AL-ABBAS CEMENT INDUSTRIES LTD.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS	Syed Ajaz Ahmed	Chairman
	Moomal Shunaid	Chief Executive
	Asma Aves	Director
	Aves Cochinwala	Director
	Momina Duraid	Director
	Salman Rasheed	Director
	Javed Dawood Dadabhoy	Director
CHIEF FINANCIAL OFFICER	Zuhair Abbas	
AUDIT COMMITTEE	Aves Cochinwala	Chairman
	Momina Duraid	Member
	Salman Rasheed	Member
AUDITORS	M. Sikandar & Co.	Chartered Accountants
COST AUDITORS	Siddiqui & Co	Cost & Management Accountants
LEGAL ADVISOR	Usmani & Iqbal	Advocate & Solicitors
	Muzzaffar & Co.	Advocate & Solicitors
	Fakhruddin G. Ibrahim	Advocate & Solicitors
TAX ADVISOR	Hyder Bhimji & Co.	Chartered Accountants
	Shekha & Mufti	Chartered Accountants
BANKERS	Al-Baraka Islamic Bank Limited	
	Allied 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 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 19th 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 Saturday, October 30, 2010, at 10:30 a.m. to transact the following business:

Ordinary Business

1. To confirm the minutes of 18th Annual General Meeting of the shareholders held on October 28, 2009.

2. To receive, consider and adopt Annual Audited Financial Statements for the year ended June30, 2010, 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.

Special business

1. 100% Right Share Issued at Discount

To consider and if deem fit to approve the issue of 100% right shares of Rs. 10 each at a discount of Rs. 5 per shares (that is with 50% discount) and pass the following resolution:

"Resolved that the Board of Directors of the Company be and are hereby approved increase in paid up share capital of the Company from Rs. 1,828,449,840 (Rupees One Billion Eight Hundred Twenty Eight Million Four Hundred Forty Nine Thousand Eight Hundred Forty Only) divided into ordinary shares of 182,844,984 of Rs. 10/ each to Rs. 3,656,899,680 (Rupees Three Billion Six Hundred Fifty Six Million Eight Hundred Ninety Nine Thousand Six Hundred Eighty Only) divided into ordinary shares of 365,689,968 shares of Rs. 10/- each by way of further issue as right share at discounted value of Rs. 5/- per share in the ratio of one share for every one share held that is 100% right.

Further resolved that for the determination of entitlement of the right shares, closure of share transfer book will be announce after completion of all legal formalities and approval from the shareholders in general meeting, the Securities and Exchange Commission of Pakistan and the Karachi and Lahore Stock Exchanges.

Further resolved that the Chief Executive Officer or Company Secretary or Chief Financial Officer or any other Officer designated in this behalf by the Chief Executive Officer be and are hereby authorized to take approval from concerned authorities, prepare and issue required circular and notices to the respective Stock Exchange, Securities and Exchange Commission of Pakistan and shareholders with the prior approval of the Board.

A statement under Section 160 (1) (b) of the Companies Ordinance, 1984 setting forth all material facts concerning the matters contained in the Notice is being sent to Members along with this Notice.

2. Increase in Authorized Share Capital

To consider and if deem fit to approve the amendment/changes in Memorandum of Association (in Clause V) and Articles of Association (in Clause 6) of the Company for the increase in Authorized Share Capital in order to issue the Right Shares and pass the following resolution:

"Resolved that the words and figures "Rupees 2,000,000,000 (Rupees Two Billion) divided into 200,000,000 (Two Hundred Million) Ordinary Shares OF Rs. 10/ each." appearing in Clause V of the Memorandum of Association and the words and figures "Rupees 2,000,000,000 (Rupees Two Billion) divided into 200,000,000 (Two Hundred Million) Ordinary Shares of Rs. 10/- each." as appearing in Article 6 of the Articles of Association of the Company be substituted by the words and figures "Rupees 4,000,000,000 (Rupees Four Billion) divided into 400,000,000 (Four Hundred Million) Ordinary Shares of Rs. 10/ each. ";

Further resolved that the Chief Executive Officer or Company Secretary or Chief Financial Officer or any other Officer designated in this behalf by the Chief Executive Officer be and are hereby authorized to take all necessary steps for compliance of all legal requirements in above behalf."

A statement under Section 160 (1) (b) of the Companies Ordinance, 1984 setting forth all material facts concerning the matters contained in the Notice is being sent to Members along with this Notice.

Chief Executive.

Karachi: October 8, 2010

Notes:

1. Share transfer books will remain closed from October 24, 2010 to October 30, 2010 (both days inclusive). To determine entitlement to attend the meeting.

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.

STATEMENT UNDER SECTION 160(1)(b) PERTAINING TO SPECIAL BUSINESS

100% Right Share Issued at Discount

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of the Company.

The global stagflation and the recent recession resulted in under utilization of the capacity which made it difficult for Company to meet its working capital requirement. However, in order to beef up its operational efficiency, the Company needs sufficient working capital. The Company also needs to improve its capital mix by reducing its leverage ratio. By issuing the right shares the debt equity ratio and the current ratio of the Company will improve putting more comforts on its lenders and other stakeholders.

Keeping in view of all of the above fact, the Board of Directors considers it just fit and proper to issue 100% right shares at a discounted value of Rs. 5 each. The proceeds from right share of the Company will be used for debt servicing and meeting working capital requirement.

None of the Directors are, in any way, interested in the resolution except to the extent of their entitlement according to their shareholding.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

Increase in Authorized Capital

With the issuance of 100% Right Shares as proposed, the Paid-up Share Capital of the Company would increase to Rs. 3,656,899,680. Therefore, the present Authorized Share Capital of the Company needs to be increased to facilitate the issuance of right shares. Accordingly, the Board of Directors, in its meeting held on September 30, 2010 has recommended to increase the Authorized Share Capital from Rs. 2,000,000,000 (Rupees Two Billion) to Rs. 4,000,000,000 (Rupees Four Billion) divided into 400,000,000 (Four Hundred Million) ordinary shares of Rs. 10/- each. Increase in Authorized Share Capital will also necessitate amendments in clause V of the Memorandum of Association and Article No. 6 of the Articles of Association of 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, 2010.

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, 2010	For the year ended June 30, 2009
	In M. Tons	
Clinker Production	**407,746**	582,824
Cement Production	**467,442**	494,042
Cement Sales	**494,680**	542,087
Clinker Sales	**66,541**	115,233

The production of clinker and cement decreased by 175,078 M.T. and 26,600 M.T. respectively as compared to the corresponding period of last year. Cement sales local and export decreased by 47,407 M.T. in addition the Company has exported 45,904 M.T. of clinker and sold 20,637 M.T. locally.

OPERATIONAL AND FINANCIAL RESULTS

Following is the summary of comparative financial results.

	2010	2009
	(Rupees in thousand)	
Sales - net	**2,198,443**	2,982,686
Loss before taxation	**(746,498)**	(41,973)
Provision for taxation	**25,883**	163,786
Profit/(Loss) after taxation	**(720,615)**	121,813
Profit/(Loss) per share (in rupees)	**(3.94)**	0.67

The Company during the year under review earned gross profit of Rs.67.416 million as against gross profit of Rs.700.388 million earned last year and net loss of Rs. 720.615 million as against net profit of Rs. 121.813 million recorded. The main reason of losses is reduction in prices of cement sold in export and as well local market. Furthermore, the production cost has also increased.

AUDIT COMMITTEE

The Board of Directors has established an Audit Committee in compliance with the Code of Corporate Governance, which comprises of four members all of them are Non-Executive Directors.

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 2011 in the ensuing Annual General Meeting.

The Auditors have modified their report by adding matter of emphasis paragraph on going concern. The management is in process of negotiation with its lenders to reschedule its long term debt and nisus to obtain the grace period of at least three years and deferment in payment of mark up. The Company has also strong financial support from its sponsors. During the year, the Sponsors have injected the fresh fund of Rs. 183.251 million and the Board of Directors also proposing to enhance the Company paid up share capital by issuing 100% right share at a discounted value of Rs. 5, subject to the approvals of shareholders in forthcoming annual general meeting, Securities and Exchange Commission of Pakistan and the Karachi and Lahore Stock Exchange. The proceeds of right shares at discounted value (if approved by the concerned authorities) would be around 914.225 million. The proceeds will be utilized filling the gap of working capital of the Company and improving the current ratio and debt equity ratio. Considering these aforementioned facts, these financial statements have been prepared on going concern basis.

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 shareholdings.

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

i. Since Company has made losses 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, 2010, 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
Ms. Asma Aves	4
Mr. Aves Cochinwala	4
Ms. Momina Duraid	4
Ms. Momal Shunaid	4
Syed Salman Rasheed	2
Mr. Tariq Usman Bhatti	3

During the year Mr. Tariq Usman Bhatti has resigned. The Board has appointed to Mr. Javed Dawood Dadabhoy to fill the casual vacancy.

FUTURE OUTLOOK

The cement industry witnessed an increase of 9.4 percent in total dispatches as compared to last year, which stand at 34.2 million tons as against 31.3 million tons in last year.

The future of cement exports seems very challenging due to stagflation in the global market. The export prices are continuously showing a declining trend. More production capacities coming online in future in the regional countries, may add to the challenges in export. Your company is focusing on increasing its domestic marketing 2010-11 in anticipation of expected decline export.

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

MOOMAL SHUNAID
Chief Executive

Karachi: September 30, 2010

PATTERN OF SHAREHOLDINGS

As at June 30, 2010

Number of Shareholders	Shareholdings From	Shareholdings To	Total Number of Shares Held
483	1	100	16,199
525	101	500	159,358
432	501	1,000	386,784
777	1,001	5,000	2,237,153
223	5,001	10,000	1,859,753
88	10,001	15,000	1,130,177
50	15,001	20,000	921,344
32	20,001	25,000	760,302
32	25,001	30,000	904,391
14	30,001	35,000	446,623
11	35,001	40,000	421,500
11	40,001	45,000	474,652
13	45,001	50,000	641,001
8	50,001	55,000	415,902
5	55,001	60,000	295,900
4	60,001	65,000	258,650
5	65,001	70,000	337,448
6	70,001	75,000	437,096
2	75,001	80,000	159,000
2	80,001	85,000	170,000
1	85,001	90,000	89,500
3	90,001	95,000	278,432
8	95,001	100,000	796,000
1	100,001	110,000	106,500
1	110,001	120,000	116,620
3	120,001	125,000	370,887
1	125,001	130,000	130,000
4	130,001	140,000	553,300
1	140,001	145,000	144,000
1	145,001	150,000	147,205
3	150,001	170,000	502,191
1	170,001	190,000	190,000
3	190,001	200,000	600,000
1	200,001	210,000	205,471
1	210,001	265,000	264,732
1	265,001	300,000	296,500
1	300,001	350,000	350,000
1	350,001	430,000	425,960
3	430,001	500,000	1,499,601
1	500,001	600,000	600,000
1	600,001	615,000	613,600
1	615,001	660,000	660,000
1	660,001	680,000	676,169
1	680,001	899,000	898,903
2	899,001	1,000,000	2,000,000
1	1,000,001	1,135,000	1,133,032
1	1,135,001	1,230,000	1,230,000
1	1,230,001	1,445,000	1,442,737
1	1,445,001	1,850,000	1,850,000
1	1,850,001	2,000,000	2,000,000
1	2,000,001	2,340,000	2,339,135
1	2,340,001	2,420,000	2,418,545
1	2,420,001	2,505,000	2,500,166
1	2,505,001	3,500,000	3,500,000
1	3,500,001	5,000,000	5,000,000
1	5,000,001	5,290,000	5,286,500
1	5,290,001	13,400,000	13,400,000
1	13,400,001	15,571,000	15,571,000
1	15,571,001	31,715,000	31,710,997
1	31,715,001	68,515,000	68,514,068
2,784			**182,844,984**

CATEGORIES OF SHAREHOLDERS

Shareholders Category	Number of Shares Held	Percentage %
Directors, Chief Executive Officer, and their spouse and minor children.	25,335,745	13.8564
Associated Companies, undertaking and related parties	115,091,250	62.9447
NIT and ICP	607	0.0003
Banks Development Financial Institutions, Non Banking Financial Institutions.	5,454,634	2.9832
Insurance Companies	742,169	0.4059
Modarabas and Mutual Fund	5,158	0.0028
Share holders holding 10%	100,225,065	54.8142
General Public		
a. Local	32,136,124	17.5756
b. Foreign	72,068	0.0394
Others	4,007,229	2.1916

DETAIL OF SHAREHOLDERS CATEGORIES

		No. of Shares	Percentage
1	**Associated Companies , Undertakings and Related Parties**		
	Arif Habib Securities Limited	68,514,068	37.4711
	Ghani Osman Securities (Pvt) Limited	1,442,737	0.7890
	Haji Ghani	31,710,997	17.3431
	Noor Jahan Hajiani	23,448	0.0128
	Sultana Siddiqui	13,400,000	7.3286
		115,091,250	**62.9447**
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**		
	Moomal Shunaid	1,230,000	0.6727
	Aves Cochinwala	1,600	0.0009
	Syed Salman Rasheed	500,000	0.2735
	Tariq Usman Bhatti	613,600	0.3356
	Shunaid Qureshi	15,571,000	8.5160
	Duraid Qureshi	1,000	0.0005
	Rehana Salman	5,000,000	2.7346
	Syed Saad Salman	2,418,545	1.3227
		25,335,745	**13.8564**
4	**Public sector companies and corporation**		
	Lahore Stock Exchange (Guarantee) Limited	110	0.0001
		110	**0.0001**

5	Banks, Development Financial Institutions, Non- Banking Financial Institution, Insurance Companies, Modarabas and Mutual Fund.	No. of Shares	Percentage
	J.P. Morgan Clearing Corp.Clearing	1,850,000	1.0118
	National Bank Of Pakistan-Trustee Department	898,903	0.4916
	Bank Alfalah Limited	2,339,135	1.2793
	Habib Bank Ag Zurich, Deira Dubai	124,500	0.0681
	The Bank of Punjab	168,647	0.0922
	First National Equities Limited	1	0.0000
	Crescent Investment Bank	110	0.0001
	Islamic Investment Bank Limited	2,020	0.0011
	Royal Bank of Scotland	115	0.0001
	Prudential Capital Management Limited	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
	Asian Stock Fund	21	0.0000
	State Life Insurance Corporation of Pakistan	676,169	0.3698
	East West Insurance Company Limited	16,000	0.0088
	Saudi Pak Insurrance Company Limited	50,000	0.0273
	Islamic Investment Bank Limited	20,203	0.0110
	Escorts Investment Bank Limited	51,000	0.0279
		6,201,961	**3.3919**

6	Shareholder holding ten percent or more voting interest in the Company		
	Arif Habib Securities Limited	68,514,068	37.4711
	Abdul Ghani	31,710,997	17.3431
		100,225,065	**54.8142**

KEY FINANCIAL DATA

Six years at a glance

		2010	2009	2008	2007	2006	2005
INVESTMENT MEASURE							
Ordinary Share Capital	Rs. In '000'	**1,828,450**	1,828,450	1,828,450	1,142,781	1,142,781	380,927
Reserves	Rs. In '000'	**(831,629)**	(111,014)	(232,827)	(124,564)	17,423	(176)
Ordinary Shareholder's Equity	Rs. In '000'	**996,821**	1,717,436	1,595,623	1,018,217	1,160,204	380,751
Dividend on Ordinary Shares	Rs. In '000'	**-**	-	-	-	-	-
Dividend per Ordinary Share	Rs	**-**	-	-	-	-	-
(Loss) / profit before taxation	Rs. In '000'	**(746,498)**	(41,973)	(128,930)	(168,768)	(75,025)	(76,612)
(Loss) / profit after taxation	Rs. In '000'	**(720,615)**	121,813	(108,263)	(141,987)	17,599	(82,341)
(Loss)/ Earnings per share	Rs	**(3.94)**	0.67	(0.59)	(1.24)	0.17	(2.16)
MEASURE OF FINANCIAL STATUS							
Current Ratio	x : 1	**0.43**	0.93	1.34	0.83	1.69	0.86
Debt to Capital Ratio	%	**71.54**	59.39	62.71	67.61	63.59	63.13
Debt Ratio	x : 1	**0.61**	0.50	0.51	0.53	0.54	0.40
Acid Test Ratio	x : 1	**0.13**	0.29	0.55	0.23	0.56	0.18
Number of Days Stock	In days	**50**	57	68	153	43	13
MEASURE OF PERFORMANCE							
Profit After Taxation as % of Average Capital Employed	%	**(17.7)**	2.8	(2.8)	(4.2)	0.7	(6.5)
Sales	Rs. In '000'	**2,198,443**	2,982,686	1,162,403	206,412	913,511	593,463
Cost Sales as % of Sales	%	**96.9**	76.5	90.1	162.6	97.6	106.6
(Loss)/Profit Before Taxation as % of Sales	%	**(34.0)**	(1.4)	(11.1)	(81.8)	(8.2)	(12.2)
(Loss)/Profit After Taxation as % of Sales	%	**(32.8)**	4.1	(9.3)	(68.8)	1.9	(13.9)
Asset Turnover	In times	**0.41**	0.50	0.22	0.05	0.24	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.

M. SIKANDER & COMPANY
Chartered Accountants

5/19, Fifth Floor
Arkay Square - Ext.
Shahrah-e-Liaquat
Karachi.
Ph: 32429816-32423859

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 that 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, 2010.

M. Sikander & Co.

M. Sikandar & Co.
Chartered Accountants

Noor Muhammad
Engagement Partner

Karachi: September 30, 2010

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010

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 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.

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.

Moomal Shunaid
Chief Executive

Karachi: September 30, 2010

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AL-ABBAS CEMENT INDUSTRIES LIMITED as at June 30, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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 except for the changes as described in note no 2.5(a) with which we concur,

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

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

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

Without qualifying our report, we draw attention to note 1.2 of the financial statements that more extensively discusses the reasons for preparing the financial information on going concern basis.

M. Sikandar & Co.

M. SIKINDAR & CO
CHARTERED ACCOUNTANTS
Engagement Partner : Noor Muhammad

Place: Karachi
Dated: September 30, 2010

BALANCE SHEET
AS AT JUNE 30, 2010

	Note	June 30, 2010	June 30, 2009
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	4,352,502	4,354,980
Deferred tax assets	5	255,325	213,399
		4,607,827	4,568,379
CURRENT ASSETS			
Stores, spare and loose tools	6	376,934	429,307
Stock-in-trade	7	116,666	472,276
Trade debts	8	63,923	33,137
Advances and other receivables	9	80,350	78,975
Deposits and prepayment	10	30,155	27,366
Tax refund due from government	11	23,196	302,050
Cash and bank balances	12	3,547	12,421
		694,771	1,355,532
		5,302,598	5,923,911
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
200,000,000 (2009: 200,000,000) Ordinary shares of Rs. 10/- each		2,000,000	2,000,000
Issued, subscribed and paid-up capital			
182,844,984 (2009: 182,844,984) Ordinary shares of Rs. 10/- each	13	1,828,450	1,828,450
Reserve	14	80,000	80,000
Accumulated loss		(911,629)	(191,014)
		996,821	1,717,436
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term financing	15	2,250,000	2,500,000
Sponsors Loan	16	183,251	-
Liabilities against assets subject to finance lease	17	-	6,350
Deferred liabilities	18	252,571	245,613
		2,685,822	2,751,963
CURRENT LIABILITIES			
Trade and other payables	19	432,509	719,594
Mark-up accrued	20	199,356	239,496
Short-term borrowings	21	731,776	489,724
Current portion of long term financing		250,000	-
Current portion of liabilities against assets subject to finance lease		6,314	5,698
		1,619,955	1,454,512
CONTINGENCIES AND COMMITMENTS	22		
		5,302,598	5,923,911

The annexed notes from 1 to 38 form an integral part of these financial statements.

Moomal Shunaid
Chief Executive

Aves Cochinwala
Director

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

	Note	2010	2009
		(Rupees in thousand)	
Sales - net	23	**2,198,443**	2,982,686
Cost of sales	24	**(2,131,027)**	(2,282,298)
Gross profit		**67,416**	700,388
Distribution cost	25	**(413,667)**	(390,619)
Administrative expenses	26	**(24,798)**	(30,592)
Other operating income	27	**41,740**	30,056
		(396,725)	(391,155)
Operating (loss) / profit		**(329,309)**	309,233
Finance cost	28	**(417,189)**	(351,206)
Loss before taxation		**(746,498)**	(41,973)
Taxation	29	**25,883**	163,786
(Loss) / Profit after taxation		**(720,615)**	121,813
(Loss) / Earnings per share - Basic and diluted	30	**(3.94)**	0.67

The annexed notes from 1 to 38 form an integral part of these financial statements.

Moomal Shunaid
Chief Executive

Aves Cochinwala
Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
Loss / (profit) for the year'	**(720,615)**	121,813
Other comprehensive income		
Other comprehensive income for the year	**-**	-
Total comprehensive (loss)/ income for the year	**(720,615)**	121,813

The annexed notes from 1 to 38 form an integral part of these financial statements.

Moomal Shunaid
Chief Executive

Aves Cochinwala
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	32	**113,353**	108,982
Gratuity - paid	18.1.b)	**(3,554)**	(1,879)
Income tax paid		**(54,729)**	(23,024)
Income tax refunded		**49,105**	2,359
Finance cost paid		**(457,329)**	(138,283)
		(466,507)	(160,827)
Net cash used in operating activities		**(353,154)**	(51,845)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(75,730)**	(224,068)
Proceed from sale of fixed asset		**441**	806
Net cash used in investing activities		**(75,289)**	(223,262)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long-term finance		**-**	(165,000)
Deferred liabilities		**-**	(1,522)
Sponsor loan		**183,251**	-
Repayment of finance lease obligation		**(5,734)**	(6,788)
Net cash generated from/(used in) financing activities		**177,517**	(173,310)
Net (decrease) in cash and cash equivalents		**(250,926)**	(448,417)
Cash and cash equivalents at the beginning of the year		**(477,303)**	(28,886)
Cash and cash equivalents at the end of the year	33	**(728,229)**	(477,303)

The annexed notes from 1 to 38 form an integral part of these financial statements.

Moomal Shunaid
Chief Executive

Aves Cochinwala
Director

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

	Share Capital	Revenue Reserve			Total
		General	Accumulated Loss	Total	
	(Rupees in thousand)				
Balance as at July 1, 2008	1,828,450	80,000	(312,827)	(232,827)	1,595,623
Total comprehensive income for the year					
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
Total comprehensive income for the year					
Loss for the year ended June 30, 2010	-	-	(720,615)	(720,615)	(720,615)
Balance as at June 30, 2010	**1,828,450**	**80,000**	**(911,629)**	**(831,629)**	**996,821**

The annexed notes from 1 to 38 form an integral part of these financial statements.

Moomal Shunaid
Chief Executive

Aves Cochinwala
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

1 STATUS AND NATURE OF BUSINESS

1.1 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).

1.2 During the year, the Company has incurred loss after taxation of Rs. 720.615 million (2009: profit Rs.121.813 million) and its accumulated losses stand at Rs. 911.629 million (2009: Rs. 191.014 million) and as at that date, its current liabilities exceeds its current assets by Rs. 925.184 million (2009: Rs. 98.980 million). These factors may cast doubt about the company's ability to continue as a going concern and the company may not be able to realize its assets and discharge the liabilities at the stated amounts.

However, the management is in process of negotiation with its lenders to reschedule its long term debt nisus to obtain the grace period of at least three years and deferment in payment of mark up. The Company has also strong financial support from its sponsors. During the year the Sponsors have injected the fresh fund of Rs. 183.251 million and the Board of Directors also proposing to enhance the Company paid up share capital by issuing 100% right share at a discounted value of Rs. 5, subject to the approvals of shareholders in forthcoming annual general meeting, Securities and Exchange Commission of Pakistan and the Karachi and Lahore Stock Exchange. The proceeds of right shares at discounted value (if approved by the concerned authorities) would be around 914.225 million. The proceeds will be utilized filling the gap of working capital of the Company and improving the current ratio and debt equity ratio. Considering aforementioned facts, these financial statements have been prepared on going concern basis.

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 presentation 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 presentation 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) Intangible Assets

Intangible assets at note no: 3.1 c

c) Trade debt

Trade debt at note no: 3.4

d) 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.

e) 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.

f) 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.

IAS-1 (Revised)- Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately form owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statements and the statements of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

The company has opted to present two statements; a profit and loss account (income statement) and a statement of other comprehensive income. Comparative information has also been represented so that it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on the earning per share.

IAS 23 (Amendment) ' Borrowing costs' (effective for annual periods beginning on or after 1 January 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 cost of that asset. The option of immediately expensing those borrowing costs have been removed.The company's current accounting policy for borrowing cost is in compliance with this amendment and therefore there is no effect on the financial statements.

IFRS 7 (Amendment),'Financial Instruments: Disclosure' (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings per share.

IFRS 8 - Operating Segments (effective for annual periods beginning on or after 1 January 2009).This IFRS replaces IAS 14 ,'Segment Reporting ' . The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes, and introduced detailed disclosures regarding the reportable segments and products. This standard does not apply to the Company.

IFRS 5 - Non- current Assets Held for Sale and Discontinued Operations. The Company has made initial application of this standard for the classification, measurement and presentation of non-current assets held for sale. As the changes only resulted in presentation and additional disclosures, there is no impact on earning per share.

b) New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective from the dates specified below and are either not relevant to Company 's operation or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures:

IFRS 2 (amendment)-Share-based payments and withdrawl of IFRIC 8-Scope of IFRS 2 and IFRIC 11-Group and Treasury Share Transaction (effective for annual periods beginning on or after 1 January 2010).Amendment provides guidance on the accounting for share based payment transactions among group entities.

International Accounting Standard (IAS) 24 (revised): Related Party Disclosure (effective for annual period beginning on or after 1 January 2011).The amendments to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party.

Amendments to IAS 32 : Classification of Right Issues (effective for period beginning on or after 1 February 2010). Under the amendment to IAS 32 right ,options and warrants - otherwise meeting the definition of equity instruments in IAS 32.11- issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to an existing owner of the same class of entity's own non-derivative equity instruments

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for period beginning on or after 1 July 2010). IFRIC 19 clarifies the accounting when an entity extinguish the liability by issuing its own equity instruments to the creditor.

Amendment to IFRIC -14 : Prepayment of a Minimum Funding Requirement (effective for period beginning on or after 1st January 2011). IFRIC 14 , IAS 19- The Limit on a Defined Benefit Asset , Minimum Funding Requirements and their Interaction has been amended to remedy an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognize prepayments of minimum funding contributions, as an asset.

The International Accounting Standards Board made certain amendments to existing standards as part of its second and third annual improvements project. The effective dates for these amendments vary by standards.

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 free hold 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, 2010 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. 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.

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 approved funded gratuity scheme (defined benefit plan) for all its employees who to have completed the qualifying period under the scheme. Contribution are made to the fund in accordance with actuarial recommendations. The most recent valuation in this regard was carried out as at June 30, 2010, by using the Projected Credit Unit Method for valuation of the scheme. The actuarial gain and loss recognition policy is the “minimum 10% corridor” approach mentioned under 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.

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.

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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.

4 PROPERTY, PLANT AND EQUIPMENT

	Note	**2010**	2009
		(Rupees in thousand)	
Tangible fixed assets	4.1	**4,352,502**	3,539,718
Capital work-in-progress	4.5	**-**	815,262
		4,352,502	4,354,980

4.1 Tangible fixed assets

Description	Cost					Rate %	Depreciation					
	As at July 01, 2009	Additions/ (Deletion)	Transfer from Lease	Transfer from C.W.I.P	As at June 30, 2010		As at July 01, 2009	Transfer from Lease	Deletion	For the period	As at June 30, 2010	Written down value as at June 30, 2010
	(Rupees in thousand)						(Rupees in thousand)					
OWNED ASSETS												
Land - lease hold	3,025	-			3,025		-		-	-	-	3,025
Factory building on lease hold land	766,179	-		12,649	778,828	5%	173,838		-	30,091	203,929	574,899
Non factory building on lease hold land	20,938	-			20,938	10%	4,842		-	1,610	6,452	14,486
Plant and machinery	3,675,445	39,307		829,409	4,544,161	Unit of Prod.	798,977			39,554	838,531	3,705,630
Factory and laboratory equipment	14,471	1,866			16,337	10%	4,678		-	1,098	5,776	10,561
Quarry equipment	9,447	1,997			11,444	15%	8,466		-	447	8,913	2,531
Office equipments	9,080	2,197			11,277	10%	4,357		-	665	5,022	6,255
Furniture and fixture	16,311	947			17,258	10%	3,993		-	1,296	5,289	11,969
Vehicles	13,885	2,620	3,576		18,130	20%	8,673	2,009		2,042	11,436	6,694
		(1,951)							(1,288)			
LEASED ASSETS												
Plant and machinery	16,000	-			16,000	Unit of Prod.	450		-	207	657	15,343
Vehicles	6,331		(3,576)		2,165	20%	3,120	(2,009)		297	1,056	1,109
		(590)							(352)			
June 30, 2010	**4,551,112**	**48,934**	**-**	**842,058**	**5,439,563**		**1,011,394**	**-**		**77,307**	**1,087,061**	**4,352,502**
		(2,541)							**(1,640)**			

Description	Cost					Rate %	Depreciation					
	As at July 01, 2008	Additions/ (Deletion)	Transfer from Lease	Transfer from C.W.I.P	As at June 30, 2009		As at July 01, 2008	Transfer from Lease	Deletion	For the period	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
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	10%	8,293		-	173	8,466	981
Office equipments	7,935	1,145	-	-	9,080	15%	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		(266)	803	3,120	3,211
		(590)		-								
June 30, 2009	4,516,427	35,642	-	-	4,551,112		906,493	-		105,384	1,011,394	3,539,718
		(957)							(483)			

4.2 Allocation of depreciation

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

	Note	2010	2009
		(Rupees in thousand)	
Cost of sales	23	**70,299**	98,507
Distribution cost	24	**1,752**	1,719
Administrative expenses	25	**5,256**	5,158
		77,307	105,384

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

Description	Opening net book Value as on July 01, 2009	Additions	Transfer From Lease	Transfer From CWIP	Disposals	Depreciation charge	Closing book value as at June 30, 2010
	(Rupees in thousand)						
OWNED ASSETS							
Land - freehold	3,025	-			-	-	3,025
Factory building on freehold land	592,341	-		12,649	-	30,091	574,899
Non factory building on free hold land	16,096	-			-	1,610	14,486
Plant and machinery	2,876,468	39,307	-	829,409	-	39,554	3,705,630
Factory and laboratory equipment	9,793	1,866			-	1,098	10,561
Quarry equipment	981	1,997			-	447	2,531
Office equipments	4,723	2,197			-	665	6,255
Furniture and fixture	12,318	947			-	1,296	11,969
Vehicles	5,212	2,620	1,567		(663)	2,042	6,694
LEASED ASSETS							
Plant and machinery	15,550	-			-	207	15,343
Vehicles	3,211	-	(1,567)		(238)	297	1,109
June 30, 2010	3,539,718	48,934	-	842,058	(901)	77,307	4,352,502

Description	Opening net book Value as on July 01, 2008	Additions	Transfer From Lease	Transfer From CWIP	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

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

2009-10

Description	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of Buyer
	(Rupees in thousand)				
Vehicles					
Owned	1,342	495	-	As per Company policy	Mr. Kamal Ahsun
	609	169	169	As per Company policy	Al-Abbas Sugar Mills*
Leased	590	238	272	Negotiation	Mr. Niaz Ahmed Dahar
	2,541	**902**	**441**		

* This vehicle has been transferred to associated undertaken at book value as this was in use of management staff who was serving all the group companies including the Company. During current financial year such staff was transferred to other associate of the company, therefore, the related vehicle has been transferred to her.

2008-09

Description	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of Buyer
	(Rupees in thousand)				
Vehicle					
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	**2010**				2009			
	Cost at July 01, 2009	**Addition**	**Transferred**	**Cost at June 30, 2010**	Cost at July 01, 2008	Addition	Transferred	Cost at June 30, 2009
	(Rupees in thousand)				(Rupees in thousand)			
Civil work	-	8,314	8,314	-	-	-	-	-
Plant and machinery	584,927	-	584,927	-	506,600	78,327	-	584,927
Borrowing cost	230,335	18,482	248,817	-	120,237	110,098	-	230,335
	815,262	**26,796**	**842,058**	**-**	626,837	188,425	-	815,262

5 DEFERRED TAX ASSETS

	Note	**2010**	2009
Deferred tax asset comprises as follows:		**(Rupees in thousand)**	
Taxable temporary differences			
Accelerated depreciation for tax purposes		**(236,451)**	(180,999)
Deductible temporary differences			
Liabilities against assets subject to finance leases		**678**	1,477
Deferred liability - Gratuity		**1,986**	1,301
Carry forward losses		**489,112**	391,620
		491,776	394,398
		255,325	213,399

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.

		2010	2009
		(Rupees in thousand)	
6	**STORES, SPARES AND LOOSE TOOLS**		
	Stores	**204,904**	239,124
	Coal	**1,252**	7,189
	Spare parts	**166,406**	179,122
	Loose tools	**4,372**	3,872
		376,934	429,307
7	**STOCK-IN-TRADE**		
	Raw material	**52,354**	118,352
	Packing material	**24,306**	31,960
	Work-in-process	**17,117**	292,394
	Finished goods	**22,889**	29,570
		116,666	472,276
8	**TRADE DEBTS - Considered good**		
	Secured against letter of credit	**54,475**	2,887
	Unsecured	**9,448**	30,250
		63,923	33,137
9	**ADVANCES AND OTHER RECEIVABLES - Unsecured (considered good)**		
	To employees - Non Executive	**1,769**	2,852
	To contractors and suppliers	**30,185**	61,094
	Against letter of credit	**1,854**	6,502
	Income tax	**38,783**	-
	Rebate receivable	**2,578**	8,484
	Others	**5,181**	43
		80,350	78,975
10	**DEPOSITS AND PREPAYMENTS**		
	Security deposits against leased assets	**1,817**	1,749
	Security deposits others	**26,402**	22,372
	Prepayments	**1,936**	3,245
		30,155	27,366
11	**TAX REFUND DUE FROM GOVERNMENT**		
	Income tax refundable	**1,256**	51,973
	Sales tax refundable	**14,920**	215,963
	Excise duty receivable	**7,020**	34,114
		23,196	302,050
12	**CASH AND BANK BALANCES**		
	Cash in hand	**205**	392
	Cash with banks in current accounts	**3,342**	12,029
		3,547	12,421

13 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2010	2009		Note	2010	2009
No of Shares				(Rupees in thousand)	
		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

13.1 Shares held by the associated companies as at the balance sheet date were 115,091,250 (2009: 65,747,525).

14 RESERVE

	2010	2009
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	2010	2009
Secured from banking companies			
Musharakah	15.1	**500,000**	500,000
Term finance	15.2	**2,000,000**	2,000,000
		2,500,000	2,500,000
Less: Current maturity shown under current liability		**(250,000)**	-
		2,250,000	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 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.

15.2 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 installment commencing from December 2010.

	Note	2010	2009
		(Rupees in thousand)	

16 Sponsors Loan

		183,251	-

This is un-secured and interest free loan, terms of re-payment has not yet decided.

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2010	2009
Minimum lease payment		
Not later than one year	**6,599**	6,926
Later than one year but not later than five years	**-**	6,638
	6,599	13,564
Mark-up		
Not later than one year	**285**	1,228
Later than one year but not later than five years	**-**	288
	285	1,516
Present value of minimum lease payment		
Not later than one year	**6,314**	5,698
Later than one year but not later than five years	**-**	6,350
	6,314	12,048
Less: Current maturity shown under current liabilities	**(6,314)**	(5,698)
	-	6,350

The above leases have been obtained from leasing companies. The rate used as discounting factor is 16.00% (2009: 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.

18 DEFERRED LIABILITIES

	Note	2010	2009
Provision for employees gratuity	18.1	**18,495**	11,537
Loan from related parties	18.2	**234,076**	234,076
		252,571	245,613

18.1 Provision for employees gratuity

	2010	2009
a) Reconciliation of balance due to defined benefit plan		
Present value of defined benefit obligation	**18,627**	11,357
Payable to outgoing members	**468**	180
Fair value of plan assets	**(600)**	-
	18,495	11,537
b) Movement of the liability recognized in the balance sheet		
Present value of defined benefit obligations	**11,537**	6,325
Expenses for the period	**10,512**	7,091
Liability transferred -in from other Group Company	**983**	-
Liability transferred -out to other Group Company	**(291)**	-
Less: Payment made during the period	**(4,246)**	(1,879)
Liability recognized in the balance sheet	**18,495**	11,537

	Note	2010	2009
		(Rupees in thousand)	
c) Change in present value of defined benefits obligations			
Present value of defined benefits obligation as on June 30, 2009		**11,357**	6,325
Current service cost for the year		**6,278**	4,124
Interest cost for the year		**1,364**	758
Benefits paid during the year		**(3,528)**	(1,879)
Benefits payable to outgoing		**(407)**	(180)
Liability transferred -out to other Group Company		**(291)**	-
Liability transferred -in from other Group Company		**983**	-
Actuarial loss on PVDBO		**2,871**	2,209
		18,627	11,357
d) Changes in fair value of plan assets			
Total contribution made in the year		**4,246**	1,879
Benefits paid/discharged during the year		**(3,646)**	(1,879)
Fair value of plan assets		**600**	-
e) Expenses recognized in the profit and loss account			
Current service cost		**6,278**	4,124
Interest cost		**1,364**	758
Net actuarial loss recognized in the period		**2,871**	2,209
		10,513	7,091
f) Change in actuarial gains/(losses)			
Net gains/(losses) arising during the year		**(2,871)**	(2,209)
Charged to the profit and loss account		**2,871**	2,209
		-	-
g) 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		**11 Years**	14 Years

h) Expected charge for the year 2010-11 is Rs. 8.886 million.

i) Present value of defined obligations

	2009-10	2008-09	2007-08	2006-07	2005-06
	(Rupees in thousand)				
Present value of defined obligations at the end of the year	**18,627**	11,358	6,326	N/A	2,434

j) Experience adjustments

	2009-10	2008-09	2007-08	2006-07	2005-06
Experience adjustment arising on plan liabilities	**2,871**	2,209	(1,956)	N/A	Nil

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

	Note	2010	2009
		(Rupees in thousand)	
Cost of sales	24	**8,409**	5,647
Distribution cost	25	**1,051**	722
Administrative expenses	26	**1,052**	722
		10,512	7,091

18.2 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.

	Note	2010	2009
		(Rupees in thousand)	
19 TRADE AND OTHER PAYABLES			
Trade creditors		**227,692**	384,508
Bills payable		**41,377**	-
Accrued liabilities		**64,726**	61,501
Advances from customers		**70,001**	198,831
Duties and royalities payable		**12,415**	39,093
Retention money payable		**5,316**	26,498
Unclaimed dividends		**128**	128
Withholding tax payable		**767**	1,342
Leave encashment payable		**9,291**	7,387
Employee Gratuity Fund Payable		**514**	-
Others		**282**	306
		432,509	719,594
20 MARK-UP ACCRUED			
On long term financing		**184,925**	226,830
On short term borrowings		**14,431**	12,666
		199,356	239,496

	Note	2010	2009
		(Rupees in thousand)	
21 SHORT TERM BORROWINGS			
From banking companies			
Secured - running finances		**731,776**	489,724
Un-Secured Temporary Overdraft			

21.1 The Company has arranged short-term running finance facilities from various banks on mark-up basis to the extent of Rs. 630 million (2009: Rs.500 million). It carry mark up at the rate ranging between three months KIBOR plus 2.00% to 3 months KIBOR plus 4.2 % (2009: one month KIBOR plus 1.50% to 6 months KIBOR plus 3.5 %) per annum. These finances were obtained to meet the working capital requirements of the Company. The facilities are renewable and expired latest by July, 2010. The arrangements are secured by first charge ranking pari passu against current/Fixed assets of the Company.

21.2 This is due to issuance of cheques in excess of balance at bank.

22 CONTINGENCIES AND COMMITMENTS

22.1 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 (2009: 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.

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 (2009: 87 million). 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 hopeful that there will be no adverse outcome of the same as company.

22.2 Commitment

Commitment against open letter of credit amounting to Rs. 4.894 million (2009: Rs. 32.069 million).

	Note	2010	2009
		(Rupees in thousand)	

23 SALES - NET

	Note	2010	2009
Local		**816,251**	1,327,798
Export	23.1	**1,622,405**	2,051,871
		2,438,656	3,379,669
Less :			
Sales tax		**(111,787)**	(181,860)
Central excise duty		**(119,725)**	(205,815)
Special excise duty		**(5,790)**	(9,308)
Sales Discount		**(2,911)**	-
		(240,213)	(396,983)
		2,198,443	2,982,686

23.1 It includes exchange difference of Rs. 3.797 million (2009: Rs. 29.245 million).

24 COST OF SALES

	Note	2010	2009
Salaries, wages and other benefits including retirement benefits	24.1	**96,294**	77,169
Raw and packing material consumed		**310,849**	405,670
Stores, spares and loose tools		**76,658**	79,743
Fuel and power		**1,086,313**	1,517,441
Insurance		**14,371**	15,237
Repairs and maintenance		**94,650**	91,264
Depreciation	4.2	**70,701**	98,507
Other production overheads		**18,032**	18,587
		1,767,868	2,303,618
Work in process			
Opening		**292,394**	84,093
Closing		**(17,117)**	(292,394)
		275,277	(208,301)
Cost of goods manufactured		**2,043,145**	2,095,317
Finished goods			
Opening		**29,570**	55,110
Finished goods purchase for sale		**81,201**	161,441
Closing		**(22,889)**	(29,570)
		87,882	186,981
		2,131,027	2,282,298

24.1 It includes Rs. 8.409 million (2009: Rs. 5.647 million) against staff retirement benefits.

25 DISTRIBUTION COST

	Note	2010	2009
Salaries, wages and other benefits	25.1	**10,601**	5,151
Export expenses		**389,299**	368,202
Traveling and conveyance		**1,481**	1,945
Cartage outward		**4,605**	4,949
Entertainment		**184**	167
Depreciation	4.2	**1,647**	1,719
Marking fee		**2,435**	3,350
Others		**3,415**	5,136
		413,667	390,619

	Note	2010	2009
		(Rupees in thousand)	

25.1 It includes Rs. 1.051 million (2009: Rs. 0.722 million) against staff retirement benefits.

26 ADMINISTRATIVE EXPENSES

	Note	2010	2009
Salaries, wages and other benefits	26.1	**6,924**	10,595
Traveling and conveyance		**16**	1,036
Printing and stationery		**940**	900
Utilities		**-**	324
Repair and maintenance		**121**	654
Legal and professional charges		**3,425**	5,371
Auditor's remuneration	26.2	**620**	428
Rent, rates and taxes		**2,739**	2,212
Advertisement		**1,280**	294
Postage, telephone and telegram		**255**	332
Entertainment		**270**	496
Fees and subscription		**2,325**	1,606
Depreciation	4.2	**4,959**	5,158
Charity and Donation		**596**	712
Miscellaneous		**328**	474
		24,798	30,592

26.1 It includes Rs. 1.052 million (2009: Rs. 0.722 million) against staff retirement benefits.

26.2 Auditor's remuneration

	2010	2009
Statutory Audit fees	**450**	300
Cost audit fees	**100**	100
Out of pocket expenses	**70**	28
	620	428

27 OTHER OPERATING INCOME

	2010	2009
From non financial assets		
Gain on disposal of property, plant and equipment	**-**	332
Sale of scrap	**41,740**	29,724
	41,740	30,056

28 FINANCE COST

	2010	2009
Mark-up on long term financings	**342,270**	309,355
Mark-up on short term borrowings	**71,019**	37,338
Mark-up on lease liabilities	**1,435**	2,025
Bank charges and commission	**2,465**	2,488
	417,189	351,206

29 TAXATION

Current year

	2010	2009
For the period	**15,946**	23,024
Prior year	**97**	(2,259)
	16,043	20,765
Deferred	**(41,926)**	(184,551)
	(25,883)	(163,786)

Income Tax assessments of the company have been finalized up to and including the tax year 2009. 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.

	2010	2009
30 (LOSS) / PROFIT PER SHARE - BASIC	**(Rupees in thousand)**	
(Loss) / Profit after taxation	**(720,615)**	121,813
Weighted average number of ordinary shares	**182,844,984**	182,844,984
(Loss) / Earning per share in rupees - basic and diluted	**(3.94)**	0.67

31. 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.

31.1 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:

Trade debts	**63,923**	42,008
Advances and other receivables	**80,350**	121,251
Deposits	**28,219**	24,189
Cash with banks in current accounts	**3,342**	12,029
	175,834	199,477

31.2 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 borrowings, trade and other payable and mark up accrued.

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

	2010					
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve**	**One to two years**	**Two to five years**
	Rupees in '000'					
Financial liabilities						
Long term finance	2,500,000	(4,567,816)	(434,925)	(858,330)	(1,728,497)	(1,546,064)
Liabilities against assets subject to finance lease	6,314	(6,599)	(285)	-	-	-
Short term borrowings	638,532	(734,631)	(367,316)	(367,316)	-	-
Trade and other payables	432,509	(432,509)	(432,509)	-	-	-
Mark-up accrued	199,356	(199,356)	(199,356)	-	-	-
	3,776,711	(5,940,911)	(1,434,391)	(1,225,646)	(1,728,497)	(1,546,064)

	2009					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve	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 against 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)

31.3 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. 32.381 million assuming all other variables are constant.

31.4 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.

31.5 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 and sponsors loan

	2010	2009
	(Rupees in thousand)	
Total borrowings	**3,144,846**	3,001,772
Less: Cash and bank balances	**3,547**	12,421
Net debt	**3,141,299**	2,989,351
Total equity	**1,196,177**	1,717,436
Total Capital employed	**4,337,476**	4,706,787
Gearing ratio	**72.42%**	63.51%

31.6 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.

32 CASH GENERATED FROM/ (USED IN) OPERATIONS

	2010	2009
Loss before taxation	**(746,498)**	(41,973)
Adjustment for:		
Depreciation	**77,307**	105,384
Financial costs	**417,189**	351,206
Loss/(Gain) on disposal of property, plant and equipment	**461**	(332)
Provision for gratuity	**10,512**	7,091
	505,469	463,349
Operating loss/profit before working capital changes	**(241,029)**	421,376
(Increase)/ decrease in current assets		
Stores, spares and loose tools	**52,373**	(105,089)
Stock-in-trade	**355,610**	(228,937)
Trade debts	**(30,786)**	255,884
Advances and other receivables	**37,310**	(83,250)
Short term deposit and prepayments	**(2,789)**	(3,254)
Refund due from government - other than income tax	**229,749**	(179,084)
	641,467	(343,730)
(Decrease)/Increase in trade and other payables	**(287,085)**	31,336
Cash generated from operations	**113,353**	108,982
(Decrease)/Increase in trade and other payables	**(287,085)**	31,336
Cash generated from operations	**113,353**	108,982

	2010	2009
	(Rupees in thousand)	

33 CASH AND CASH EQUIVALENT

Cash and bank balance	**3,547**	12,421
Short term borrowings	**(731,776)**	(489,724)
	(728,229)	(477,303)

34 CAPACITY (Clinker)

Installed capacity (M.Tons)	**900,000**	900,000
Actual production (M.Tons)	**407,746**	582,824

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.

35 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 36. Transactions with related parties are as follows:

Associated companies		
Purchase of cement	**115,242**	230,884
Purchase of stores and spares	**48,339**	11,084
Sale of clinker	**64,301**	292,465
Sale of cement	**456**	3,589
Sale of stores and spares	**435**	3,961
Shared expenditure	**1,853**	3,263
Purchase of fixed assets	**1,712**	-
Sale of fixed assets	**169**	-

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

36 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Executives	
	2010	2009
	(Rupees in thousand)	
Managerial remuneration	**27,180**	22,557
Medical	**2,718**	2,256
Retirement benefits	**3,699**	2,289
	33,597	27,102
Number of persons	**25**	20

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.

37 AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors on September 30, 2010.

38 GENERAL

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

Moomal Shunaid
Chief Executive

Aves Cochinwala
Director

AL-ABBAS CEMENT INDUSTRIES LTD.

FORM OF PROXY

Please quote:

No. of shares held ____________________

Folio No. ____________________________

The Secretary,

The Al-Abbas Cement Industries Limited

Pardesi House, Survey No. 2/1,

R.Y. 16,

Old Queens Road,

Karachi

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 30, 2010 at 10:30 a.m. and at any adjournment thereof.

As witness my hand this ____ day of ____________2010

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.