainly comprises of coal, power and packing materials) could have negative effect on Company's operating profitability.

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 to 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

SHUNAID QURESHI
Chief Executive

Karachi: October 7, 2008

PATTERN OF SHAREHOLDINGS

As at June 30, 2008

Number of Shareholders	Shareholdings From	Shareholdings To	Total Number of Shares Held
475	1	100	17,954
608	101	500	192,025
506	501	1,000	458,247
919	1,001	5,000	2,695,713
239	5,001	10,000	1,983,143
77	10,001	15,000	1,005,440
52	15,001	20,000	951,308
35	20,001	25,000	823,488
28	25,001	30,000	778,848
20	30,001	35,000	658,751
14	35,001	40,000	538,600
8	40,001	45,000	340,609
18	45,001	50,000	887,300
7	50,001	55,000	368,900
3	55,001	60,000	177,500
5	60,001	65,000	317,439
4	65,001	70,000	267,473
2	70,001	75,000	147,000
2	75,001	80,000	160,000
1	80,001	85,000	81,500
2	85,001	90,000	174,662
2	90,001	95,000	186,352
7	95,001	100,000	696,000
1	105,001	105,600	105,600
1	105,601	106,300	106,300
1	106,301	115,000	115,000
1	115,001	120,000	120,000
3	120,001	125,000	367,387
3	135,001	140,000	418,800
1	140,001	145,000	144,000
3	145,001	150,000	450,000
1	150,001	195,000	192,000
3	195,001	200,000	600,000
1	200,001	205,000	202,000
1	205,001	240,000	236,000
1	240,001	245,000	243,500
1	245,001	290,000	289,500
1	290,001	305,000	303,000
1	305,001	340,000	336,100
1	340,001	395,000	392,100
1	400,001	425,000	424,000
1	425,001	500,000	500,000
1	500,001	540,000	501,000
1	540,001	580,000	575,700
1	580,001	600,000	600,000
1	600,001	610,000	610,000
1	610,001	613,600	613,600
1	613,601	680,000	676,169
1	680,001	780,000	779,100
1	780,001	790,000	788,148
1	790,001	815,000	811,860
1	815,001	1,135,000	1,133,032
1	1,135,001	1,230,000	1,230,000
1	1,230,001	1,505,000	1,500,300
1	1,505,001	1,640,000	1,637,025
1	1,640,001	1,710,000	1,708,000
1	1,710,001	2,420,000	2,418,545
1	2,420,001	4,875,000	4,873,500
1	4,875,001	5,000,000	5,000,000
1	5,000,001	5,150,000	5,147,500
1	5,150,001	5,286,500	5,286,500
1	5,286,501	5,785,000	5,780,166
1	5,785,001	8,635,000	8,632,500
1	8,635,001	13,400,000	13,400,000
1	13,400,001	15,571,000	15,571,000
1	15,571,001	19,200,000	19,200,000
1	19,200,001	31,218,165	31,218,165
1	31,218,166	33,699,635	33,699,635
3,087			**182,844,984**

CATEGORIES OF SHAREHOLDERS

Shareholders Category	Number of Shareholders	Number of Shares Held	Percentage %
Individuals	2,996	145,233,058	79.43
Joint Stock Companies	70	33,948,705	18.57
Financial Institutions	13	2,730,072	1.49
Modarabas	5	155,136	0.08
Insurance Companies	2	692,169	0.38
Investment Companies	3	30,713	0.02
Mutual Fund	1	21	0.00
Others	3	55,110	0.03
	3,093	182,844,984	100.00

Information of Shareholding required under reporting framework is as follows:

		No. of Shares
1	**Associated Companies , Undertakings and Related Parties**	
	Arif Habib Securities Limited	19,200,000
	M. Ayoob Younus Adhi	5,286,500
	Bushra Ayub	303,000
	Haji Ghani	31,218,165
	Noor Jahan Hajiani	1,280
	Moomal Shunaid	1,230,000
	Sultana Siddiqui	13,400,000
	Rehana Salman	5,000,000
2	**NIT and ICP**	
	Investment Corporation of Pakistan	100
	Investment Corporation of Pakistan	507
3	**Directors, CEO and their spouses and minor children**	
	Asim Ghani	30,451
	Shunaid Qureshi	15,571,000
	Syed Ajaz Ahmed Zaidi	NOMINEE
	Duraid Qureshi	1,000
	Tariq Usman Bhatti	613,600
	Syed Salman Rasheed	501,000
	Syed Kamran Rasheed	389
	Syed Saad Salman	2,418,545
	Aves Cochinwala	1,600
4	**Banks, Development Financial Institutions, Non- Banking Financial Institution, Insurance Companies, Modarabas, Mutual Fund & Investment Companies**	
	Pakistan Kuwait Investment Co. (Pvt) Limited	779,100
	Prudential Capital Manag. Limited	43,000
	National Bank of Pakistan, Trustee Deptt	1,600,008
	Habib Bank AG Zurich, Deira Dubai	289,500
	First National Equities Limited	1
	Fair Way Securities (Pvt) Limited	15,000
	Royal Bank of Scotland	115
	Islamic Investment Bank Limited	2,020
	Crescent Investment Bank Limited	110
	First Prudential Modaraba	150,000
	Prudential Capital Management Limited	5,000
	First Interfun Modarba	122
	Industrial Capital Modarba	14
	State Life Insurance Corp. of Pakistan	676,169
	East West Insurance Co. Limited	16,000
	Islamic Investment Bank Limited	20,203
	Escorts Investment Bank Limited	10,500
	HM Investment (Pvt) Limited	10
	Asian Stock Fund	21
	Lahore Stock Exchange (Guarantee) Limited	110
	Trustees Al- Abbas Sugar Mills Limited	5,000
	Trustees Nestle Pakistan Employee	50,000

5	Public Sector Companies & Corporations	No. of Shares
	Moosa, Noor Mohammad, Shahzad & Co.Pvt. Limited	60,000
	Javed Omer Vohra & Company Limited	8,632,500
	Unex Securities (PVT) LTD (ISB)	15
	Invest Capital Investment Bank Limited	174
	Fair Edge Securities (Pvt) Limited	15,000
	Ali Husain Rajabali Limited	10,500
	Moosa Securities (Pvt) Limited	5,700
	Y.S. Securities & Services (Pvt) Limited.	4,250
	Sapphire Fibres Limited	40,000
	Bulk Management Pakistan (Pvt) Limited	610,000
	Haji Khudabux Amir Umer (Pvt) Limited	100,000
	Prudential Discount & Guarantee House Limited	5,000
	Pakistan Molasses Company (Pvt) Limited	32,500
	Khalid Javed Securities (Pvt) Limited	3,500
	Elite Stock Services (Pvt) Limited	4,563
	Pace Investment and Securities (Pvt) Limited	7,500
	Darson Securities (Pvt) Limited	65,000
	Pasha Securities (Pvt) Limited	25,000
	Bawa Securities (Pvt) Limited	25,000
	Azee Securities (Pvt) Limited	11,801
	H M Investment (Pvt) Limited	222
	Zillion Capital Securities (Pvt) Limited	2,500
	Mian Muhammad Akram Securities (Pvt) Limited	1,000
	Rafi Securities (Pvt) Limited	85,162
	Aag Securities (Pvt) Limited	500
	Sakarwala Capital Securities (Pvt) Limted	10,000
	Sat Securities (Pvt) Limited	28,000
	FDM Capital Securities (Pvt) Limited	10,000
	A. Sattar Motiwala Securities (Pvt) Limited	288
	Dosslani's Securities(Pvt) Limited	500
	Capital Vision Securites (Pvt) Limited	4,044
	Akhai Securities (Pvt) Limited	30,000
	Ample Securities (Pvt) Limited	150,000
	Mars Securities (Pvt) Limited	23,600
	Live Securities (Pvt) Limited	575,700
	Time Securities (Pvt) Limited	28,171
	H.S.Z. Securities (Pvt) Limited	6,628
	HH Misbah Securities (Pvt) Limted	1,000
	Stanley House Industries(Pvt) Limited	30,000
	Apex Capital Securities (Pvt) Limited	48,800
	Cliktrade Limited	28,300
	Darson Securities (Pvt) Limited	14,500
	Amin Tai Securities (Pvt) Limited	1,500,300
	Kai Securities (Pvt) Limited	13,173
	General Investment & Securities (Pvt) Limited	106,300
	Imperial Investment (Pvt) Limited	8,500
	Fair Deal Securities (Pvt) Limited	2,500
	Wasi Securities (SMC-Pvt) Limited	50,000
	Ismail Abdul Shakoor Securities (Pvt) Limited	424,000
	Safe Securities (Pvt) Limited	162
	Value Stock Securities (Pvt) Limited	8,000
	H.S.Z. Securities (Pvt) Limited	1,000
	Muhammad Ahmad Nadeem Securities (SMC-Pvt) Limited	33,500
	Ghani Osman Securities (Pvt) Limited	1,708,000
	Naeem Security (Pvt) Limited	1,512
	Baring Brothers (Grernsey) Limited	430
	Sarfraz Mahmood (Pvt) Limited	60
	Muhammad Ahmad Nadeem Sec (SMC-Pvt) Limited	2,000
	Prime One Associates (Pvt) Limited	25,000
	Technology Trade (Pvt) Limited	125,000
	N.H. Securities (Pvt) Limited	300
	G.R.Securities (SMC-Pvt) Limited	2,000
	Trust Securities	50
6	**Shareholder holding 10% or more voting interest in the Company Employees, Annuitants & Employee's Trust – approximately.**	
	Javed Omer Vohra	33,699,635
	Haji Ghani	31,218,165

KEY FINANCIAL DATA
For the year ended June 30, 2008

		2008	2007	2006	2005	2004	2003
IINVESTMENT MEASURE							
Ordinary Share Capital	Rs. In '000'	1,828,450	1,142,781	1,142,781	380,927	380,927	380,927
Reserves [Reserves + Un-appropriated profit]	Rs. In '000'	(232,827)	(124,564)	17,423	(176)	87,624	185,768
Ordinary Shareholder's Equity [Ordinary share capital + Reserves + Unappropriated profit]	Rs. In '000'	1,595,623	1,018,217	1,160,204	380,751	468,551	566,695
Dividend on Ordinary Shares	Rs. In '000'	-	-	-	-	38,092	19,046
Dividend per Ordinary Share "[Total dividend on ordinary shares/ Number of ordinary shares issued]"	Rs	-	-	-	-	1.00	0.50
(Loss) / profit before taxation	Rs. In '000'	(128,930)	(168,768)	(75,025)	(76,612)	25,648	4,430
(Loss) / profit after taxation	Rs. In '000'	(108,263)	(141,987)	17,599	(82,341)	(98,145)	1,521
(Loss)/ Earnings per share "[Profit after taxation attributable to ordinary shareholders/ Number of ordinary shares issued]"	Rs	(0.59)	(1.24)	0.17	(2.16)	(2.58)	0.04
MEASURE OF FINANCIAL STATUS							
Current Ratio "[Current assets/ (Current liabilities - Current maturity of long term loans - Current maturity of liabilities against subject to finance lease)]"	x : 1	1.34	0.83	1.69	0.86	1.43	1.10
Debt to Capital Ratio (Debt/ Total shareholder's Equity + Debt) "[Debt = Long term financing + Current maturity of long term finance +Liabilities against subject to finance lease + Current maturity of liabilities against assets subject to finance lease] [Total shareholder's equity = Issued, subscribed and paid-up capital + Reserves + Unappropriated profit/(loss)]"	%	62.71	67.61	63.59	63.13	66.17	62.15
Debt Ratio [Interest bearing debt / Total assets] [Interest bearing debt = Long term loans+Long term financing + Current maturity of long term loans +Current maturity of long term financing+ Short-term borrowings]	x : 1	0.51	0.53	0.54	0.40	0.50	0.50
Acid Test Ratio "[Liquid assets/ (Current liabilities - Current maturity of long term loans)]" "[Liquid assets = Current assets - Stores, Spare parts and loose tools - Stock in trade - Prepayments]"	x : 1	0.55	0.23	0.56	0.18	0.15	0.20
Number of Days Stock [365 / Stock turnover] [Stock turnover = Cost of goods sold / Average stock-in-trade] [Average stock-in-trade = Opening stock in trade + Closing stock-in-trade / 2]	In days	68	153	43	13	22	27
MEASURE OF PERFORMANCE							
Profit After Taxation as % of Average Capital Employed [Capital employed = Total assets - Current liabilities] [Average capital employed = (Opening capital employed + Closing capital employed) / 2]	%	(2.8)	(4.2)	0.7	(6.5)	(8.3)	0.1
Sales	Rs. In '000'	1,162,403	206,412	913,511	593,463	769,713	581,597
Cost of Sales as % of Sales	%	90.1	162.6	97.6	106.6	92.4	95.2
Profit Before Taxation as % of Sales	%	(11.1)	(81.8)	(8.2)	(12.2)	3.3	0.8
Profit After Taxation as % of Sales	%	(9.3)	(68.8)	1.9	(13.9)	(12.8)	0.3
Asset Turnover [Sales / Total assets]	In times	0.22	0.05	0.24	0.30	0.50	0.30

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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2008.

M. Sikandar & Co.
Chartered Accountants

Karachi: October 07, 2008

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2008

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 5 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 directors have been provided with copies of the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, Company's Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities. The Directors have confirmed that they have also attended orientation course in order to be acquainted 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 three members, of whom two 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. This function has been outsourced to Haroon Zakaria & Company Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

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

SHUNAID QURESHI
Chief Executive

Karachi: October 07, 2008

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AL-ABBAS CEMENT INDUSTRIES LIMITED as at June 30, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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, 2008 and of the loss, 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

Karachi: October 07, 2008

BALANCE SHEET
AS AT JUNE 30, 2008

	Note	June 30, 2008	June 30, 2007
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	4,236,771	3,866,835
Intangible asset	4	-	209
Deferred tax assets	5	28,848	-
		4,265,619	3,867,044
CURRENT ASSETS			
Stores, spare and loose tools	6	324,218	244,957
Stock-in-trade	7	243,339	144,846
Trade debts	8	297,892	948
Advances and other receivable	9	37,510	141,021
Short term deposits and prepayments	10	24,112	24,925
Tax refund due from government	11	71,819	16,859
Cash and bank balances	12	9,366	2,366
		1,008,256	575,922
		5,273,875	4,442,966
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
200,000,000 Ordinary shares of Rs. 10/- each		2,000,000	2,000,000
Issued, subscribed and paid-up capital	13	1,828,450	1,142,781
Reserve	14	80,000	80,000
Accumulated loss		(312,827)	(204,564)
		1,595,623	1,018,217
Right share subscription		-	362,878
LIABILITIES			
NON CURRENT LIABILITIES			
Long term finances	15	2,500,000	1,729,348
Liabilities against assets subject to finance lease	16	12,286	1,266
Deferred liabilities	17	241,923	244,992
		2,754,209	1,975,606
CURRENT LIABILITIES			
Trade and other payables	18	688,258	436,467
Mark-up accrued	19	26,573	37,818
Short term borrowings	20	38,252	217,314
Current portion of long term finance		165,000	393,444
Current maturity of liabilities against assets subject to finance lease		5,960	1,222
		924,043	1,086,265
CONTINGENCIES AND COMMITMENTS	21		
		5,273,875	4,442,966

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

Asim Ghani
Chairman

Shunaid Qureshi
Chief Executive

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008	2007
		(Rupees in thousand)	
Sales - net	22	**1,162,403**	206,412
Cost of sales	23	**(1,047,160)**	(335,632)
Gross profit/ (loss)		**115,243**	(129,220)
Distribution cost	24	**(128,993)**	(1,925)
Administrative expenses	25	**(27,432)**	(26,783)
Other operating income	26	**582**	5,895
Loss from operation		**(40,600)**	(152,033)
Finance cost	27	**(88,330)**	(16,735)
Loss before taxation		**(128,930)**	(168,768)
Taxation	28	**20,667**	26,781
Loss after taxation		**(108,263)**	(141,987)
Loss per share (Basic and diluted in Rupees)	29	**(0.59)**	**(1.19)**

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

Asim Ghani
Chairman

Shunaid Qureshi
Chief Executive

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008	2007
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used in)/ generated from operations	31	**(144,030)**	136,462
Gratuity - paid		**(514)**	(850)
Income tax paid		**(8,181)**	(1,830)
Income tax refunded		**-**	1,960
Finance costs paid		**(99,575)**	(17,908)
		(108,270)	(18,628)
Net cash (used in)/ generated from operating activities		**(252,300)**	117,834
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(419,817)**	(876,578)
Proceeds of sale of assets		**-**	11,200
Net cash used in investing activities		**(419,817)**	(865,378)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long term finances		**2,500,000**	246,164
Repayment of long term finance		**(1,957,792)**	(145,000)
Repayment on behalf of related parties		**(4,413)**	(7,059)
Repayment of finance lease obligation		**(2,407)**	(1,901)
Proceeds of right share subscription		**322,791**	362,877
Dividend paid		**-**	(10)
Net cash from financing activities		**858,179**	455,071
Net increase/ (decrease) in cash and cash equivalents		**186,062**	(292,473)
Cash and cash equivalents at the beginning of year		**(214,948)**	77,525
Cash and cash equivalents at the end of year	32	**(28,886)**	(214,948)

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

Asim Ghani
Chairman

Shunaid Qureshi
Chief Executive

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

	Share Capital	Revenue Reserve			Total
		General	Accumulated Loss	Total	
	(Rupees in thousand)				
Balance as at July 01, 2006	1,142,781	80,000	(62,577)	17,423	1,160,204
	-	-	(141,987)	(141,987)	(141,987)
Balance as at June 30, 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**

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

Asim Ghani
Chairman

Shunaid Qureshi
Chief Executive

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2008

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 SIGNIFICANT ACCOUNTING POLICIES

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.

2.3 Property, plant and equipment

(a) Operating fixed assets

(i) Owned

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

In accordance with the IAS-16, every company should select the method for charging depreciation that most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. That method is applied consistently from period to period unless their is a change in the expected pattern of consumption of those future economic benefits. Such IFRS further requires that such pattern of flow of economic benefits should be periodically reviewed and reassessed. In the light of the same, the management of the company has conducted an exercise for determing the plant life by Independent Professional Valuer and on the basis of their report decided to change the method of applying depreciation to units of production method from the diminishing balance method for plant and machinery. The units of production method resulted in a depreciation charge based on 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, 2008 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.

2.4 Stores, spares 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.

2.5 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.

2.6 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.

2.7 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.

2.8 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. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance, 2001 and whichever is higher is provided in the financial statements.

(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.

2.10 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, 2007, by using the Projected credit unit method The acturial gain and loss recognized as per paragraph 92 of IAS - 19

(b) Compensated absences

The company accounts for liability in respect of unavailed 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.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 Borrowing costs

Borrowing cost incurred up to the date of commencement of commercial production is capitalized. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

2.16 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.

2.17 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 electricity, gas, water, repair and maintenance relating to the head office, shared with associated companies, which are based on the advices received.

2.18 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.

2.19 Standards, interpretations and amendments to published approved accounting standards

a). Amendments to published standards effective in current year

Amendments to IAS 1 'Presentation of financial statements – Capital Disclosures' is mandatory for the Company's accounting periods beginning on or after July 1, 2007. It introduces disclosure requirements regarding how the entity manages its capital. Adoption of these amendments only impact the format and extent of disclosures as presented in financial instruments disclosure.

b). Standards, amendments and interpretations effective in current year but not relevant

There are other new accounting standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2007 are considered not to be relevant or have any significant effect to the Company's operations and therefore, not detailed in these financial statements.

c). Amendments to published standards not yet effective

Certain amendments to IAS 1 'Presentation of financial statements' have been published in September 2007 which revised the existing IAS 1 and requires apart from changing the names of certain financial statements, presentation of transactions with owners in statements of changes in equity and with non owners in Comprehensive Income Statements. The revised standard will be effective from January 1, 2009. Adoption of the above standard will only impact the presentation of financial statements.

IAS 23 (Amendment) 'Borrowing costs' (effective from period begin on or after January 1, 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn.

IAS 29 "Financial Reporting in Hyperinflationary Economies" (effective for annual periods beginning on or after 1 July 2008).

IAS 32 (amendment)-Financial instruments: Presentation and consequential amendment to IAS 1- Presentation of Financial Statements (effective for annual period beginning on or after 1 January 2009). IAS 32 amended classification of Puttable Financial Instruments.

IFRS 8 'Operating segments' (effective from period begin on or after January 1, 2009). IFRS 8 replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

IFRIC 13 'Customer loyalty programmes' (effective from period begin on or after July 1, 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

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.

IFRIC 16 Hedge of Net Investment in a Foreign Operation (effective for annual period beginning on or after 1 October 2008).

2.20 Dividend

Dividend is recognized as a liability in the period in which it is declared.

	Note	**June 30, 2008**	June 30, 2007
		(Rupees in thousand)	
3 PROPERTY, PLANT AND EQUIPMENT			
Tangible fixed assets	3.1	**3,609,934**	2,261,860
Capital work-in-progress	3.2	**626,837**	1,604,975
		4,236,771	3,866,835

3.1 Tangible fixed assets

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	Deletion	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
Vehicles	12,306	15		12,321	20%	6,404	-	1,183	7,587	4,734
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
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
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**

Description	Cost				Rate %	Depreciation				
	As at July 01, 2006	Additions	Transfer from C.W.I.P	As at June 30, 2007		As at July 01, 2006	Deletion	For the year	As at June 30, 2007	Written down value as at June 30, 2007
	(Rupees in thousand)					(Rupees in thousand)				
OWNED ASSETS										
Land - freehold	3,025	-		3,025	-	-	-	-	-	3,025
Building on freehold land	281,763	-	229,087	510,850	5%	98,138	-	11,707	109,845	401,005
Non factory building on free hold land	-	-	20,938	20,938	10%	-	-	1,066	1,066	19,872
Plant and machinery	1,798,865	24,366 (10,568)	697,620	2,510,283	4%	654,724	(3,199)	52,196	703,721	1,806,562
Vehicles	10,494	1,812		12,306	20%	5,194	-	1,210	6,404	5,902
Office equipments	6,802	495		7,297	10%	2,974	-	402	3,376	3,921
Furniture and fixture	7,357	564		7,921	10%	1,331	-	625	1,956	5,965
Factory and laboratory equipment	12,616	868		13,484	10%	1,338	-	1,153	2,491	10,993
Quarry equipment	9,447	-		9,447	15%	7,865	-	224	8,089	1,358
LEASED ASSETS										
Vehicles	5,755	(999)	-	4,756	20%	863	(271)	907	1,499	3,257
June 30, 2007	2,136,124	28,105 (11,567)	947,645	3,100,307		772,427	- (3,470)	69,490	838,447	2,261,860

3.1.1 Allocation of depreciation

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

	Note	June 30, 2008	June 30, 2007
		(Rupees in thousand)	
Cost of sales	23	**61,569**	65,034
Distribution cost	24	**1,619**	1,114
Administrative expenses	25	**4,858**	3,342
		68,046	69,490

3.2 Capital work-in-progress

	Cost at July 01, 2007	Addition	Transferred	Cost at June 30, 2008
	------------------ (Rupees in thousand) ------------------			
Civil work	126,649	83,669	210,318	-
Plant and machinery	1,346,764	93,570	933,734	506,600
Borrowing cost	131,562	233,214	244,539	120,237
	1,604,975	**410,453**	**1,388,591**	**626,837**

Capital work-in-progress

	Cost at July 01, 2006	Addition	Transferred	Cost at June 30, 2007
	------------------ (Rupees in thousand) ------------------			
Civil work	120,116	166,123	159,590	126,649
Plant and machinery	1,672,786	308,592	634,614	1,346,764
Borrowing costs	41,245	243,758	153,441	131,562
	1,834,147	718,473	947,645	1,604,975

4 INTANGIBLE ASSET

	COST			Rate %	ACCUMULATED AMORTIZATION			Book value as at June 30, 2008
	As at July 1, 2007	Additions	As at Jun 30, 2008		As at July 1, 2007	For the year	As at June 30, 2008	
	(Rupees in thousand)				(Rupees in thousand)			
Computer Software	625	-	**625**	33	416	209	**625**	-
June 30, 2007	625	-	625	33	207	209	416	209

4.1 Allocation of amortization

The charge of amortization for the year has been allocated as under:

	Note	Jun 30, 2008	June 30,2007
		(Rupees in thousand)	
Distribution cost	24	**52**	52
Administrative cost	25	**157**	157
		209	209

5 DEFERRED TAX ASSETS

Deferred tax asset comprises as follows:

		Jun 30, 2008	June 30,2007
Taxable temporary differences			
Accelerated depreciation for tax purposes		**(498,534)**	-
Deductible temporary differences			
Liabilities against assets subject to finance leases		**6,386**	-
Deferred liability - Gratuity		**2,214**	-
Carry forward loss		**518,782**	-
		527,382	-
		28,848	-

6 STORES, SPARES AND LOOSE TOOLS

		Jun 30, 2008	June 30,2007
Stores		**179,881**	92,903
Coal		**10,309**	29,284
Spare		**133,488**	122,401
Loose tools		**540**	369
		324,218	244,957

7 STOCK-IN-TRADE

		Jun 30, 2008	June 30,2007
Raw material		**76,534**	59,870
Packing material		**27,602**	3,640
Work-in-process		**84,093**	62,811
Finished goods		**55,110**	18,525
		243,339	144,846

8 TRADE DEBTS - Considered good

		Jun 30, 2008	June 30,2007
Secured against letter of credit		**255,628**	-
Unsecured		**42,264**	948
		297,892	948

	2008	2007
	(Rupees in thousand)	

9 ADVANCES AND OTHER RECEIVABLE - unsecured (considered good)

	2008	2007
To employees	**1,990**	587
To contractors and suppliers	**29,679**	8,499
Against letter of credit	**1,353**	-
Income tax net of provision	**4,346**	1,721
Others	**142**	130,214
	37,510	141,021

10 SHORT TERM DEPOSITS AND PREPAYMENTS

	2008	2007
Security deposits against leased assets	**118**	118
Security deposits others	**23,841**	21,782
Prepayments	**153**	3,025
	24,112	24,925

11 TAX REFUND DUE FROM GOVERNMENT

	2008	2007
Income tax refundable	**5,714**	4,280
Sales tax refundable	**59,228**	12,529
Excise duty receivable	**6,877**	50
	71,819	16,859

12 CASH AND BANK BALANCES

	2008	2007
Cash in hand	**396**	92
Cash with banks in current accounts	**8,970**	2,274
	9,366	2,366

13 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

No of Shares			2008	2007
170,665,396	102,098,527	Fully paid ordinary shares of Rs. 10 each issued for cash	**1,706,654**	1,020,985
840,000	840,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	**8,400**	8,400
11,339,588	11,339,588	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**113,396**	113,396
182,844,984	114,278,115		**1,828,450**	1,142,781

	Note	2008	2007

13.1 Movement of share capital

	No of Shares 2008	2007
Opening balance	**114,278,115**	114,278,115
Issued during the year as right shares	**68,566,869**	-
Closing balance	**182,844,984**	114,278,115

13.2 Shares held by the associated companies as at the balance sheet date was 19,200,000 (2007: 12,000,000)

14 RESERVE

	2008 (Rupees in thousand)	2007 (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	2008	2007
Secured from banking companies			
Musharaka	15.1	**500,000**	-
Term finance (New)	15.2	**2,000,000**	-
Term finance I	15.3	**-**	937,376
Term finance II	15.4	**165,000**	225,000
Term finance III	15.5	**-**	277,083
Term finance IV	15.6	**-**	283,333
Term finance V	15.7	**-**	400,000
		2,665,000	2,122,792
Less: Current maturity shown under current liability		**(165,000)**	(393,444)
		2,500,000	1,729,348

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 Musharaka Arrangement. This represent the 1,000,000 Musharika 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 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 instalment commencing from December 2010.

15.3 During the year the Company has swapped this loan. Previously the Company had obtained Syndicate Term Finance facility against sanction limit of Rs. 938 million from consortium of three banks and a financial institution lead by National Bank Limited. It was secured by way of first ranking parri passu charge against current and future fixed assets of the company. It carried mark up at the rate of six month KIBOR plus 1.5% payable half yearly. Originally it was repayable in 21 equal half yearly installment commencing from November 2007.

15.4 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, subsequent to the balance sheet date the Company has fully paid this loan.

15.5 During the year the Company has swapped this loan. Previously the Company had obtained Term Finance facility against sanction limit of Rs. 350 million from Commercial Bank. It was secured by way of first ranking parri passu charge over fixed assets of the company. It carried mark up at the rate of six month KIBOR plus 1.5% payable quarterly. Originally it was repayable in 24 equal quarterly installment commencing from April 2006.

15.6 During the year the Company has swapped this loan. Previously the Company had obtained Term Finance facility against sanction limit of Rs. 300 million from Commercial Bank. It was secured by way of first ranking parri passu charge over fixed assets of the company. It carried mark up at the rate of three month KIBOR plus 1.75% payable quarterly. Originally it was repayable in 18 equal quarterly installment commencing from April 2007.

15.7 During the year the Company has swapped this loan. Previously the Company had obtained Term Finance facility against sanction limit of Rs. 400 million from Commercial Bank. It was secured by way of first ranking parri passu charge over fixed assets of the company. It carried mark up at the rate of three month KIBOR plus 2.5% payable quarterly. Original it was repayable in 22 equal quarterly installment commencing from March 2008.

	2008	2007
	(Rupees in thousand)	
16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Minimum lease payment		
Not later than one year	**7,850**	1,502
Later than one year but not later than five years	**13,622**	1,365
	21,472	2,867
Mark-up		
Not later than one year	**1,890**	280
Later than one year but not later than five years	**1,337**	99
	3,227	379
Present value of minimum lease payment		
Not later than one year	**5,960**	1,222
Later than one year but not later than five years	**12,286**	1,266
	18,246	2,488
Less: Current maturity shown under current liabilities	**(5,960)**	(1,222)
	12,286	1,266

The above leases have been obtained from leasing Companies. The rate used as discounting factor is ranging from 10.00% to 13.80% (2007: 10.00% to 13.80%). 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.

		2008	2007
		(Rupees in thousand)	

17 DEFERRED LIABILITIES

	Note	2008	2007
Provision for employees gratuity	17.1	**6,325**	4,981
Loan from related parties	17.2	**235,598**	240,011
		241,923	244,992

17.1 Provision for employees gratuity

(a) Reconciliation of liability recognised in the balance sheet

	2008	2007
Present value of defined benefit obligations	**4,981**	2,434
Expenses for the period	**1,858**	3,397
	6,839	5,831
Less: Payment made during the year	**514**	850
Liability recognised in the balance sheet	**6,325**	4,981

(b) Change in present value of defined benefits obligations

	2008	2007
Present value of defined benefits obligation as on June 30, 2007	**4,981**	4,981
Current service cost for the year	**2,881**	-
Interest cost for the year	**498**	-
Benefits paid during the year	**(79)**	-
Actuarial loss on PVDBO	**(1,956)**	-
	6,325	4,981

(c) Expenses recognised in the profit and loss account

	2008	2007
Current service cost	**2,882**	2,887
Interest cost	**498**	224
Net actuarial loss recognised in the period	**1,956**	286
	5,336	3,397

(d) Change in actuarial gains/(losses)

	2008	2007
Unrecognized actuarial gains/(losses) as at June 30, 2007	**-**	
Net gains/(losses) arising during the year	**1,956**	286
Charged to the profit and loss account	**(1,956)**	(286)
Unrecognized actuarial gains/(losses) as at June 30, 2008	**-**	-
	-	-

(e) Principle actuarial assumptions

	2008	2007
Discount rate	**12%**	12%
Expected rate of eligible salary increase in future years	**11%**	10%
Average expected remaining working life time of employees	**14 Years**	11 Years

(f) Expected charge for the year 2008-09 is Rs. 4.883 million.

(g) Present value of defined benefits obligations

	2008	2007	2006	2005	2004
	(Rupees in thousand)				
Present value of defined obligations at the end of the year	**6,326**	4,981	2,434	-	-

(h) Experience adjustments

	2008	2007	2006	2005	2004
	(Rupees in thousand)				
Experience adjustment arising on plan liabilities	**1,956**	286	-	-	-

i) The charge for the year has been allocated as follows:

		2008	2007
		(Rupees in thousand)	
Cost of sales	23	**1,672**	2,771
Distribution cost	24	**149**	626
Administrative expenses	25	**37**	-
		1,858	3,397

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 as stated in note 17.2 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.

		Note	2008	2007
			(Rupees in thousand)	
18	**TRADE AND OTHER PAYABLES**			
	Trade creditors	18.1	**315,917**	307,813
	Bills payable		**154,031**	-
	Accrued liabilities		**63,123**	85,903
	Advances from customers		**98,109**	5,071
	Excise duty payable		**20,737**	-
	Deposits and retentions		**31,295**	35,048
	Unclaimed dividend		**127**	128
	Withholding tax payable		**1,343**	365
	Others		**3,576**	2,139
			688,258	436,467

18.1 It includes amount due to related parties amounting to Nil (2007: Rs. 24.684 million).

		Note	2008	2007
19	**MARK-UP ACCRUED**			
	On long term financing		**17,660**	32,419
	On short term borrowings		**8,913**	5,399
			26,573	37,818
20	**SHORT TERM BORROWINGS**			
	From banking companies			
	Secured - running finances	20.1	**38,252**	202,031
	Unsecured - book overdraft		**-**	15,283
			38,252	217,314

20.1 The Company has arranged short-term running finance facilities from various banks on mark-up basis to the extent of Rs.150 million (2007: Rs. 200 million). It carry mark up at the rate ranging between one month KIBOR plus 1.25% to 6 months KIBOR plus 1.5 % (2007: 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 January, 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 (2007: 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 Honourable High Court of Sindh 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.

21.2 Commitment

Commitment against open letter of credit amounting to Rs. 358.089 million (2007: Rs. 21.250 million).

	Note	2008	2007
		(Rupees in thousand)	
22 SALES - NET			
Local		**639,467**	285,488
Export		**723,168**	-
		1,362,635	285,488
Less :			
Sales Tax		**(82,864)**	(37,237)
Central Excise Duty		**(112,997)**	(41,339)
Special Excise Duty		**(4,371)**	-
Commission		**-**	(500)
		(200,232)	(79,076)
		1,162,403	206,412
23 COST OF SALES			
Salaries, wages and other benefits including retirement benefits		**83,420**	85,389
Raw and packing material consumed		**135,616**	66,555
Stores, spares and loose tools		**61,290**	23,653
Fuel and power		**729,965**	43,147
Insurance		**6,335**	4,831
Repairs and maintenance		**12,226**	6,419
Depreciation	3.1.1	**61,569**	65,034
Other production overheads		**14,603**	15,554
		1,105,024	310,582
Work in process			
Opening		**62,812**	94,924
Closing		**(84,093)**	(62,811)
		(21,281)	32,113
Cost of goods manufactured		**1,083,743**	342,695
Finished goods			
Opening		**18,527**	11,462
Closing		**(55,110)**	(18,525)
		(36,583)	(7,063)
		1,047,160	335,632
24 DISTRIBUTION COST			
Salaries, wages and other benefits		**3,180**	29
Export expenses		**112,227**	14
Travelling and conveyance		**106**	172
Depreciation	3.1.1	**1,619**	1,114
Amortization of intangible asset	4.1	**52**	52
Marking fee		**10,396**	-
Others		**1,413**	544
		128,993	1,925

			2008	2007
			(Rupees in thousand)	
25	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other benefits		**11,549**	11,350
	Traveling and conveyance		**517**	418
	Printing and stationery		**481**	491
	Utilities		**513**	834
	Repair and maintenance		**814**	158
	Legal and professional charges		**2,142**	3,988
	Auditor's remuneration	25.1	**338**	493
	Rent, rates and taxes		**746**	845
	Advertisement		**581**	295
	Postage, telephone and telegram		**324**	674
	Entertainment		**410**	474
	Fees and subscription		**2,719**	2,459
	Depreciation	3.1.1	**4,858**	3,342
	Amortization of intangible asset	4.1	**157**	156
	Miscellaneous		**1,283**	806
			27,432	26,783
25.1	**Auditor's remuneration**			
	Statutory Audit fees - M. Sikandar & Co.		**205**	175
	Cost audit fees		**80**	70
	Out of pocket expenses		**28**	18
	Other professional charges		**25**	230
			338	493
26	**OTHER OPERATING INCOME**			
	Return from financial assets			
	Profit on deposit		**-**	237
	Income from non financial assets			
	Gain on disposal of property, plant and equipment		**-**	3,103
	Sale of scrap		**582**	2,499
	Miscellaneous		**-**	56
			582	5,895
27	**FINANCE COST**			
	Mark-up on long term financings		**59,729**	-
	Mark-up on short term borrowings		**25,655**	15,696
	Mark-up on lease liabilities		**554**	393
	Bank charges and commission		**2,392**	646
			88,330	16,735
28	**TAXATION**			
	Current			
	For the year		**7,232**	1,061
	For prior years		**949**	592
			8,181	1,653
	Deferred		**(28,848)**	(28,434)
			(20,667)	(26,781)

Since the Company is liable to pay minimum tax, therefore, no numerical tax reconciliation is given.

		2008	2007
29	**LOSS PER SHARE - BASIC**		
	Loss after taxation	**(108,263)**	(141,987)
	Weighted average number of ordinary shares	**182,844,984**	119,246,729
	Loss per share - basic and diluted	**(0.59)**	(1.19)

30 FINANCIAL ASSETS AND LIABILITIES

30.1 Interest rate risk

Yield/ mark up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/ mark up rates. Sensitivity to yield/ mark up rate risk arises from mismatches of financial assets and liabilities that mature or reprise in a given period. The Company manages theses mismatches through risk management strategies where significant changes in gap position can be adjusted. However as at year end the company has not exposed to yield/ mark up rate risk which are more clearly understood by the following table:

	2008						
	Interest/Mark up bearing			Non-Interest/ mark up bearing			
	Within one year	More than one year	Sub total	Within one year	More than one year	Sub total	Total
	(Rupees in thousand)						
Recognized							
Financial assets							
Trade debts	-	-	-	297,892	-	297,892	297,892
Advances	-	-	-	2,132	-	2,132	2,132
Deposit	-	-	-	23,959	-	23,959	23,959
Cash and bank balances	-	-	-	9,366	-	9,366	9,366
	-	-	-	333,349	-	333,349	333,349
Financial liabilities							
Long term finance	165,000	2,500,000	2,665,000	-	-	-	2,665,000
Liabilities against assets subject to finance lease	5,960	12,286	18,246	-	-	-	18,246
Trade and other payables	-	-	-	568,069	-	568,069	568,069
Interest and mark-up accrued	-	-	-	26,573	-	26,573	26,573
Short term borrowings	38,252	-	38,252	38,252			
	209,212	2,512,286	2,721,498	594,642	-	594,642	3,316,140
On balance sheet gap	**(209,212)**	**(2,512,286)**	**(2,721,498)**	**(261,293)**	**-**	**(261,293)**	**(2,982,791)**
Unrecognized							
Commitment for letter of credit	-	-	-	358,089	-	358,089	(358,089)
	-	**-**	**-**	**358,089**	**-**	**358,089**	**(358,089)**

	2007						
	Interest/Mark up bearing			Non-Interest/ mark up bearing			Total
	Within one year	More than one year	Sub total	Within one year	More than one year	Sub total	
	(Rupees in thousand)						
Recognized							
Financial assets							
Trade debts	-	-	-	948	-	315,590	315,590
Advances and other receivables	-	-	-	141,021	-	609	609
Deposit	-	-	-	21,900	-	130,192	130,192
Cash and bank balances	-	-	-	2,366	-	2,366	2,366
	-	-	-	166,235	-	448,757	448,757
Financial liabilities							
Long term finance	393,444	1,729,348	2,122,792	-	-	-	2,122,792
Liabilities against assets	-	-	-				
subject to finance lease	1,222	1,266	2,488	-	-	-	2,488
Trade and other payables	-	-	-	429,038	-	429,038	429,038
Interest and mark-up accrued	-	-	-	37,818	-	37,818	37,818
Short term borrowings	217,314	217,314	-	-	-	217,314	
	611,980	1,730,614	2,342,594	466,856	-	466,856	2,809,450
Total yield/ mark up rate risk sensitivity gap	(611,980)	(1,730,614)	(2,342,594)	(300,621)	-	(18,099)	(2,360,693)
Unrecognized							
Commitment for letter of credit	-	-	-	21,250	-	21,250	(21,250)
	-	-	-	21,250	-	21,250	(21,250)

The effective rate of interest disclosed in relevant notes to the financial statements.

30.2 Concentration of 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.

30.3 Fair value of financial instruments

Carrying values of financial assets and financial liabilities are estimated to approximate their respective fair values.

30.4 Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulties in arranging funds to meet its commitments associated with financial instruments. The management believes that, currently, the company is not exposed to any significant level of liquidity risk.

30.5 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.

30.6 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.

30.7 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.

30.8 Cash flow risk

Cash flow risk is the risk that the Company may encounter difficulty in raising funds to meet its obligations and commitments. The Company manages risk in this area by investing a major portion of Company's assets in highly liquid financial assets.

30.9 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.

	2008	2007
	(Rupees in thousand)	

31 CASH GENERATED FROM OPERATING ACTIVITIES

CASH GENERATED FROM OPERATIONS

	2008	2007
Loss before taxation	**(128,930)**	(168,768)
Adjustment for:		
Depreciation	**68,046**	69,490
Amortization of intangible assets	**209**	208
Financial costs	**88,330**	16,735
Gain on disposal of property, plant and equipment	**-**	(3,103)
Provision for gratuity	**1,858**	3,397
	158,443	86,727
Operating profit/ (loss) before working capital changes	**29,513**	(82,041)
(Increase)/ decrease in current assets		
Stores, spares and loose tools	**(79,261)**	14,844
Stock-in-trade	**(98,493)**	(7,909)
Trade debts	**(296,944)**	23,797
Advances and other receivables	**103,511**	13,213
Short term deposit and prepayments	**813**	1,438
Refund due from government - other than income tax	**(54,960)**	12,175
	(425,334)	57,558
Increase in trade and other payables	**251,791**	160,945
Cash (used in)/ generated from operations	**(144,030)**	136,462

32 CASH AND CASH EQUIVALENT

	2008	2007
Cash and bank balance	**9,366**	2,366
Short term borrowings	**(38,252)**	(217,314)
	(28,886)	(214,948)

33 CAPACITY (Clinker)

	2008	2007
Installed capacity (M.Tons)	**900,000**	450,000
Actual production (M.Tons)	**323,636**	25,034

Reason for shortfall:

Line II start the trial production in the month of December 2008 while the capacity of line I utilized to the extent of the order received.

34 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related group companies and persons, directors of the parent company and key management personnel. The group 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:

	2008	2007
	(Rupees in thousand)	
Purchase of clinker	**-**	31,292
Purchase of stores and spares	**5,555**	786
Sale of clinker	**90,613**	-
Sale of cement	**2,200**	823
Sale of stores and spares	**194**	192
Sale of monitoring and safety equipment	**-**	5,175
Repayment on behalf of related parties	**4,413**	7,059

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

35 REMUNERATION OF DIRECTORS AND EXECUTIVES

	Executives	
	2008	2007
	(Rupees in thousand)	
Managerial remuneration	**15,945**	3,923
Housing allowance	**-**	1,595
Utilities	**-**	355
Medical	**1,595**	-
	17,540	5,873
Number of persons	**16**	6

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 October 7, 2008.

37 GENERAL

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

Asim Ghani
Chairman

Shunaid Qureshi
Chief Executive

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 Friday, October 31, 2008 at 5:30 p.m. and at any adjournment thereof.

As witness my hand this ______________________________________ day of ___________2008

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.