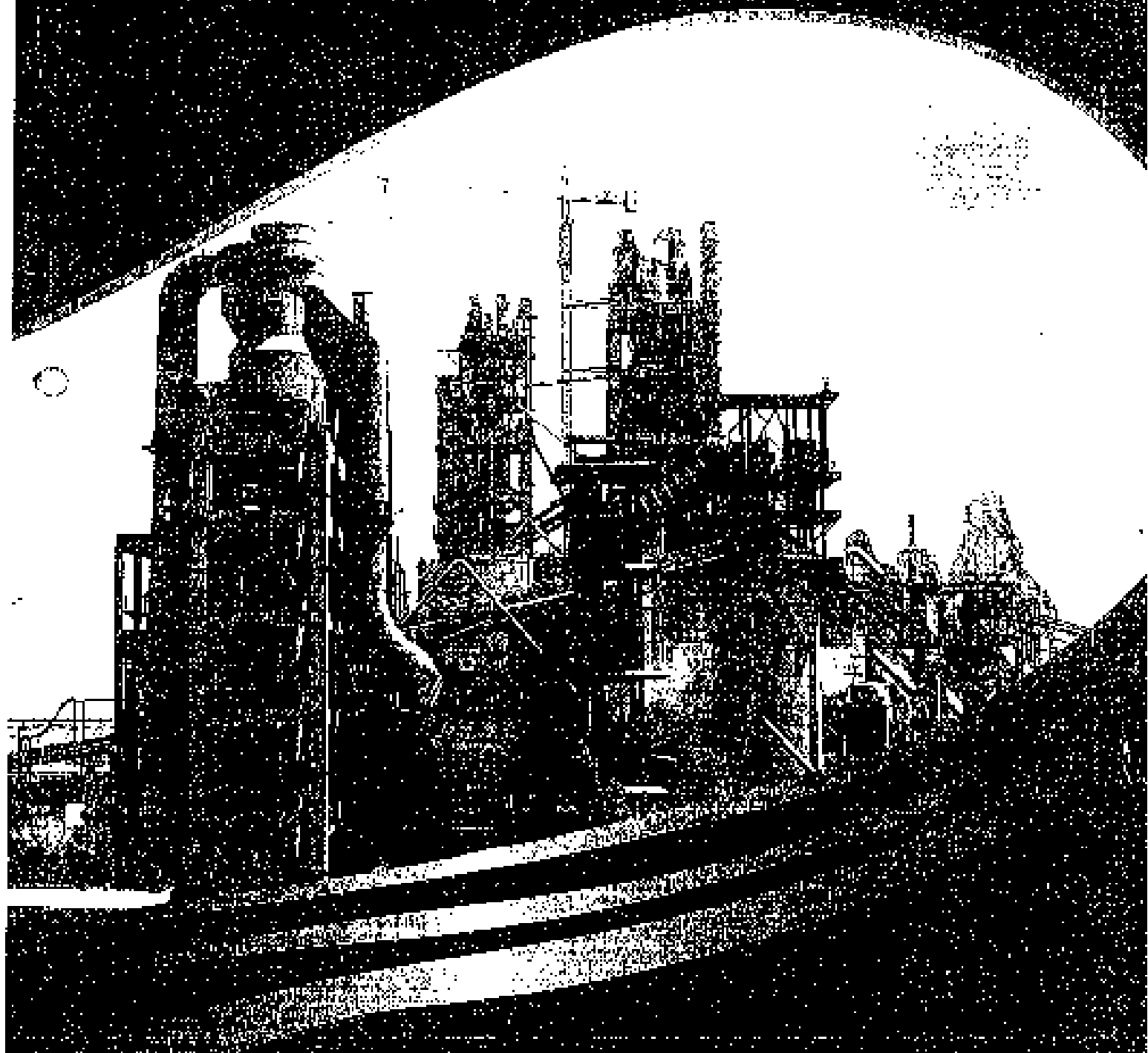


Annual Report 2009



AL-ABBAS CEMENT INDUSTRIES LTD.





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AL-ABBAS CEMENT INDUSTRIES LTD.

CORPORATE INFORMATION

BOARD OF DIRECTORS	Syed Aziz Ahmed Mumal Shunaid Asma Qochinwala Ayes Qochinwala Momina Duraid Salman Rasheed Tariq Usman Bhatti	Chairman Chief Executive Director Director Director Director Director
COMPANY SECRETARY	K.A. Javed	
CHIEF OPERATING OFFICER	S.N. Jaffri	
CHIEF FINANCIAL OFFICER	Zuhair Abbas	
AUDIT COMMITTEE	Ayes Qochinwala Momina Duraid Tariq Usman Bhatti Syed Mahammad Talha	Chairman Member Member Secretary
AUDITORS	M. Bilkandar & Co.	Chartered Accountants
COST AUDITORS	Siddiqui & Company	Cost & Management Accountants
LEGAL ADVISOR	Usmani & Iqbal Muzaffar & Co. Chaudhry Law Associates Fakhruddin G. Ibrahim	Advocate & Solicitors Advocate & Solicitors Advocate & Solicitors Advocate & Solicitors
TAX ADVISOR	Hydar Bilimji & Co. Shukou & Mulla	Chartered Accountants Chartered Accountants
BANKERS	Al-Baraka Islamic Bank Limited Allied Bank Limited Araf Habib Bank Limited Bank Alfalah Limited Zabk Islami Pakistan Limited Barclays Bank PLC, Pakistan Habib Bank Limited KASB Bank Limited Meezan Bank Limited National Bank of Pakistan Sikh Bank Limited Stanford Chartered Bank Limited United Bank Limited	
REGISTERED OFFICE	Hardest House, Survey No. 2/1, R.Y. 16, Old Queens Road, Karachi. Ph : 021-112-111-224 Fax : 021-22-170090, 021-32470150 Website : www.alabbascement.com E-mail : info@alabbascement.com	
FACTORY	Nandawal Industrial Area, Kako Kohar Dist. Dada, Sindh.	




AL-ABBAS CEMENT INDUSTRIES LTD.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 18th Annual General Meeting of Al-Abbas Cement Industries Limited will be held at the Registered Office of the Company - Parsosi House, Survey No. 2/1, R.Y. 15, Old Queens Road, Karachi on Wednesday, October 28, 2009, at 4:30 p.m. to transact the following business:

Ordinary Business

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


K. A. Jamal
Company Secretary

Karachi: October 7, 2009

Notes:

1. Share transfer books will remain closed from October 21, 2009 to October 28, 2009 (both days inclusive).
2. All Members are entitled to attend and vote at the meeting. A Member may appoint a proxy who need not 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 Office or Share Registrar's Office.

ODD 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, addresses and CNIC numbers shall be mentioned on the form.
- iii. Allocated 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.

AL-ABBAS CEMENT INDUSTRIES LTD.

DIRECTORS' REPORT

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

PRODUCTION AND SALES

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

	For the year ended June 30, 2009	For the year ended June 30, 2008
	in M. Tons	
Clinker Production	582,624	323,036
Cement Production	494,042	375,288
Cement Sales	542,087	179,627
Clinker Sales	115,233	173,940

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

OPERATIONAL AND FINANCIAL RESULTS

Following is the summary of comparative financial results.

	2009	2008
	(Rupees in thousand)	
Sales - net	2,982,690	1,162,403
Loss before taxation	(41,073)	(122,980)
Provision for taxation	28,765	20,687
Profit/(Loss) after taxation	121,813	(108,263)
Profit/(Loss) per share (in rupees)	0.87	(0.59)

The Company during the year under review earned profit amounting to Rs. 121,813 million as compared to last year's loss of Rs. (108,263) million. Your Company managed to increase its sales to the tune of Rs. 2,983 million as against the sale of Rs. 1,162 million last year. The Company thus earned gross profit of Rs. 700 million as compared to last year's gross profit of Rs. 113 million. This phenomenal increase can mainly be attributed to improved performance in the form of increased production, dispatches and improved retention prices.

AUDIT COMMITTEE

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

Mr. Ayes Cochikwala	Chairman	Non Executive Director
Mr. Salim Razaq	Member	Non Executive Director
Mr. Tariq Usman Shah	Member	Non Executive Director
Ms. Mumina Dawid	Member	Non Executive Director

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

AUDITORS

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

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

- 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.
- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts about 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.

AL-ABBAS CEMENT INDUSTRIES LTD.

- g. Statements regarding the following are annexed:
- Key financial data for the last six years;
 - Pattern of shareholding.
- h. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- i. The economic outlook for the ensuing year is not so promising therefore, Board has not recommended dividend for the year.
- j. Information about taxes and levies is given in the relevant note to the financial statements.
- k. The CEO, Directors, CFO, Company Secretary and their spouses and minor children have made no transactions in the Company's shares during the year.

BOARD OF DIRECTORS

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

Director's Name	Meetings attended
Mr. Aiaz Ahmed - Chairman	3
Mr. Asim Ghani	2
Mrs. Asma Ayes	2
Mr. Ayes Qureshiwala	4
Mr. Duraid Qureshi	1
Mrs. Momina Duraid	2
Momal Shunaid	2
Mr. Tariq Usman Bhatti	3
Mr. Shunaid Qureshi	2
Shyaz Saifan Rashid	3

During the year Mr. Shunaid Qureshi, Mr. Asim Ghani and Mr. Duraid Qureshi have resigned and in their place, Mrs. Momal Shunaid, Mrs. Asma Qureshiwala and Mrs. Momina Duraid have appointed by the Board to fill the casual vacancies.

FUTURE OUTLOOK

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

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

ACKNOWLEDGEMENT

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

For and on behalf of the Board



MOMAL SHUNAIID
Chief Executive

Karachi: September 24, 2009



AL-ABBAS CEMENT INDUSTRIES LTD.

PATTERN OF SHAREHOLDINGS

As at June 30, 2009

Number of Shareholders	Shareholdings		Total Number of Shares Held
	From	To	
474	1	100	17,337
591	101	500	183,207
475	501	1,000	420,652
805	1,001	5,000	2,377,613
210	5,001	10,000	2,001,557
112	10,001	15,000	1,070,733
66	15,001	20,000	1,018,998
30	20,001	25,000	700,705
31	25,001	30,000	325,652
15	30,001	35,000	455,651
15	35,001	40,000	574,803
7	40,001	45,000	201,405
13	45,001	50,000	614,171
6	50,001	55,000	470,472
3	55,001	60,000	175,709
4	60,001	65,000	255,151
4	65,001	70,000	235,457
5	70,001	75,000	333,152
7	75,001	80,000	313,581
1	80,001	85,000	81,583
1	85,001	90,000	69,509
8	90,001	100,000	750,301
1	100,001	115,000	117,000
5	115,001	125,000	337,207
2	125,001	130,000	275,800
1	130,001	140,000	147,000
3	140,001	150,000	450,200
1	150,001	160,000	166,000
1	160,001	165,000	162,000
1	165,001	170,000	181,000
3	170,001	200,000	500,000
1	200,001	215,000	202,000
1	215,001	219,000	205,857
1	219,001	220,000	216,500
1	220,001	255,000	263,500
1	255,001	450,000	485,100
2	450,001	500,000	1,000,000
1	500,001	600,000	680,000
1	600,001	650,000	913,000
1	650,001	680,000	351,000
1	680,001	690,000	578,100
1	690,001	700,000	955,302
1	700,001	1,000,000	1,000,000
1	1,000,001	1,150,000	1,135,032
1	1,150,001	1,200,000	1,200,000
1	1,200,001	1,810,440	1,810,440
1	1,810,441	1,825,000	1,825,000
1	1,825,001	1,905,000	1,904,500
1	1,905,001	2,000,000	2,000,000
1	2,000,001	2,410,345	2,410,345
1	2,410,346	4,925,000	4,924,500
1	4,925,001	5,000,000	5,000,000
1	5,000,001	5,280,000	5,280,000
1	5,280,001	5,750,166	5,750,166
1	5,750,167	7,925,000	7,920,100
1	7,925,001	13,000,000	13,000,000
1	13,000,001	13,450,000	13,400,000
1	13,450,001	15,120,000	15,115,000
1	15,120,001	15,571,330	15,571,000
1	15,571,331	30,400,000	30,400,000
1	30,400,001	31,715,000	31,715,000
2,950			102,044,981



AL-ABBAS CEMENT INDUSTRIES LTD.

CATEGORIES OF SHAREHOLDERS

Shareholders Category	Number of Shares Held	Percentage %
Directors, Chief Executive Officer, and their spouse and minor children	25,334,715	13.8559
Associated Companies, undertaking and related parties	170,511,370	60.4403
MIT and ICF	607	0.0003
Bank Development, Financial Institutions, Non Banking Financial Institutions,	1,701,937	0.9308
Insurance Companies	692,169	0.3786
Madarabah and Mutual Fund	155,150	0.0849
Share holders holding 10%	67,110,997	33.9092
General Public		
a. Local	57,015,612	29.2448
b. Foreign:	77,183	0.0785
Others	7,359,543	4.0250



AL-ABBAS CEMENT INDUSTRIES LTD.

DETAIL OF SHAREHOLDERS CATEGORIES

1 Associated Companies, Undertakings and Related Parties	No. of Shares	Percentage
Al-Habib Securities Limited	80,400,000	68.9281
Al-Habib Limited	18,507,500	1.2753
Azif Habib Bank Limited	18,115,825	0.2608
Thatta Cement Company Limited	4,924,500	2.6933
Global Oman Securities (Pvt) Limited	1,835,000	0.0142
Hajr Ghani	31,710,897	17.3431
Noor Jahan Hashmi	23,448	0.0028
Sultana Siddiqui	13,490,000	7.3286
	<u>110,511,870</u>	<u>60.4403</u>

2 NIT and ICP

Investment Corporation of Pakistan	100	0.0003
Investment Corporation of Pakistan	507	0.0003
	<u>607</u>	<u>0.0006</u>

3 Directors, CEO and their spouses and minor children

Shamala Qureshi	16,570,000	8.5154
Moomal Shumaila	1,230,000	0.0127
Irfaq Usman Bhatti	613,600	0.3356
Syed Salman Rasheed	500,000	0.2735
Ayesha Gulshirwala	1,000	0.0000
Rahana Salmaan	5,000,000	2.7346
Syed Saad Salman	2,415,645	1.3227
Omnia Qureshi	1,000	0.0000
	<u>25,334,745</u>	<u>13.8559</u>

4 Public sector companies and corporation

The Lahore Stock Exchange (Guarantee) Limited	100	0.0001
	<u>110</u>	<u>0.0001</u>

**AL-ABBAS CEMENT INDUSTRIES LTD.**

	No. of Shares	Percentage
5 Banks, Development Financial Institutions, Non- Banking Financial Institution, Insurance Companies, Modarabas and Mutual Fund.		
National Bank Of Pakistan, Trustees Deptt	1,515,440	0.8835
Bank Alfalah Limited	12,536	0.0069
Mybank Limited	100	0.0001
First National Equities Limited	-	0.0000
Royal Bank of Scotland	115	0.0001
Crescent Investment Bank	110	0.0001
Islamic Investment Bank Ltd	2,020	0.0011
First Prudential Modaraba	150,000	0.8820
Prudential Capital Management Ltd	5,000	0.0027
Crescent Standard Business Management (Pvt) Limited	1	0.0000
First Interfun Modaraba	123	0.0001
Industrial Capital Modaraba	14	0.0001
State Life Insurance Corp. of Pakistan	675,166	0.3898
East West Insurance Co.Ltd	10,000	0.0058
Islamic Investment Bank Limited	20,203	0.0110
Esports Investment Bank Limited	51,470	0.0281
Asian Stock Fund	21	0.0000
	<u>2,540,324</u>	<u>1.3943</u>
6 Shareholder holding ten percent or more voting interest in the Company		
Adf Haab Securities Limited	30,400,000	16.8261
Abdul Ghani	31,710,997	17.3631
	<u>62,110,997</u>	<u>33.9692</u>



AL-ABBAS CEMENT INDUSTRIES LTD.

KEY FINANCIAL DATA

Six years at a glance

		2005	2006	2007	2008	2009	2010
MEASURE OF INVESTMENT							
Ordinary Shares Capital	Rs. In '000'	1,428,453	1,050,050	1,149,781	1,142,721	309,827	407,827
Reserves	Rs. In '000'	(111,014)	(232,827)	(124,351)	17,110	(178)	87,024
Ordinary Shareholders' Equity	Rs. In '000'	1,317,439	1,055,023	1,025,430	1,160,204	309,649	494,851
Dividend on Ordinary Shares	Rs. In '000'	-	-	-	-	-	20,000
Dividend per Ordinary Share	Rs.	-	-	-	-	-	1.00
Change of Paid-up Capital	Rs. In '000'	(41,373)	(124,200)	(105,768)	(75,020)	(78,817)	(8,205)
Profit/(Loss) after tax	Rs. In '000'	121,218	(103,000)	(141,800)	17,500	(22,041)	105,146
Earnings/(Loss) per Share	Rs.	0.57	(0.59)	(0.54)	0.07	(0.10)	0.48
MEASURE OF FINANCIAL STATUS							
Current Ratio	x:1	0.33	0.34	0.59	1.09	0.95	1.10
Debt to Capital Ratio	%	58.39	59.71	67.5	51.69	61.55	58.17
Debt Ratio	x:1	0.50	0.51	0.53	0.51	0.49	0.50
ROCE	x:1	0.39	0.06	0.29	0.54	0.18	0.15
Number of days stock	Days	57	68	158	43	12	22
MEASURE OF PERFORMANCE							
Profit after taxation as % of average capital employed	%	2.8	(2.5)	(4.2)	0.7	(6.5)	(8.3)
Sales	Rs. In '000'	2,952,826	1,162,103	2,087,112	2,107,111	503,452	750,715
Operating as % of sales	%	75.4	90.1	102.0	97.6	103.6	101.4
Profit before taxation as % of sales	%	11.4	(11.0)	(51.2)	0.82	(12.2)	3.3
Operating as % of sales	%	4.1	(9.2)	(26.6)	1.0	(12.3)	(12.8)
Asset turnover	Times	0.50	0.22	0.65	0.24	0.30	0.56



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.



AL-ABBAS CEMENT INDUSTRIES LTD.

**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 XII) 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 (xii) of Listing Regulation 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-263 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 arms length price according proper justification for using such alternate pricing mechanism. Further, if such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement in the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2009.

M. Sikandar & Co.
Chartered Accountants

Muhammad Sikandar

Karachi: September 24, 2009



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

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of directors. At present, the Board includes at least 6 independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DF or NBFIs or being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.
4. Casual vacancy occurred during the year was filled within 30 days.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has arranged an In-house orientation course in which directors have been provided with copy of 'Role of Directors under the Companies Ordinance, 1984 And The Code Of Corporate Governance' issued by the Institute of Chartered Accountants of Pakistan. The directors are well conversant with their duties and responsibilities.
10. The Board has approved appointment of Chief Financial Officer (CFO) and Company Secretary including their remuneration and terms and conditions of employment, as determined by the Chief Executive.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The Financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the return 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.



AL-ABBAS CEMENT INDUSTRIES LTD.

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 shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated

with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

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

Karachi: September 24, 2009


Momal Shunsaid
Chief Executive



AUDITORS' REPORT TO THE MEMBERS

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

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

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

- a) In our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) In our opinion:
 - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in

agreement with the books of account and are further in accordance with accounting policies consistently applied;

- ii. the expenditure incurred during the year was for the purpose of the Company's business; and
- iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

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

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

M. Sikandar & Co.
Chartered Accountants

Muhammad Sikandar

Karachi: September 24, 2009



AL-ABBAS CEMENT INDUSTRIES LTD.

BALANCE SHEET

AS AT JUNE 30, 2009

	Note	June 30, 2009	June 30, 2008
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	4,354,980	4,236,771
Deferred tax assets	5	213,399	28,848
		<u>4,568,379</u>	<u>4,265,619</u>
CURRENT ASSETS			
Stores, spares and loose tools	6	429,307	324,210
Stock in trade	7	472,276	243,330
Trade debts	8	42,008	297,292
Advances and other receivables	9	121,251	37,516
Deposits and prepayment	10	27,365	24,112
Tax refund due from government	11	250,903	71,819
Cash and bank balances	12	12,421	9,388
		<u>1,355,632</u>	<u>1,008,256</u>
		<u>5,923,911</u>	<u>5,273,875</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 200,000,000 (2008: 200,000,000) Ordinary shares of Rs. 10/- each		<u>2,000,000</u>	<u>2,000,000</u>
Issued, subscribed and paid-up capital 182,844,984 (2008: 182,844,984) Ordinary shares of Rs. 10/- each	13	1,828,450	1,828,450
Reserve	14	80,000	80,000
Accumulated loss		<u>(191,014)</u>	<u>(312,627)</u>
		<u>1,717,436</u>	<u>1,595,823</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term financing	15	2,500,000	2,500,000
Liabilities against assets subject to finance lease	16	6,350	12,200
Deferred liabilities	17	245,613	241,023
		<u>2,751,963</u>	<u>2,751,209</u>
CURRENT LIABILITIES			
Trade and other payables	18	719,594	680,258
Make-up accrued	19	239,406	26,573
Short-term borrowings	20	480,724	38,252
Current portion of long term financing Current portion of liabilities against assets subject to finance lease		<u>5,698</u>	<u>165,000</u>
		<u>1,484,512</u>	<u>924,043</u>
CONTINGENCIES AND COMMITMENTS	21	<u>5,923,911</u>	<u>5,273,875</u>

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

Momal Shunaid
Chief Executive

Avas Dohinwala
Director



AL-ABBAS CEMENT INDUSTRIES LTD.

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

	Note	2009 {Rupees in thousand}	2008
Sales - net	22	2,982,686	1,162,400
Cost of sales	23	<u>(2,282,298)</u>	<u>(1,047,160)</u>
Gross profit		700,388	115,240
Distribution cost	24	(380,610)	(128,963)
Administrative expenses	25	(30,592)	(27,132)
Other operating income	26	<u>30,058</u>	<u>532</u>
Operating profit/ (loss)		309,233	(40,800)
Finance cost	27	(351,206)	(98,330)
Loss before taxation		(41,973)	(125,930)
Taxation	28	<u>163,786</u>	<u>20,667</u>
Profit / (Loss) after taxation		<u>121,813</u>	<u>(108,263)</u>
Earnings/ (Loss) per share - Basic and diluted in Rupees	29	<u>0.67</u>	<u>(0.59)</u>

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

Momal Shunaid
Chief Executive

Aves Cochinwala
Director




AL-ABBAS CEMENT INDUSTRIES LTD.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009**

	Note	2009 (Rupees in thousand)	2008
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/ (used in) operations	31	108,882	(144,000)
Dividends - paid	(7.4.a)	(1,879)	(514)
Income tax paid		(23,024)	(8,181)
Income tax refunded		2,359	-
Finance cost paid		(138,283)	(99,578)
		<u>(180,827)</u>	<u>(108,270)</u>
Net cash used in operating activities		(51,845)	(252,200)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(224,958)	(419,817)
Proceed from sale of fixed asset		805	-
Net cash used in investing activities		(223,262)	(419,817)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long term finance		-	2,500,000
Repayment of long term finance		(165,000)	(1,957,792)
Deferred liabilities		(1,522)	(4,413)
Repayment of liabilities against asset subject to finance lease		(8,788)	(2,407)
Proceeds from issue of equity shares		-	322,791
Net cash (used in)/ from financing activities		(173,310)	258,179
Net (decrease)/ increase in cash and cash equivalents		(448,417)	186,662
Cash and cash equivalents at the beginning of the year		<u>(26,686)</u>	<u>(214,948)</u>
Cash and cash equivalents at the end of the year	32	<u>(477,303)</u>	<u>(28,886)</u>

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


Momal Shunsaid
Chief Executive


Avns Cochinwala
Director



AL-ABBAS CEMENT INDUSTRIES LTD.

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

	Share Capital	General	Revenue Reserve Accumulated Loss (Rupees In thousand)	Total	Total
Balance as at July 1, 2007	1,142,791	60,000	(204,664)	(124,604)	1,018,217
Issue of right shares	685,038	-	-	-	685,038
Loss for the year ended June 30, 2008	-	-	(98,293)	(98,293)	(98,293)
Balance as at June 30, 2008	1,828,490	60,000	(312,827)	(252,827)	1,595,623
Profit for the year ended June 30, 2009	-	-	121,613	121,613	121,613
Balance as at June 30, 2009	1,828,490	60,000	(191,014)	(115,014)	1,717,436

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

Momal Shunaid
Chief Executive

Aves Cochlinwala
Director



AL-ABBAS CEMENT INDUSTRIES LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2009

1 STATUS AND NATURE OF BUSINESS

Al-Abbas Cement Industries Limited was established as Private Limited Company on 1st December, 1986 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 Hardesi House, Survey No. 27, P.Y. 15, Old Queens Road, Karachi and its manufacturing is situated at Deh Kala Kohar, Noonabad Industrial Estate, District Ladh (Sindh).

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Cost convention

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

2.3 Functional and presentational currency

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

2.4 Critical accounting estimates and judgments

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

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

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

Judgments made by management in the application of approved accounting standards, 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:



AL-ABBAS CEMENT INDUSTRIES LTD.

a) Property, plant and equipments

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

b) Stock in trade and stores and spares

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

c) Income taxes

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

d) Staff retirement benefits

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

2.5 Standards, Interpretations and amendments to published approved accounting standards

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

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

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

IFRIC 12 – Service Concession Arrangements (effective for annual period beginning on or after January 1, 2009). The application of this standard did not affect the financial statements of the Company.

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

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

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



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b) Standards, interpretations and amendments not yet effective

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

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

Revised IAS 28- Borrowing costs (effective for annual periods beginning on or after January 1, 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

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

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

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

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

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

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

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



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

IFRS 4- Insurance Contracts (effective for annual periods beginning on or after January 1, 2008). The IFRS makes limited improvement to accounting for insurance contracts until the Board completes second phase of its project on insurance contracts. The standards also require an entity issuing insurance (an insurer) to disclose information about those contracts.

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

a) Operating fixed assets

i) Owned

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



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

ii) Assets subject to finance lease

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

b) Capital work-in-progress

Capital work in progress represents expenditure 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.



AL-ABBAS CEMENT INDUSTRIES LTD.

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 115B of the Income Tax Ordinance, 2001, to the extent of direct export sales. Provision for tax on other foreign and local sales is based on taxable income at the rates applicable for the current tax year, after considering the rebates and tax credits available, if any.

b) Deferred

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be 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.



AL-ABBAS CEMENT INDUSTRIES LTD.

3.7 Staff retirement benefits

a) Defined benefit plan

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

b) Compensated absences

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

3.8 Trade and other payables

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

3.9 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.10 Foreign currency transactions

Transactions 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 positive and liabilities when fair value is negative.



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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. Markup, 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.

Robato 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 shading of common staff salaries, electricity, gas, water, repair and maintenance relating to the head office, shared with associated companies, which are based on the advices received.

3.15 Dividend

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

	Note	June 30, 2009	June 30, 2008
(Rupees in thousand)			
4	PROPERTY, PLANT AND EQUIPMENT		
Operating property plant and equipment	4.1	3,539,718	3,609,934
Capital work-in-progress	4.5	815,262	626,637
		<u>4,354,980</u>	<u>4,236,571</u>

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4.1 Operating property, plant and equipment

Description	Cost			Rate %	Depreciation			
	As at July 01, 2007	Additions (Rs. 000)	Disposals (Rs. 000)		As at July 01, 2007	For the year	As at June 30, 2008	Written down value as at June 30, 2008
(Rupees in thousand)								
OWNED ASSETS								
Land - Leased	17,054	-	8,004					8,050
Factory building on freehold land	780,173	-	283,188	0%	147,882	51,176	173,558	652,311
Non factory building on free hold land	80,032	-	20,538	10%	3,550	1,768	1,782	76,028
Plant and machinery	3,851,564	33,500	8,875,448	Linear Method	732,115	630,682	785,377	2,696,415
Factory and laboratory equipment	13,405	280	14,771	10%	1,442	1,058	4,878	8,782
Convey equipment	8,447	-	8,447	15%	1,283	173	8,728	587
Office equipments	7,236	1,145	9,381	10%	932	824	1,557	4,791
Furniture and fixtures	4,801	7,620	18,212	10%	2,825	1,376	8,593	12,110
Vehicle	11,021	1,581	12,602	20%	2,527	1,308	6,813	2,212
		(100)				(214)		
LEASED ASSETS								
Plant and machinery	16,000	-	16,000	100% Fixed	154	208	650	16,000
Vehicles	3,021		4,581	20%	2,031	814	3,150	3,224
		(200)				(200)		
June 30, 2008	4,616,427	35,843 (857)	4,551,112		805,452	105,384 (202)	1,111,334	3,539,716

Description	As at July 01, 2007	Cost			Rate %	Depreciation			
		Additions	Transfer from (Rs. 000)	As at June 30, 2008		As at July 01, 2007	For the year	As at June 30, 2008	Written down value as at June 30, 2008
(Rupees in thousand)									
OWNED ASSETS									
Land - Leased	3,025	-		8,085				8,085	
Factory building on freehold land	515,841	-	251,581	7,68,119	5%	108,645	32,817	142,662	620,517
Non factory building on free hold land	25,808	-		20,532	10%	1,220	1,287	3,550	17,325
Plant and machinery	8,000,285	1,000	1,158,220	8,159,505	Linear Method	708,721	560,944	732,115	2,415,991
Factory and laboratory equipment	31,884	1		13,441	10%	2,441	1,029	5,250	5,083
Convey equipment	8,147	-	5,447	5,447	15%	5,089	264	5,580	1,159
Office equipments	7,297	59		7,356	10%	1,378	491	2,812	4,101
Furniture and fixtures	7,291	715		8,006	10%	1,360	668	2,694	6,157
Vehicle	12,329	15		12,344	20%	6,404	1,168	8,507	4,734
LEASED ASSETS									
Plant and machinery	-	16,000		16,000	100% Fixed	154	731	1,616	16,000
Vehicles	4,591	2,188		6,779	20%	1,412	1,021	2,622	4,100
June 30, 2008	3,100,285	27,184	1,159,291	4,286,627		332,447	69,174	626,473	3,600,991

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

4.2 Allocation of depreciation

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

Cost of sales	23	48,507	61,569
Distribution cost	24	1,719	1,619
Administrative expenses	25	5,150	4,855
		<u>105,384</u>	<u>68,043</u>

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

Description	Opening net book value as on July 01, 2008	Additions	Disposals	Depreciation charge	Closing book value as at June 30, 2009
OWNED ASSETS					
Land - freehold	3,025	-	-	-	3,025
Factory building on freehold land	623,517	-	-	31,178	592,341
Non factory building on free hold land	17,885	-	-	1,789	16,096
Plant and machinery	2,069,439	23,900	-	68,967	2,076,469
Factory and laboratory equipment	9,895	990	-	1,088	3,797
Query equipment	1,154	-	-	172	981
Office equipments	4,103	1,149	-	525	4,723
Furniture and fixture	6,007	7,680	-	1,363	12,319
Vehicles	1,734	1,231	(153)	1,303	5,212
LEASED ASSETS					
Plant and machinery	15,848	-	-	298	15,550
Vehicles	4,338	-	(324)	803	3,911
June 30, 2009	3,608,034	35,642	(474)	105,384	3,539,718

Description	Opening net book value as on July 01, 2007	Additions	Disposals	Depreciation charge	Closing book value as at June 30, 2008
OWNED ASSETS					
Land - freehold	3,025	-	-	-	3,025
Factory building on freehold land	401,003	255,931	-	32,917	623,517
Non factory building on free hold land	19,872	-	-	2,987	17,885
Plant and machinery	1,305,584	1,341,230	-	29,391	2,919,439
Factory and laboratory equipment	10,993	1	-	1,099	9,895
Query equipment	1,156	-	-	204	1,154
Office equipments	3,924	609	-	468	4,103
Furniture and fixture	3,265	710	-	668	6,007
Vehicles	3,902	15	-	1,183	4,734
LEASED ASSETS					
Plant and machinery	-	18,602	-	154	15,848
Vehicles	3,257	2,105	-	1,084	4,338
June 30, 2008	2,201,860	1,118,102	-	65,546	3,609,934

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

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



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4.5 Capital work-in-progress

Description	2009			2008			
	Cost at July 01, 2008	Addition	Cost at June 30, 2009	Cost at July 01, 2007	Addition	Transferred	Cost at June 30, 2008
	(Rupees in thousand)			(Rupees in thousand)			
Civil work			-	126,649	79,909	210,316	-
Plant and machinery	506,650	75,927	584,827	1,348,764	93,576	376,734	608,605
Scraping cost	126,237	44,088	239,395	131,582	233,274	244,538	120,267
	<u>626,837</u>	<u>136,425</u>	<u>815,262</u>	<u>1,604,975</u>	<u>410,433</u>	<u>1,398,591</u>	<u>629,837</u>

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

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

5 DEFERRED TAX ASSETS

Deferred tax asset comprises as follows:

Taxable temporary differences

Accelerated depreciation for tax purposes (180,999) (490,534)

Deductible temporary differences

Liabilities against assets subject to finance leases	1,477	5,595
Deferred liability - Gratuity	1,301	2,274
Carry forward losses	<u>391,620</u>	<u>612,782</u>
	<u>394,398</u>	<u>627,302</u>
	<u>213,399</u>	<u>28,545</u>

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

6 STORES, SPARES AND LOOSE TOOLS

Stores	239,124	179,881
Coal	7,189	10,309
Spare parts	179,122	133,485
Loose tools	3,872	640
	<u>429,307</u>	<u>324,215</u>

7 STOCK IN TRADE

Raw material	118,352	76,534
Packing material	31,960	27,602
Work in process	292,394	84,092
Finished goods	<u>29,570</u>	<u>56,116</u>
	<u>472,276</u>	<u>244,344</u>



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	June 30, 2009	June 30, 2008
	(Rupees in thousand)	
8 TRADE DEBTS - Considered good		
Secured against letter of credit	2,887	254,628
Unsecured	<u>39,121</u>	<u>42,264</u>
	<u>42,008</u>	<u>297,092</u>
9 ADVANCES AND OTHER RECEIVABLES - Unsecured (considered good)		
To employees - Non Executive	2,652	1,990
To contractors and suppliers	52,223	29,679
Against letter of credit	6,502	1,353
Income tax net of provision	51,147	4,346
Subsidy receivable	8,484	-
Others	43	142
	<u>121,251</u>	<u>37,510</u>
10 DEPOSITS AND PREPAYMENTS		
Security deposits against leased assets	-	158
Security deposits others	24,121	23,211
Prepayments	<u>3,245</u>	<u>163</u>
	<u>27,366</u>	<u>23,532</u>
11 TAX REFUND DUE FROM GOVERNMENT		
Income tax refundable	626	6,714
Sales tax refundable	215,903	69,225
Excise duty receivable	<u>34,114</u>	<u>6,577</u>
	<u>250,643</u>	<u>82,516</u>
12 CASH AND BANK BALANCES		
Cash in hand	302	306
Cash with banks in current accounts	<u>12,029</u>	<u>8,970</u>
	<u>12,421</u>	<u>9,366</u>
13 ISSUED, SUBSCRIBED AND PAID UP CAPITAL		

2009	2008			
No. of Shares				
			Fully paid ordinary shares of Rs. 10 each issued as	
170,865,396	170,065,396	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	Treasury shares	<u>113,396</u>	<u>113,396</u>
<u>182,364,984</u>	<u>182,244,984</u>		<u>1,828,450</u>	<u>1,828,450</u>



AL-ABBAS CEMENT INDUSTRIES LTD.

	Note	2009	2008
		No of Shares	
13.1 Movement of share capital			
Opening balance		182,844,984	114,278,115
Issued during the period as right shares		-	68,566,809
Closing balance		<u>182,844,984</u>	<u>182,844,984</u>

13.2 Shares held by the associated companies as at the balance sheet date were 85,747,526 (2008: 19,200,000).

14 RESERVE	2009	2008
	(Rupees in thousand)	
Revenue reserves - General	<u>80,000</u>	<u>80,000</u>

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

15 LONG TERM FINANCES

Secured from banking companies

Musharakah	15.1	500,000	500,000
Term finance	15.2	2,000,000	2,000,000
Term Finance II	15.3	-	185,000
		<u>2,500,000</u>	<u>2,685,000</u>

Less: Current maturity shown under current liability		-	(185,000)
		<u>2,500,000</u>	<u>2,500,000</u>

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 pari passu charge over all present and future fixed assets of the Company. It carries mark up at the rate of six months KIBOR plus 1.75% payable half yearly. It has grace period of two years and is repayable in 10 equal half yearly instalment commencing from December 2010.

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

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



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	Note	2009	2008
(Rupees in thousand)			
16	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Minimum lease payment:			
Not later than one year		6,026	7,550
Later than one year but not later than five years		6,538	13,522
		13,564	21,072
Mark-up:			
Not later than one year		1,229	1,000
Later than one year but not later than five years		289	1,007
		1,516	2,227
Present value of minimum lease payment:			
Not later than one year		5,698	6,960
Later than one year but not later than five years		6,350	12,266
		12,048	18,246
Less: Current maturity shown under current liabilities		(5,698)	(5,960)
		6,350	12,286

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

17 DEFERRED LIABILITIES

Provision for employees gratuity	17.1	11,537	6,325
Loan from related parties	17.2	234,076	235,500
		245,613	241,925
17.1 Provision for employees gratuity			
a) Reconciliation of liability recognized in the balance sheet			
Present value of defined benefit obligations		6,325	4,061
Expenses for the period		7,091	1,658
		13,416	5,719
Less: Payment made during the period		(1,879)	514
Liability recognized in the balance sheet		11,537	6,325
b) Change in present value of defined benefits obligations			
Present value of defined benefits obligation as on June 30, 2009		6,325	4,981
Current service cost for the year		4,124	2,001
Interest cost for the year		758	408
Benefit's paid during the year		(1,879)	(79)
Actuarial loss on PVDBO		2,209	(3,656)
		11,537	6,325
c) Expenses recognized in the profit and loss account			
Current service cost		4,124	2,882
Interest cost		759	495
Net actuarial loss recognized in the period		2,209	1,956
		7,091	5,336
d) Change in actuarial gains/(losses)			
Net gains/(losses) arising during the year		(2,209)	1,956
Charged to the profit and loss account		2,209	(1,358)



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2009 2008
(Rupees in thousand)

e) Principle actuarial assumptions

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

f) Expected charge for the year 2008-10 is Rs. 5.968 million.

g) Present value of defined benefits obligations

	2009	2008	2007	2006	2005
	(Rupees in thousand)				
Present value of defined obligations at the end of the year	<u>14,537</u>	<u>6,325</u>	<u>4,891</u>	<u>7,484</u>	<u>-</u>

h) Experience adjustments

Experience adjustment arising on plan liabilities	<u>2,209</u>	<u>(1,958)</u>	<u>286</u>	<u>-</u>	<u>-</u>
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Note 2009 2008
(Rupees in thousand)

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

Cost of sales	23	5,647	1,672
Distribution cost	24	722	149
Administrative expenses	25	722	37
		<u>7,091</u>	<u>1,858</u>

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

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.



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	2009	2008
	(Rupees in thousand)	
19 TRADE AND OTHER PAYABLES		
Trade creditors	384,508	318,917
Bills payable	-	184,931
Accrued liabilities	61,501	60,123
Advances from customers	198,831	98,109
Excise duty payable	39,093	20,727
Retention money payable	26,499	34,290
Contractual liabilities	129	128
Withholding tax payable	1,342	1,343
Leave encashment payable	7,387	3,415
Others	306	160
	<u>719,594</u>	<u>889,250</u>
19 MARK-UP ACCRUED		
On long term financing	226,830	17,660
On short term borrowings	12,566	8,313
	<u>239,396</u>	<u>26,073</u>
20 SHORT TERM BORROWINGS		
From banking companies		
Secured - running finances	<u>489,724</u>	<u>39,252</u>

The Company has arranged short-term running finance facilities from various banks on mark-up basis to the extent of Rs. 500 million (2008: Rs. 160 million). It carry mark up at the rate ranging between one month KIBOR plus 1.50% to 6 months KIBOR plus 3.5% (2008: one month KIBOR plus 1.25% to 6 months KIBOR plus 1.5 %) per annum. These finances were obtained to meet the working capital requirements of the Company. The facilities are renewable and expired latest by July, 2009. The arrangements are secured by first charge ranking pari passu against current assets of the Company.

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

- a) Central Excise and Land Customs has passed an order for the recovery of excise duty, sales tax and penalty of Rs. 91,046 million (2008: Rs. 91,046 million). The Company has however disputed the same both on grounds of lack of jurisdiction as well as on the merits, the matter is sub-judice. The stay order was granted by the Honorable High Court of Sindh against the said order.
- b) From 1993-94 to 1998-99 the excise duty was levied and recovered from the Company being wrongly worked out on retail price based on the misinterpretation of sub-section 2 of section 4 of the Central Excise Act, 1944 by Central Board of Revenue. Such erroneous basis of working of excise duty has been held, being without lawful authority, by the Honorable Supreme Court of Pakistan as per its judgment dated February 15, 2004 in the civil appeal Nos. 1388 & 1389 of 2002, civil appeal Nos. 470 to 410 of 2003, civil appeal No. 268 of 2005, civil appeal No. 267 of 2006 and civil appeal No. 395 of 2006. Accordingly, the Company has filed an application to the Comptroller of Central 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 restraining the CCP to pass any adverse orders against the show cause notices issued to the cement manufacturers.



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

21.2 Commitment

Commitment against open letter of credit amounting to Rs. 32,000 million (2008: Rs. 308,080 million).

	Note	2009	2008
(Rupees in thousand)			
22 SALES - NET			
Local		1,327,798	639,467
Export	22.1	2,051,071	721,160
		<u>3,379,669</u>	<u>1,362,635</u>
Less :			
Sales tax		(181,860)	(82,864)
Central excise duty		(205,815)	(172,967)
Special excise duty		(9,308)	(4,371)
		<u>(398,903)</u>	<u>(260,202)</u>
		<u>2,982,686</u>	<u>1,102,403</u>

22.1 It includes exchange differences of Rs. 20,245 million (2008: Rs. 11,722 million).

23 COST OF SALES

Salaries, wages and other benefits including retirement benefits	23.1	77,169	83,420
Raw and packing material consumed		405,670	135,616
Stores, spares and tools		79,743	61,290
Fuel and power		1,517,441	729,965
Insurance		15,237	6,335
Repairs and maintenance		91,264	12,226
Depreciation	4.2	98,507	61,569
Other production overheads		18,587	14,603
		<u>2,303,618</u>	<u>1,105,024</u>
Work in process			
Opening		84,093	62,812
Closing		(292,394)	(84,093)
		<u>(208,301)</u>	<u>(21,281)</u>
Cost of goods manufactured		<u>2,095,317</u>	<u>1,083,743</u>
Finished goods			
Opening		55,110	18,527
Finished goods purchase for sale		181,441	-
Closing		(29,570)	(55,110)
		<u>186,981</u>	<u>(36,583)</u>
		<u>2,282,298</u>	<u>1,047,160</u>

23.1 It includes Rs. 5,647 million (2008: Rs. 1,672 million) against staff retirement benefits.



AL-ABBAS CEMENT INDUSTRIES LTD.

	Note	2009	2008
		(Rupees in thousand)	
24 DISTRIBUTION COST			
Salaries, wages and other benefits	24.1	5,151	3,180
Export expenses		368,202	112,227
Traveling and conveyance		1,937	108
Cartage outward		4,949	-
Entertainment		167	-
Depreciation	4.2	1,719	1,619
Amortization of intangible asset		-	52
Marking fee		3,350	10,390
Others		5,144	1,413
		<u>390,619</u>	<u>129,003</u>
24.1 It includes Rs. 0.722 million (2008: Rs. 0.149 million) against staff retirement benefits.			
25 ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	25.1	10,593	11,549
Traveling and conveyance		1,036	577
Printing and stationery		300	421
Utilities		324	510
Repair and maintenance		654	014
Legal and professional charges		5,371	2,107
Auditor's remuneration	25.2	428	313
Rent, rates and taxes		2,212	746
Advertisement		294	581
Postage, telephone and telegram		332	324
Entertainment		496	410
Fees and subscription		1,606	2,710
Depreciation	4.2	5,158	4,958
Amortization of intangible asset		-	157
Miscellaneous		1,186	1,293
		<u>30,592</u>	<u>27,432</u>
25.1 It includes Rs. 0.722 million (2008: Rs. 0.037 million) against staff retirement benefits.			
25.2 Auditor's remuneration			
Statutory Audit fees - M. Iskandar & Co.		300	205
Cost audit fees - Siddiqui & Co.		100	80
Out of pocket expenses		28	28
		<u>428</u>	<u>313</u>
26 OTHER OPERATING INCOME			
From non financial assets			
Gain on disposal of property, plant and equipment		332	-
Sale of scrap		29,724	587
		<u>30,056</u>	<u>587</u>
27 FINANCE COST			
Mark-up on long term financings		309,355	39,729
Mark-up on short term borrowings		37,338	25,555
Mark-up on lease liabilities		2,025	554
Bank charges and commission		2,488	2,352
		<u>351,206</u>	<u>68,190</u>



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	2009	2008
	(Rupees In thousand)	
28 TAXATION		
Current year		
For the period	23,024	7,232
Prior year	<u>(2,259)</u>	949
	20,765	8,181
Defered	<u>(184,551)</u>	<u>(25,948)</u>
	<u><u>(163,786)</u></u>	<u><u>(20,667)</u></u>

Income tax assessments of the Company have been finalized upto and including the tax year 2006. However the Commissioner of Income Tax may at any time during a period of five years from the date of filing of return may exact the deemed assessment for audit. Since the Company is able to pay minimum tax, therefore, no numerical tax reconciliation is given.

29 PROFIT/(LOSS) PER SHARE - BASIC

Profit/(Loss) after taxation	<u>121,813</u>	<u>(109,283)</u>
Weighted average number of ordinary shares	<u>182,044,954</u>	<u>182,844,984</u>
Earning/(Loss) per share in rupees - basic and diluted	<u>0.67</u>	<u>(0.59)</u>

30. Financial Instruments

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

30.1 Credit risk

Credit risk is the risk that one party in 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	42,008	207,092
Advances and other receivables	121,251	37,510
Deposits	24,121	23,958
Cash with banks in current accounts	<u>12,029</u>	<u>8,970</u>
	<u>199,409</u>	<u>380,331</u>

30.2 Liquidity risk

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



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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:

Carrying amount	Contractual cash flows	2009			
		Six months or less	Six to twelve months	One to two years	Two to five years
Rupees in '000'					
Financial liabilities					
Long term finance	2,600,000	(3,870,625)	(182,750)	(682,750)	(847,225)
Liabilities against assets subject to finance lease	12,048	(13,584)	(3,463)	(3,463)	-
Short term borrowings	480,724	(561,322)	(280,661)	(280,661)	-
Trade and other payables	719,594	(719,694)	(719,694)	-	-
Mark-up accrued	239,480	(239,480)	(239,480)	-	-
	3,960,862	(5,404,607)	(1,425,904)	(466,874)	(850,508)

Carrying amount	Contractual cash flows	2010			
		Six months or less	Six to twelve months	One to two years	Two to five years
Rupees in '000'					
Financial liabilities					
Long term finance	2,885,000	(4,468,185)	(353,755)	(788,731)	(177,600)
Liabilities against assets subject to finance lease	18,746	(21,572)	(3,825)	(3,925)	(6,984)
Short term borrowings	38,282	(44,329)	(22,014)	(22,014)	-
Trade and other payables	680,260	(689,258)	(344,120)	(344,120)	-
Mark-up accrued	26,573	(26,573)	(26,573)	-	-
	3,436,320	(5,219,489)	(750,291)	(358,610)	(351,484)

30.3 Market Risk

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

a) Currency risk

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

b) Interest rate risk

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

c) Cash flow sensitivity

100 basis points increase / (decrease) in KIBOR would have increased / (decreased) the profit for the year by Rs. 30,018 million assuming all other variables are constant.

30.4 Risk management policies

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



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30.5 Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures commensurate 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 loans and short term borrowings) as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

	2009	2008
	(Rupees in thousand)	
Total borrowings	2,512,048	2,683,246
Less: Cash and bank balances	12,421	9,386
Net debt	2,499,627	2,673,860
Total equity	1,717,436	1,595,028
Total capital	4,217,063	4,268,888
Gearing ratio	59.27%	62.65%

30.6 Fair value of financial instruments

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

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

31 CASH GENERATED FROM/ (USED IN) OPERATIONS

Loss before taxation	(41,973)	(128,930)
Adjustment for:		
Depreciation	105,304	68,148
Amortisation of intangible assets	-	209
Financial costs	351,206	88,330
Gain on disposal of property, plant and equipment	(332)	-
Provision for gratuity	7,091	1,858
Operating profit before working capital changes	468,349	158,443
	421,376	29,513
(Increase)/ decrease in current assets		
Stores, spares and loose tools	(105,089)	(79,261)
Stock in trade	(228,837)	(90,493)
Trade debts	255,864	(290,944)
Advances and other receivables	(83,250)	103,517
Short term deposit and prepayments	(3,254)	212
Refund due from government - other than income tax	(179,084)	(54,000)
	(343,730)	(425,354)
Increase in trade and other payables	31,336	251,791
Cash generated from/ (used in) operations	108,982	(144,930)

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	2009	2008
	(Rupees in thousand)	
32 CASH AND CASH EQUIVALENT		
Cash and bank balance	12,421	9,500
Short term borrowings	(489,724)	(30,252)
	<u>(477,303)</u>	<u>(20,752)</u>
33 CAPACITY (Clinker)		
Installed capacity (M.Tons)	900,000	900,000
Actual production (M.Tons)	582,024	323,626

Reason for shortfall:

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

34 TRANSACTIONS WITH RELATED PARTIES

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

	2009	2008
	(Rupees in thousand)	
Associated companies		
Purchase of cement	230,884	-
Purchase of stores and spares	11,084	5,856
Sale of clinker	292,466	90,618
Sale of cement	3,589	2,200
Sale of stores and spares	3,961	194
Shared expenditure	3,263	-

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

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Executives	
Managerial remuneration	22,567	15,945
Medical	2,260	1,505
Retirement benefits	2,289	1,402
	<u>27,116</u>	<u>18,852</u>
Number of persons	<u>20</u>	<u>16</u>

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.



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36 AUTHORIZATION

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

37 GENERAL

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

Momal Shunaid
Chief Executive

Aves Gochijwala
Director



AL-ABBAS CEMENT INDUSTRIES LTD.

FORM OF PROXY

The Secretary,
The Al Abbas Cement Industries Limited
Pardesi House, Survey No. 2/1,
R.Y. 16,
Old Quana Road,
Karachi

Please quote:
No. of shares held _____
Folio No. _____

(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 Quana Road, Karachi on Wednesday, October 28, 2009 at 4:30 p.m. and at any adjournment
thereof.

As witness my hand this _____ day of _____ 2009

Signed by _____

Signature

In the presence of _____

Rupees five
revenue
stamp

Important:

1. This Form of Proxy duly completed must be deposited at our Share Registrar Office M/s. Technology Trade (Pvt) Ltd., Dagma House, 241 G, Block 2, P.E.C.H.S., Off: Shanzah-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.



If undelivered please return to:

AL-ABBAS CEMENT INDUSTRIES LIMITED

Pardesi House, Survey No. 2/1, R. Y. 16,
Old Queens Road, Karachi-74000