

*Annual Report*  
**2011**



ARIF HABIB GROUP

**AL-ABBAS CEMENT INDUSTRIES LIMITED**



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## AL-ABBAS CEMENT INDUSTRIES LTD.

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### CORPORATE INFORMATION

BOARD OF DIRECTORS	Syed Ajaz Ahmed Muhammad Kashif Habib Aves Cochinwala Fazlullah Sharif Muhammad Khubaib Nasim Beg Syed Salman Rasheed	Chairman Chief Executive Officer Director Director Director Director Director
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY	Basit Habib	
AUDIT COMMITTEE	Nasim Beg Aves Cochinwala Muhammad Khubaib Syed Salman Rasheed	Chairman Member Member Member
AUDITORS	KPMG Taseer Hadi & Co	Chartered Accountants
COST AUDITORS	Nasir Javaid Maqsood Imran Ashfaq	Chartered Accountants
LEGAL ADVISOR	Usmani & Iqbal	Advocate & Solicitors
TAX ADVISOR	Hyder Bhimji & Co	Chartered Accountants
SHARE REGISTRAR	Technology Trade (Private) Limited	
BANKERS	Al-Baraka Islamic Bank Limited Allied Bank Limited Bank Al-Falah Limited Bank Islami Pakistan Limited Habib Bank Limited National Bank of Pakistan Standard Chartered Bank Pakistan Limited Summit Bank Limited United Bank Limited	
REGISTERED OFFICE	1st Floor, Arif Habib Centre,23 M.T. Khan Road Karachi. Website: <a href="http://www.alabbascement.com">www.alabbascement.com</a> Email: <a href="mailto:corporate@alabbascement.com">corporate@alabbascement.com</a> Ph: 021-3468226-8	
FACTORY	Nooriabad Industrial Area, Kalo Kohar Distt. Dadu, Sindh.	



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**AL-ABBAS CEMENT INDUSTRIES LTD.**

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## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that 20th Annual General Meeting of Al-Abbas Cement Industries Limited will be held on October 24, 2011 at 7:00 pm at the Beach Luxury Hotel, Molvi Tamizuddin Khan Road to transact the following business:

1. To confirm the minutes of 19th Annual General Meeting of the shareholders held on October 30, 2010.
2. To receive, consider and adopt Annual Audited Financial Statements of the Company together with the Directors' and Auditors' report thereon for the year ended June 30, 2011.
3. To appoint the Auditors for the year 2011-2012 and to fix their remuneration. The board of directors have recommended for re-appointment of M/s. KPMG Taseer Hadi & Co. Chartered Accountants as external auditors.
4. To transact any other business with the permission of the Chair.

By order of the Board

Basit Habib

Company Secretary

Karachi: October 3, 2011

### **Notes:**

1. Share transfer books will remain closed from October 17, 2011 to October 24, 2011 (both days inclusive). Transfers received in order at the office of Company's Share Registrar, M/s Technology Trade (Pvt) Limited, Dagia House, 241-C, Block -2, P.E.C.H.S, Off Shahrah-e-Quaideen, Karachi up to the close of business on October 16, 2011 will be considered in time for transfers.
2. All members are entitled to attend and vote at the meeting. A member may appoint a proxy who need be a member of the Company.
3. The instrument appointing the proxy and the other authority under which it is signed, or a notarially certified copy thereof, must be lodged at the Company's Registered Office or Share Registrar's Office at least 48 hours before the time of the meeting.
4. CDC Account Holders will further have to follow the under mentioned guidelines as laid down Circular 1 dated January, 26, 2000 issued by the Securities and Exchange Commission of Pakistan
  - a) In case of individuals, the account holder or subaccount holder shall submit the proxy form as per the above requirement.
  - b) The proxy form shall be witnessed by two persons whose names, address and CNIC numbers shall be mentioned on the form.
  - c) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - d) The proxy shall produce his original CNIC or original passport at the time of meeting.
  - e) 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.
5. Members are requested to promptly notify any change in address by writing to the office of our registrar.



## DIRECTORS' REPORT

The Directors of the Company present herewith the Annual Report of your Company and the audited financial statements for the year ended June 30, 2011 together with the auditors' report thereon.

### Overview

The Pakistan Cement Industry witnessed the negative growth of 8.13% at the close of the financial year ended June 30, 2011 achieving total sales volumes of 31.42 million tons as compared to last year sales volume of 34.21 million tons. The domestic demand registered a decline of 6.59% and achieved volume of 21.99 million tons against the last year volume of 23.55 million tons. The decline was mainly attributable due to devastating floods and lack of Government spending on public infrastructure and other development projects. The export sales volumes declined by 11.55% and achieved a volume of 9.43 million tons as compared to volume of 10.66 million tons in the same period last year.

Despite the negative growth in the industry, your Company has increased its market share to 1.33% in the domestic market as compared to 0.73% in the last year. The local sales volume of the company has registered an increase of 70% achieving the volume of 291,703 MT as compared to 172,605 MT in the last year.

### Business Performance

#### a. Production & Sales Performance

During the year under review, the comparative figures of Production and Sales are given as under.

Particular	2011	2010
	Quantity in M.T	
Clinker Production	460,894	407,746
Cement Production	502,576	467,442
Cement Dispatches	513,324	494,680
Clinker Dispatches	14,272	66,541

During the current year, the production of clinker and cement increased by 53,148 MT and 35,134 MT respectively. Further, during the year Company was able to maintain the ratio of local versus export to 56%:44% as compared to last year ratio of 30% : 70%.

#### b. Financial Performance

A comparison of the key financial results of your Company for the year ended June 30, 2011 is as under:

Particular	2011	2010
Sales -net	2,220,360	2,198,443
Gross (loss) / profit	(57,944)	67,416
Loss before taxation	(755, 625)	(746,498)
Provision for taxation	(171,045)	25,883
Loss after taxation	(926,670)	(720,615)
Loss per share	(4.27)	(3.94)



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## AL-ABBAS CEMENT INDUSTRIES LTD.

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During the financial year ended June 30, 2011, the company suffered a net loss of Rs. 926.670 million as against the net loss of Rs 720.615 million for the last year. The major factor for the loss is the increase in the per ton cost of sales of cement by 12.28% as compared to last year. Further, the major cost components contributing to the increase in cost of sales is the fuel and power costs coupled by the prices of imported coal.

### AUDIT COMMITTEE

The board of Directors has established an Audit Committee in compliance with the Code of Corporate Governance, which comprises of four members all of them are non-executive directors.

The audit committee reviews the quarterly, half yearly and annual financial statements before submission to the Board and their publications. The audit committee also reviews the internal auditor's findings and held separate meetings with internal and external auditors as required by the Code of corporate governance.

### CODE OF CORPORATE GOVERNANCE.

The Directors' of your Company reviews the Company's strategic direction and business plans on regular basis. The Audit Committee is empowered for effective compliance of Code of Corporate Governance. We are taking all necessary steps to ensure Good Corporate Governance in your Company as required by the Code. As part of the compliance, we confirm the following:

- The financial statements prepared by the management of the Company, present fairly the Company's state of affairs, the result of operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The international Financial Reporting Standard as applicable in Pakistan have been followed in the preparation of financial statements.
- The system of internal control is sound in design and have been effectively implemented and monitored.
- There are no doubts upon the Company's ability to continue as a going concern. Further the Company is paying all debts in time and no default is made on the part of Company to repay its debts to the banks.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- All outstanding statutory payments are of nominal and routine nature.
- The Company operates funded gratuity scheme for its employess as disclosed in relevant note to the financial statements. Further, fund is in the process of investing the surplus contributions made to the fund.

### Emphasis of Matter Para included in the Audit Report

"We draw attention to note 1.2 to the financial statements which describes that the Company has incurred a net loss of Rs. 926.67 million for the year ended 30 June 2011 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 648.758 million. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may not be able to realise its assets and discharge its liabilities in the normal course of business. However, based on the financial and operational measures taken by the management as more fully explained in note 1.2 the financial statements have been prepared on going concern basis. Our opinion is not qualified in respect of this matter."



## AL-ABBAS CEMENT INDUSTRIES LTD.

### Note 1.2 to the financial statements is reproduced as under:

During the year, the Company has incurred loss after taxation of Rs. 926.67 million (2010: loss after taxation of Rs. 720.615 million) and its accumulated losses stand at Rs. 1,850.696 million (2010: Rs. 911.629 million) and as at that date, its current liabilities exceeds its current assets by Rs. 648.758 million (2010: Rs. 925.184 million). These factors may cast doubt about the company's ability to continue as a going concern and the company may not be able to realize its assets and discharge the liabilities at the stated amounts. However, during the year the Company has entered into a rescheduling agreement with respect to its long term finances of Rs. 2,500 million obtained from a consortium of banks. The rescheduling terms have granted certain grace periods to the Company in respect of the payment of principal and mark-up on the said loan and have also extended the repayment period of the said loan by three and a half years. The salient features of rescheduling are mentioned in note 14 to the financial statements. Further, during the year fresh equity of Rs. 914.225 million has also been injected into the Company.

Based on the above mentioned financial measures and the concerted operational measures being taken by the Company, the management is confident of the profitable operations in the foreseeable future and therefore, has prepared the financial statements on going concern basis.

### BOARD OF DIRECTORS

During the year under review five board meetings were held and attendance of each director is as under:

Directors' Name	Meetings Attended
Syed Ajaz Ahmed	5/5
Mr. Kashif A. Habib*	2/3
Mr. Aves Cochinwala	4/5
Mr. Fazlullah Sharif*	3/3
Mr. Muhammad Khubaib*	1/3
Mr. Nasim Beg*	3/3
Syed Salman Rasheed	3/5
Moomal Shunaid**	2/2
Asma Aves**	2/2
Momina Duraid**	2/2
Javed Dawood Dadabhoy**	0/2

\* Appointed w.e.f October 07, 2010

\*\* Resigned w.e.f October 07, 2010

Leave of absence was granted to Directors who could not attend the meetings due to their pre occupations.



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## AL-ABBAS CEMENT INDUSTRIES LTD.

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### **FUTURE OUTLOOK**

The Government in the recent budget has allocated substantial funds for public sector development projects and this will be a key factor for increase of cement demand in domestic market for the coming financial year.

The Company's sustainable growth is mainly associated with certain risk factors such as rising cost of coal and volatile fuel prices coupled with ever increasing inflation and terrorism and law and order situation. In order to cater the situation management consistently is implementing their strategies, improving operational excellence and will continue to concentrate on process improvements and material management strategies.

Going forward your Company is pushing hard to capitalize the business opportunities available with the export and local market. Further, your Company is well equipped to take advantage of the industry growth anticipated in the coming year due to improvements in construction activities both in local and export markets.

### **Corporate Social Responsibility**

The Al-Abbas Cement Industries Limited has the culture and history of undertaking social and philanthropic activities which reflects the commitment of its Directors and sponsors towards the social uplift of the down trodden.

The company regularly pays to welfare trust engaged in spending Islamic education. During the year, the company has disbursed Rs. 0.121 million as donation to different trusts, charity institutions and welfare organizations.

During the year, the Company contributed Rs. 494.493 million towards national exchequer under various modes.

### **AUDITORS**

The auditors, M/s. KPMG Taseer Hadi and Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Board of Directors endorses recommendation of the Audit Committee for their re-appointment as auditors of the Company for the financial year June 2012 in the Annual General Meeting.

### **ACKNOWLEDGEMENT**

The Company strongly believes that its success is driven by the commitment and declaration of its employees. We acknowledge the contribution of each and every member of the Company in the area 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 institutions 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.

For and on behalf of the Board.

Kashif A. Habib  
Chief Executive Officer



AL-ABBAS CEMENT INDUSTRIES LTD.

PATTERN OF SHAREHOLDINGS

As at June 30, 2011

Number of Shareholders	Shareholdings		Total Number of Shares Held
	From	To	
485	1	100	15,865
501	101	500	180,118
392	501	1,000	350,383
706	1,001	5,000	2,035,162
214	5,001	10,000	1,775,786
86	10,001	15,000	1,099,315
54	15,001	20,000	973,457
31	20,001	25,000	722,180
28	25,001	30,000	786,883
11	30,001	35,000	356,617
12	35,001	40,000	460,357
9	40,001	45,000	383,409
20	45,001	50,000	986,975
5	50,001	55,000	263,690
5	55,001	60,000	297,846
4	60,001	65,000	254,352
4	65,001	70,000	268,448
3	70,001	75,000	216,821
2	75,001	80,000	155,027
1	80,001	85,000	82,000
2	85,001	90,000	178,600
9	90,001	100,000	893,000
1	100,001	105,000	104,248
1	105,001	110,000	106,500
1	110,001	120,000	115,131
3	120,001	125,000	370,887
2	125,001	140,000	277,300
1	140,001	145,000	144,000
1	145,001	150,000	150,000
1	150,001	170,000	168,647
1	170,001	190,000	190,000
2	190,001	200,000	400,000
3	200,001	205,000	607,819
1	205,001	215,000	212,600
1	215,001	270,000	267,732
1	270,001	310,000	310,000
1	310,001	350,000	350,000
1	350,001	370,000	368,500
1	370,001	400,000	400,000
1	400,001	455,000	450,960
2	455,001	500,000	1,000,000
1	500,001	555,000	550,958
2	555,001	600,000	1,196,671
1	600,001	660,000	660,000
1	660,001	680,000	676,169
1	680,001	700,000	695,600
1	700,001	805,000	802,969
3	805,001	1,000,000	3,000,000
1	1,000,001	1,060,000	1,060,000
1	1,060,001	1,135,000	1,133,032
1	1,135,001	1,230,000	1,230,000
1	1,230,001	1,380,000	1,376,000
1	1,380,001	1,850,000	1,850,000
1	1,850,001	2,000,000	2,000,000
1	2,000,001	2,420,000	2,418,545
1	2,420,001	2,505,000	2,500,166
1	2,505,001	3,000,000	3,000,000
1	3,000,001	3,500,000	3,500,000
2	3,500,001	4,000,000	8,000,000
1	4,000,001	5,000,000	5,000,000
1	5,000,001	9,400,000	9,400,000
1	9,400,001	11,995,000	11,570,000
1	11,995,001	12,000,000	12,000,000
1	12,000,001	25,600,000	25,600,000
1	25,600,001	36,217,021	36,217,021
1	36,217,022	211,522,222	211,522,222
<b>2639</b>			<b>365,689,968</b>



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**AL-ABBAS CEMENT INDUSTRIES LTD.**

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**CATEGORIES OF SHAREHOLDERS**

<b>Shareholders Category</b>	<b>Number of Shares Held</b>	<b>Percentage %</b>
Directors, Chief Executive Officer and their spouses and minor children	15,928,645	4.3558
Associated Companies, Undertakings and related parties	249,152,222	68.1320
NIT and ICP	803,576	0.2197
Public Sector Companies and Corporations	110	0.0000
Banks, Development Financial Institutions, Non Banking Financial Institutions	7,015,576	1.9184
Insurance Companies	692,169	0.1892
Shareholding more than 10% General Public	223,552,222	61.131
Local	23,394,889	6.39746
Foreign	72,068	0.0197
Others	68,630,713	18.4940
	<u>365,689,968</u>	<u>100.00</u>



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**AL-ABBAS CEMENT INDUSTRIES LTD.**

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**DETAIL OF SHAREHOLDERS CATEGORIES**

<b>1 Associated Companies , Undertakings and Related Parties</b>	<b>No. of Shares</b>	<b>Percentage</b>
Arif Habib Corporation Limited	223,552,222	61.1320
Thatta Cement Company Limited	25,600,000	7.0000
	<u>249,152,222</u>	<u>68.1321</u>
<b>2 NIT and ICP</b>		
M/S. Investment Corporation of Pakistan (ICP)	100	0.0000
M/S. Investment Corporation of Pakistan (ICP)	507	0.0001
National Bank Of Pakistan-trustee Department	802,969	0.2196
	<u>803,576</u>	<u>0.2197</u>
<b>3 Directors, CEO and their spouses and minor children</b>		
Syed Aijaz Ahmed	500	0.0001
Mohammad Kashif	500	0.0001
Mohammad Khubaib	500	0.0001
Nasim Beg	2,000	0.0005
Muhammad Fazlullah Shariff	5,000	0.0014
Aves Cochinwala	1,600	0.0004
Syed Salman Rashid	8,500,000	2.3244
Syed Saad Salman	2,418,545	0.6614
Rehana Salman	5,000,000	1.3673
	<u>15,928,645</u>	<u>4.3558</u>
<b>4 Public sector companies and corporation</b>		
Lahore Stock Exchange (Guarantee) Ltd.	110	0.0000
	<u>110</u>	<u>0.0000</u>



## AL-ABBAS CEMENT INDUSTRIES LTD.

5 Banks, Development Financial Institutions, Non- Banking Financial Institution, Insurance Companies, Modarabas and Mutual Fund.	No. of Shares	Percentage
M/S. Crescent Investment Bank	110	0.0000
National Bank Of Pakistan	611	0.0001
Escorts Investment Bank Limited	1,000	0.0002
M/S. Islamic Investment Bank Ltd.	2,020	0.0005
Islamic Investment Bank Limited	20,203	0.0055
National Bank Of Pakistan	75,027	0.0205
The Bank Of Punjab, Treasury Division.	168,647	0.0461
Habib Bank Ag Zurich, Deira Dubai	124,500	0.0340
M/S. Royal Bank Of Scotland	115	0.0000
Bank Alfalah Limited	1,000,000	0.2734
East West Insurance Co.Ltd	16,000	0.0043
State Life Insurance Corp. Of Pakistan	676,169	0.1849
M/S. Industrial Capital Modarba	2	0.0000
M/S. Industrial Capital Modarba	12	0.0000
M/S. Asian Stock Fund Ltd.,	21	0.0000
M/S. First Interfun Modaraba	122	0.0000
First National Equities Limited	1	0.0000
J.P.Morgan Clearing Corp. Clearing A/C	1,850,000	0.5058
National Investment Trust Limited	20,296	0.0055
M/S. Hm Investment (Pvt) Ltd.	10	0.0000
M/S. Trust Securities &	50	0.0000
M/S. Baring Brothers (Grensey) Ltd	90	0.0000
M/S. Baring Brothers (Grensey) Ltd	340	0.0000
M/S. Naeem Security (Pvt) Ltd.	1,512	0.0004
Trustees Al-abbas Sugar Mills Ltd Emp.Gf	5,000	0.0013
Trustee Karachi Parsi Anjuman Trust Fund	20,000	0.0054
Technology Trade (Pvt) Ltd	125,000	0.0341
Crescent Standard Business Management (Pvt) Limited	1	0.0000
Sarfraz Mahmood (Private) Ltd	160	0.0000
H M Investments (Pvt) Limited	222	0.0000
Nh Securities (Pvt) Limited.	300	0.0000
Excel Securities (Private) Limited	500	0.0001
General Investment & Securitie {Pvt} Ltd	500	0.0001
Fair Edge Securities (Private) Limited	500	0.0001
Prudential Securities Limited	630	0.0001
Akhai Securities (Private) Limited	1,000	0.0002
General Investment & Securities (Pvt.) Ltd	1,500	0.0004
Capital Vision Securities (Pvt) Ltd.	3,000	0.0008
Khudabux Industries(Pvt)Ltd	3,520	0.0009
Darson Securities (Private) Limited	4,500	0.0012
Prudential Capital Management Ltd (01087)	5,000	0.0013
Imperial Investment (Pvt) Ltd.	5,000	0.0013
Pearl Capital Management (Private) Limited	6,500	0.0017
United Capital Securities Pvt. Ltd.	10,000	0.0027
Azee Securities (Private) Limited	10,001	0.0027
Darson Securities (Pvt) Limited	16,650	0.0045
Hh Misbah Securities (Private) Limited	17,000	0.0046
Cma Securities (Pvt) Limited	25,000	0.0068
Beeflow Private Limited	60,000	0.0164
Haji Khudabux Amir Umar(Pvt)Ltd	100,000	0.0273
Jan Mohd. A.Latif Nini & Sons (Pvt) Ltd	200,000	0.0546
Time Securities (Pvt.) Ltd.	201,671	0.0551
Intermarket Securities Limited	267,732	0.0732
Bulk Management Pakistan (Pvt.) Ltd.	660,000	0.1804
Al-abbas Sugar Mills Limited	2,000,000	0.5469
	<b>7,707,745</b>	<b>2.1077</b>
<b>6. Shareholders Holding Ten Percent Or More Voting</b>		
Arif Habib Corporation Limited.	223,552,222	61.132



## AL-ABBAS CEMENT INDUSTRIES LTD.

### FINANCIAL HIGHLIGHTS KEY FINANCIAL DATA Six years at a glance

	UoM	2011	2010	2009	2008	2007	2006
<b>INVESTMENT MEASURE</b>							
Ordinary Share Capital	Rs. In '000'	<b>3,656,900</b>	1,828,450	1,828,450	1,828,450	1,142,781	1,142,781
Reserves	Rs. In '000'	<b>(1,770,696)</b>	(831,629)	80,000	(232,827)	(124,564)	17,423
Ordinary Shareholder's Equity	Rs. In '000'	<b>971,979</b>	996,821	1,908,450	1,595,623	1,018,217	1,160,204
Dividend on Ordinary Shares	Rs. In '000'	-	-	-	-	-	-
Dividend per Ordinary Share	Rs	-	-	-	-	-	-
(Loss) / profit before taxation	Rs. In '000'	<b>(755,625)</b>	(746,498)	(41,973)	(128,930)	(168,768)	(75,025)
(Loss) / profit after taxation	Rs. In '000'	<b>(926,670)</b>	(720,615)	121,813	(108,263)	(141,987)	17,599
(Loss)/ Earnings per share	Rs	<b>(4.27)</b>	(3.94)	0.67	(0.59)	(1.24)	0.17
<b>MEASURE OF FINANCIAL STATUS</b>							
Current Ratio	x : 1	<b>0.55</b>	0.43	0.93	1.34	0.83	1.69
Debt Ratio	x : 1	<b>0.59</b>	0.61	0.50	0.51	0.53	0.54
Acid Test Ratio	x : 1	<b>0.16</b>	0.13	0.29	0.55	0.23	0.56
Number of Days Stock	In days	<b>29</b>	50	57	68	153	43
<b>MEASURE OF PERFORMANCE</b>							
(Loss)/Profit After Taxation as % of Average Capital Employed %		<b>(20.28)</b>	(17.7)	2.76	(2.8)	(4.2)	0.7
Sales	Rs. In '000'	<b>2,220,360</b>	2,198,443	2,982,686	1,162,403	206,412	913,511
Cost Sales as % of Sales	%	<b>102.61</b>	96.9	76.5	90.1	162.6	97.6
(Loss)/Profit Before Taxation as % of Sales	%	<b>(34.03)</b>	(34.0)	(1.4)	(11.1)	(81.8)	(8.2)
(Loss)/Profit After Taxation as % of Sales	%	<b>(41.74)</b>	(32.80)	4.1	(9.3)	(68.8)	1.9
Asset Turnover	In times	<b>2.33</b>	0.41	0.50	0.22	0.05	0.24



## *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 products 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.



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

### **Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the Statement 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** ("the Company") to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges where the company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Listing Regulation of the Karachi and Lahore Stock Exchanges require the company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transaction which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2011.

Date: 30 SEP 2011

Karachi

  
KPMG Taseer Hadi & Co.  
Chartered Accountants

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the Best Practices of Corporate Governance.

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

1. The Company encourages the representation of independent non-executive directors and directors representing minority interest on its Board of directors. At present, the Board includes 6 independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or NBFI or being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.
4. Four casual vacancies occurred in the Board during the year, which was duly filled in by the Board in accordance with the requirements of Companies Ordinance, 1984 and Code of Corporate Governance.
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. Declaration has been filled by the Board of Directors of the Company that they are aware of their duties, powers and responsibilities under the Memorandum and Articles of Association of the Company and Companies Ordinance, 1984 and the listing regulations of the Stock Exchanges.
10. Appropriate arrangements were made for Orientation of Directors to acquaint them with their duties and responsibilities and one Director is currently taking the course, which is expected to be completed by Dec 2011.
11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by the CEO.
12. 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.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee which comprises of four members, all of whom are non-Executive Directors, including the chairman of Committee.
17. 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.



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**AL-ABBAS CEMENT INDUSTRIES LTD.**

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18. The Board has setup an effective internal audit function.
19. The Management Company has an approved policy of related party transactions which states all necessary policy matters pertaining to related party transactions, separate consideration and maintenance of records and approval of transactions with related parties etc. All the related party transactions are carried out at arm's length and were placed before the Audit Committee and the Board of Directors for their review and approval on quarterly basis.
20. 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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold share of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan (ICAP).
21. 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.
22. We confirm that all other material principles contained in the Code have been complied with.

**Karachi: September 30, 2011**

**Muhammad Kashif  
Chief Executive**

## AUDITORS' REPORT TO THE MEMBERS



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Chartered Accountants  
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### Auditors' Report to the Members

We have audited the annexed balance sheet of **AF-Abbas Cement Industries Limited** ("the Company") as at 30 June 2011, and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes 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 account 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, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2011 and of the loss, its cash flows and changes in equity for the year then ended; and

KPMG, a member firm of the PwC network, is a separate legal entity registered in Pakistan and is not a subsidiary of PwC Global. PwC Global is a network of independent member firms affiliated with the PwC network of member firms, each of which is a separate legal entity. PwC Global is not a legal entity.



KPMG Taseer Hadi & Co.

- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw attention to note 1.2 to the financial statements which describes that the Company has incurred a net loss of Rs. 926.67 million for the year ended 30 June 2011 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 648.758 million. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may not be able to realise its assets and discharge its liabilities in the normal course of business. However, the financial statements have been prepared on going concern basis, based on the financial and operational measures taken by the management as more fully explained in note 1.2 of the financial statements. Our opinion is not qualified in respect of this matter.

The financial statements of the Company for the year ended 30 June 2010 were audited by another firm of Chartered Accountants who vide their report dated 30 September 2010 issued a modified report thereon. Their audit report for the year ended 30 June 2010 included an emphasis of matter paragraph.

Date: 30 SEP 2011

Karachi

*KPMG Taseer Hadi & Co.*  
KPMG Taseer Hadi & Co.  
Chartered Accountants  
Mazhar Saleem



**AL-ABBAS CEMENT INDUSTRIES LTD.**

**BALANCE SHEET**  
AS AT JUNE 30, 2011

	Note	June 30, 2011 (Rupees in thousand)	June 30, 2010
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	4,268,503	4,352,502
Deferred tax assets	5	106,586	255,325
		<u>4,375,089</u>	<u>4,607,827</u>
<b>CURRENT ASSETS</b>			
Stores, spare and loose tools	6	444,791	376,934
Stock-in-trade	7	120,422	116,666
Trade debts	8	37,173	63,923
Advances and other receivables	9	99,915	80,350
Deposits and prepayment	10	27,158	30,155
Tax refund due from government	11	49,931	23,196
Cash and bank balances	12	14,926	3,547
		<u>794,316</u>	<u>694,771</u>
		<u>5,169,405</u>	<u>5,302,598</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized share capital</b>			
400,000,000 (2010: 200,000,000) Ordinary shares of Rs. 10/- each		<u>4,000,000</u>	<u>2,000,000</u>
Issued, subscribed and paid-up capital			
365,689,968 (2010: 182,844,984) Ordinary shares of Rs. 10/- each		3,656,900	1,828,450
Discount at issuance of right shares		(914,225)	-
General reserve		80,000	80,000
Accumulated loss		<u>(1,850,696)</u>	<u>(911,629)</u>
		971,979	996,821
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	14	2,500,000	2,250,000
Sponsors loan		-	183,251
Deferred liabilities	15	254,352	252,571
		<u>2,754,352</u>	<u>2,685,822</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	539,723	432,509
Mark-up accrued	17	345,974	199,356
Short-term borrowings	18	557,377	731,776
Current portion of long term financing		-	250,000
Current portion of liabilities against assets subject to finance lease		-	6,314
		<u>1,443,074</u>	<u>1,619,955</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	19	<u>5,169,405</u>	<u>5,302,598</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

**Kashif Habib**  
Chief Executive

**Syed Ajaz Ahmed**  
Chairman



AL-ABBAS CEMENT INDUSTRIES LTD.

**PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED JUNE 30, 2011

	Note	June 30, 2011 (Rupees in thousand)	June 30, 2010
<b>Sales - net</b>	20	<b>2,220,360</b>	2,198,443
<b>Cost of sales</b>	21	<b>(2,278,304)</b>	(2,131,027)
Gross (loss) / profit		<b>(57,944)</b>	67,416
Distribution cost	22	<b>(280,854)</b>	(413,667)
Administrative expenses	23	<b>(29,693)</b>	(24,798)
Other operating income	24	<b>20,540</b>	41,740
		<b>(290,007)</b>	(396,725)
Operating loss		<b>(347,951)</b>	(329,309)
Finance cost	25	<b>(407,674)</b>	(417,189)
<b>Loss before taxation</b>		<b>(755,625)</b>	(746,498)
Taxation	26	<b>(171,045)</b>	25,883
Loss after taxation		<b>(926,670)</b>	(720,615)
Loss per share - Basic and diluted	27	<b>(4.27)</b>	(3.94)

The annexed notes from 1 to 35 form an integral part of these financial statements.

**Kashif Habib**  
Chief Executive

**Syed Ajaz Ahmed**  
Chairman



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**AL-ABBAS CEMENT INDUSTRIES LTD.**

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**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	June 30, 2011 (Rupees in thousand)	June 30, 2010
Loss for the year	(926,670)	(720,615)
<b>Other comprehensive income</b>		
Other comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<u>(926,670)</u>	<u>(720,615)</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

**Kashif Habib**  
Chief Executive

**Syed Ajaz Ahmed**  
Chairman



AL-ABBAS CEMENT INDUSTRIES LTD.

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	June 30, 2011 (Rupees in thousand)	June 30, 2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash (used in) / generated from operations	30	(211,758)	113,353
Gratuity - paid		(5,933)	(3,554)
Income tax paid		(37,160)	(54,729)
Income tax refunded		-	49,105
Finance cost paid		(261,055)	(457,329)
		(304,148)	(466,507)
Net cash used in operating activities		(515,906)	(353,154)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(11,246)	(75,730)
Proceed from sale of fixed asset		670	441
Net cash used in investing activities		(10,576)	(75,289)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Receipts against right issue		718,574	-
Sponsor loan		-	183,251
Repayment of finance lease obligation		(6,314)	(5,734)
Net cash generated from financing activities		712,260	177,517
Net increase / (decrease) in cash and cash equivalents		185,778	(250,926)
Cash and cash equivalents at the beginning of the year		(728,229)	(477,303)
Cash and cash equivalents at the end of the year	31	(542,451)	(728,229)

The annexed notes from 1 to 35 form an integral part of these financial statements.

**Kashif Habib**  
Chief Executive

**Syed Ajaz Ahmed**  
Chairman



AL-ABBAS CEMENT INDUSTRIES LTD.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2011**

	Capital Reserve			Revenue Reserve			Total
	Share Capital	Discount on issuance of right shares	Sub Total	General	Accumulated loss	Sub Total	
(Rupees in thousand)							
Balance as at 1 July 2009	1,828,450	-	1,828,450	80,000	(191,014)	(111,014)	1,717,436
<b>Total comprehensive loss for the year</b>							
Loss for the year ended 30 June 2010	-	-	-	-	(720,615)	(720,615)	(720,615)
Balance as at 30 June 2010	1,828,450	-	1,828,450	80,000	(911,629)	(831,629)	996,821
<b>Transaction with owner recorded directly in equity</b>							
Issuance of right shares	1,828,450	(914,225)	914,225	-	-	-	914,225
Expenses incurred on issuance of right shares -		-	-	-	(12,397)	(12,397)	(12,397)
<b>Total comprehensive loss for the year</b>							
Loss for the year ended 30 June 2011	-	-	-	-	(926,670)	(926,670)	(926,670)
Balance as at 30 June 2011	<b>3,656,900</b>	<b>(914,225)</b>	<b>2,742,675</b>	<b>80,000</b>	<b>(1,850,696)</b>	<b>(1,770,696)</b>	<b>971,979</b>

The annexed notes from 1 to 35 form an integral part of these financial statements.

**Kashif Habib**  
Chief Executive

**Syed Ajaz Ahmed**  
Chairman



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

### 1 STATUS AND NATURE OF BUSINESS

1.1 Al-Abbas Cement Industries Limited was established as Private Limited Company on 1 December 1981 and was converted into Public Limited Company on 9 July 1987 and is listed on Karachi and Lahore Stock Exchanges. The Company's principal activity is manufacturing, selling and marketing of cement. The registered office of the Company is situated at Arif Habib center, 23- M.T. Khan Road, Karachi and its undertaking is situated at Deh Kalo Kohar, Nooriabad Industrial Estate, District Dadu (Sindh).

1.2 During the year, the Company has incurred loss after taxation of Rs. 926.67 million (2010: loss after taxation of Rs. 720.615 million) and its accumulated losses stand at Rs. 1,850.696 million (2010: Rs. 911.629 million) and as at that date, its current liabilities exceeds its current assets by Rs. 648.758 million (2010: Rs. 925.184 million). These factors may cast doubt about the company's ability to continue as a going concern and the company may not be able to realize its assets and discharge the liabilities at the stated amounts. However, during the year the Company has entered into a rescheduling agreement with respect to its long term finances of Rs. 2,500 million obtained from a consortium of banks. The rescheduling terms have granted certain grace periods to the Company in respect of the payment of principal and mark-up on the said loan and have also extended the repayment period of the said loan by three and a half years. The salient features of rescheduling are mentioned in note 14 to the financial statements. Further, during the year fresh equity of Rs. 914.225 million has also been injected into the Company.

Based on the above mentioned financial measures and the concerted operational measures being taken by the Company, the management is confident of the profitable operations in the foreseeable future and therefore, has prepared the financial statements on going concern basis.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

#### 2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani rupee which is the Company's functional and presentation currency. All financial information presented in Pakistani Rupee has been rounded to nearest thousand.

#### 2.4 Use of 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.



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## AL-ABBAS CEMENT INDUSTRIES LTD.

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

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

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

**a) Property, Plant and Equipments**

The Company's management determines the estimated useful lives and related depreciation charge for its plant and equipment. The Company also reviews 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 equipments with a corresponding affect on the depreciation charge and impairment.

**b) Trade debt**

The Company reviews its doubtful debts at each reporting dates to access whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimates of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

**c) 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, stores and spares and corresponding effect in profit and loss account of those future years. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

**d) Income taxes**

In making the estimates for income taxes currently payable the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

**e) Staff retirement benefits**

Certain actuarial assumptions have been adopted as disclosed in these financial statements for actuarial valuation of present value of defined benefit obligations. Change in these assumptions in future years may affect the liability under the scheme in those years.

**2.5 Standards, amendments or interpretations which became effective during the year** During the year certain amendments to Standards and new interpretations became effective however they did not have any material effect on the financial statements of the Company.

New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective. The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2011:



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## AL-ABBAS CEMENT INDUSTRIES LTD.

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- IAS 24 Related Party Disclosures (revised 2009) – (effective for annual periods beginning on or after 1 January 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. This amendment has no impact on Company's financial statements.
- Improvements to IFRSs 2010 – In May 2010 the IASB issued improvements to IFRSs 2010 which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after 1 January 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements, add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Company.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present



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## AL-ABBAS CEMENT INDUSTRIES LTD.

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separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognized in their entirety; and financial assets that are derecognized in their entirety but for which the entity retains continuing involvement. The amendments have no impact on financial statements of the Company.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented.

#### 3.1 Property, plant and equipment

##### a) Operating property, plant and equipment - Owned

These are stated at cost less accumulated depreciation and impairment loss, if any, except for lease hold land, which is stated at cost.

Cost of lease hold land is not amortized since the lease is renewable at nominal price at the option of the lessee.

Depreciation on plant and machinery is charged using units of production method. The unit of production method resulted in depreciation charge based on the actual 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 note 4. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month prior to disposal.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized.

Normal repair and maintenance are charged to income as and when incurred. Gains and losses on disposal of assets, if any, are included in income currently.

The assets' residual values and useful lives are continually reviewed by the Company and adjusted if impact on depreciation is significant. The Company's estimate of residual values of property, plant and equipment as at 30 June 2011 has not required any adjustment as its impact is considered insignificant.

##### b) Assets subject to finance lease

The Company accounts for property, plant and equipment obtained 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 at inception of lease 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



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## AL-ABBAS CEMENT INDUSTRIES LTD.

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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 note 4. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month prior to disposal.

### c) **Capital work-in-progress (CWIP)**

Capital work in progress is stated at cost including, where relevant, related financing costs less impairment losses, if any. These costs are transferred to fixed assets as and when assets are available for use.

## 3.2 **Impairment**

### **Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

### **Non-Financial assets**

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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.

## 3.3 **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.

## 3.4 **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 incurred in bringing the inventory to their present location and condition. Stocks of raw and packing material are valued at moving average cost.

Stocks in transit are valued at cost comprising invoice value plus other charges directly attributable to the acquisition of related purchase incurred upto the balance sheet date.

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.



### 3.5 Trade debts

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method if applicable, less provision for impairment, if any. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Trade debts and receivables are written off when considered irrecoverable.

### 3.6 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.

### 3.7 Taxation

Income tax on profit or loss for the year comprises current and deferred tax.

#### a) Current

The company falls under the presumptive tax regime under Section 115 (4) and 169 of the Income Tax Ordinance, 2001, to the extent of direct export sales. Provision for tax on other income and local sales is based on taxable income at the rates applicable for the current tax year, after considering the rebates and tax credits available, if any. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance, 2001 and whichever is higher is provided in the financial statements.

#### b) Deferred

Deferred taxation is recognized, using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amounts of deferred tax recognized is based on the expected manner of the realization or settlement of the carrying amount of assets and liabilities, using rates of taxation enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. Deferred tax assets, are reduced to the extent that they are no longer probable that the related tax benefit will be realized.

### 3.8 Staff retirement benefits

#### a) Defined benefit plan

The company operates an approved funded gratuity scheme (defined benefit plan) for all its employees who to have completed the qualifying period under the scheme. Contribution are made to the fund in accordance with actuarial recommendations. The most recent valuation in this regard was carried out as at June 30, 2011, by using the Projected Credit Unit Method for valuation of the scheme. The actuarial gains/losses are recognized as income or expense in the year in which they arises.

#### 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.



### 3.9 Trade and other payables

These are recognized and 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.

### 3.10 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. Provision are reviewed at each balance sheet date and adjusted to reflect the best estimate.

### 3.11 Foreign currency transactions

Transaction in foreign currencies are translated into Pakistani rupees using the exchange rates 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. All exchange differences are taken into profit and loss account.

### 3.12 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to profit and loss account directly.

### 3.13 Offsetting of financial assets and financial liabilities

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.

### 3.14 Derivative financial instrument

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

### 3.15 Borrowing and finance costs

Borrowing costs are recognized as an expense in the period in which these are incurred, except that those which are directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of that asset.

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

### 3.16 Revenue recognition

- Revenue from sale of goods is measured at fair value of the consideration received or receivable. Domestic sales are recognized as revenue on dispatch of goods to customers. Export sales are recognized as revenue on the basis of goods shipped to customers.



## AL-ABBAS CEMENT INDUSTRIES LTD.

- Profit on bank deposits is recorded on accrual basis.
- Gain / (loss) on sale of fixed assets is recorded when title is transferred in favor of transferee.
- Income from scrap is recorded on dispatch of scrap to the customers.
- Rebate on export is recognized after finalization of export documents.
- Miscellaneous income consists income from rental of equipment for excavation purpose and is recognized on accrual basis.

### 3.17 Transactions with related parties

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

### 3.18 Dividend and appropriations

Dividends and reserve appropriations are recognized in the period in which these are declared / approved.

### 3.19 Earning per share

The Company presents basic and diluted earnings per shares (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to share holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to share holders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

## 4 PROPERTY, PLANT AND EQUIPMENT

Description	Cost				Rate %	Depreciation				
	As at July 01, 2010	Additions/ (Deletion)	Transfer from Lease	As at June 30, 2011		As at July 01, 2010	Transfer from Lease	Charge for the year	As at June 30, 2011	Written down value as at June 30, 2011
	(Rupees in thousand)					(Rupees in thousand)				
<b>Owned assets</b>										
Land - lease hold	3,025	-	-	3,025	-	-	-	-	-	3,025
Factory building on leased hold land	778,828	-	-	778,828	5%	203,929	-	28,745	2,32,674	5,461,54
Non-factory building on leased hold land	20,938	-	-	20,938	10%	6,452	-	1,449	7,901	13,037
Plant and machinery	4,544,161	2,777	16,000	4,562,938	Units of prod	838,531	657	58,323	897,511	3,665,427
Factory and laboratory equipment	16,337	194	-	16,531	10%	5,776	-	1,062	6,838	9,693
Quarry equipments	11,444	-	-	11,444	15%	8,913	-	380	9,293	2,151
Office equipments	4,689	159	-	4,848	10%	2,474	-	226	2,700	2,148
Computer and peripherals	6,588	569	-	7,157	33%	2,548	-	1,421	3,969	3,188
Furniture and fixture	17,258	767	-	18,025	10%	5,289	-	1,228	6,517	11,508
Vehicles	18,130	6,780 (893)	2,165	26,182	20%	11,436	1,056 (695)	2,213	14,010	12,172
<b>Leased assets</b>										
Plant and machinery	16,000	-	(16,000)	-	Units of prod	657	(657)	-	-	-
Vehicles	2,165	-	(2,165)	-	20%	1,056	(1,056)	-	-	-
	5,439,563	11,246 (893)	-	5,449,916		1,087,061	- (695)	95,047	1,181,413	4,268,503



## AL-ABBAS CEMENT INDUSTRIES LTD.

Description	Cost				Rate %	Depreciation				
	As at July 01, 2009	Additions/ (Deletion)	Transfer from Lease	As at June 30, 2010		As at July 01, 2009	Transfer from Lease	Charge for the year	As at June 30, 2010	Written down value as at June 30, 2010
	(Rupees in thousand)					(Rupees in thousand)				
<b>Owned assets</b>										
Land - lease hold	3,025	-	-	3,025	-	-	-	-	-	3,025
Factory building on lease hold land	766,179	-	12,649	778,828	5%	173,838	-	30,091	203,929	574,899
Non factory building on lease hold land	20,938	-	-	20,938	10%	4,842	-	1,610	6,452	14,486
Plant and machinery	3,675,445	39,307	829,409	4,544,161	Units of prod	798,977	-	39,554	838,531	3,705,630
Factory and laboratory equipment	14,471	1,866	-	16,337	10%	4,678	-	1,098	5,776	10,561
Quarry equipment	9,447	1,997	-	11,444	15%	8,466	-	447	8,913	2,531
Office equipments	3,911	778	-	4,689	10%	2,238	-	236	2,474	2,215
Computer and peripherals	5,169	1,419	-	6,588	10%	2,119	-	429	2,548	4,040
Furniture and fixture	16,311	947	-	17,258	10%	3,993	-	1,296	5,289	11,969
Vehicles	13,885	2,620	3,576	18,130	20%	8,673	2,009	2,042	11,436	6,694
	(1,951)	(1,288)								
<b>Leased assets</b>										
Plant and machinery	16,000	-	-	16,000	Units of prod	450	207	657	15,343	
Vehicles	6,331	-	(3,576)	2,165	20%	3,120	(2,009)	297	1,056	1,109
		(590)					(352)			
	4,551,112	48,934	842,058	5,439,563		1,011,394	-	77,307	1,087,061	4,352,502
		(2,541)					(1,640)			

4.1 Depreciation charge has been allocated as follow:	Note	June 30, 2011 (Rupees in thousand)	June 30, 2010
Cost of sales	21	87,448	70,701
Distribution cost	22	1,900	1,647
Administrative expenses	23	5,699	4,959
		95,047	77,307

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

Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer
(Rupees in thousand)						
<b>Vehicles:</b>						
2011	893	(695)	198	670	472	Negotiation
2010	2,541	(1,640)	901	440	(461)	-

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### 5 DEFERRED TAX ASSETS

Deferred tax asset comprises of temporary differences as follows:

	Note	June 30, 2011 (Rupees in thousand)	June 30, 2010
<b>Deductible temporary differences</b>			
Liabilities against assets subject to finance leases		-	678
Deferred liability - Provision for Gratuity		3,817	1,986
Provision for stores and spares		2,546	-
Carry forward Tax losses		554,083	489,112
		<u>560,446</u>	<u>491,776</u>
<b>Taxable temporary differences</b>			
Accelerated depreciation for tax purposes		(453,860)	(236,451)
		<u>106,586</u>	<u>255,325</u>

5.1 The Company has not recognised deferred tax assets of Rs. 50 million in respect of deductible temporary differences amounting to Rs. 142.857 million as the offset is not expected to be available in foreseeable future.

### 6 STORES, SPARES AND LOOSE TOOLS

Stores		200,505	204,904
Coal		77,683	1,252
Spare parts		176,398	166,406
Loose tools		3,724	4,372
	6.2	<u>458,310</u>	<u>376,934</u>
Provision for slow moving / obsolete stock	6.1	(13,519)	-
		<u>444,791</u>	<u>37,6934</u>
6.1 Movement of provision of the slow moving / obsolete stock			
Opening balance		-	-
Charge for the year		13,519	-
Closing balance		<u>13,519</u>	<u>-</u>

6.2 This includes stores, spares and loose tools amounting to Rs.118 million which are disputed. The amount is being claimed by the Company to be adjusted against the loan from related parties as more fully explained in note 15.2.

### 7 STOCK-IN-TRADE

Raw material		28,312	52,354
Packing material		41,068	24,306
Work-in-process		22,912	17,117
Finished goods		28,130	22,889
		<u>120,422</u>	<u>116,666</u>

### 8 TRADE DEBTS - Considered good

Secured against letter of credit		6,297	54,475
Unsecured		30,876	9,448
		<u>37,173</u>	<u>63,923</u>



**AL-ABBAS CEMENT INDUSTRIES LTD.**

	Note	June 30, 2011 (Rupees in thousand)	June 30, 2010
<b>9 ADVANCES AND OTHER RECEIVABLES</b>			
- Unsecured (considered good)			
To employees		2,046	1,769
To contractors and suppliers		63,971	30,185
Against letter of credit		10,972	1,854
Income tax		15,080	38,783
Rebate receivable		4,104	2,578
Others		3,742	5,181
		<b>99,915</b>	<b>80,350</b>
<b>10 DEPOSITS AND PREPAYMENTS</b>			
Security deposits:			
- Against leased assets		-	1,817
- Others		27,158	26,402
Prepayments		-	1,936
		<b>27,158</b>	<b>30,155</b>
<b>11 TAX REFUND DUE FROM GOVERNMENT</b>			
Income tax refundable		40,079	1,256
Sales tax refundable		2,989	14,920
Excise duty receivable		6,863	7,020
		<b>49,931</b>	<b>23,196</b>
<b>12 CASH AND BANK BALANCES</b>			
Cash in hand		349	205
Cash with banks:			
- In current accounts		7,864	3,342
- In savings accounts	12.1	6,713	-
		<b>14,926</b>	<b>3,547</b>

12.1 These carry interest / mark-up rate ranging from 5% to 10% per annum (2010: Nil).

**13 ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

	June 30, 2011 (No of Shares)	June 30, 2010		June 30, 2011 (Rupees in thousand)	June 30, 2010
	353,510,380	170,665,396	Fully paid ordinary shares of		
	840,000	840,000	Rs. 10 each issued:		
			For cash	3,535,104	1,706,654
			For consideration other	8,400	8,400
	11,339,588	11,339,588	than cash	113,396	113,396
	365,689,968	182,844,984	Bonus shares	<b>3,656,900</b>	<b>1,828,450</b>
<b>13.1</b>	182,844,984	182,844,984	Ordinary shares of Rs. 10 each	1,828,450	1,828,450
			at the beginning of the year		
	182,844,984	-	Right shares issued	1,828,450	-
			during the year	<b>3,656,900</b>	<b>1,828,450</b>
	<b>365,689,968</b>	<b>182,844,984</b>			



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13.2 Shares held by the associated companies as at the balance sheet date were 249,152,222 (2010: 115,091,250).

14 LONG TERM FINANCES	Note	June 30, 2011 (Rupees in thousand)	June 30, 2010
<b>Secured from banking companies:</b>			
Musharakah		500,000	500,000
Term finance		2,000,000	2,000,000
	14.1	2,500,000	2,500,000
Current maturity shown under current liability			
		-	(250,000)
		2,500,000	2,250,000

14.1 During the year management has entered into the restructuring agreements of long term finances effective from 23 June 2010. The terms of the agreements are as under:

Tenor	8.5 years
Maturity date	23 December 2018
Principal repayments	10 Half - yearly installments. The first principal repayment will fall due on 23 June 2014.
Markup pricing	For first 3.5 years (23 June 2010 - 22 December 2013): 6 month KIBOR + 0%. After 3.5 years (23 December 2013 onwards): 6 month KIBOR + 1.75%

Markup payment	Markup period	Payment due in
	June 2010 - December 2011	December 2011
	December 2011 - December 2012	December 2012
	December 2012 - December 2013	December 2013

From December 2013 onwards, markup will be payable on six monthly basis for the remaining tenor of the facility.

Security	- Mortgage over property worth PKR 2,666,666,668; and - Hypothecation charge over assets worth PKR 2,666,666,668.
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### 15 DEFERRED LIABILITIES

Provision for employees gratuity	15.1	20,276	18,495
Loan from related parties	15.2	234,076	234,076
		254,352	252,571

#### 15.1 Provision for employees gratuity

<b>a) Principle actuarial assumptions</b>			
Discount rate		14%	12%
Expected rate of eligible salary increase in future years		13%	11%
Average expected remaining working life time of employees		11 Years	11 Years
<b>b) Reconciliation of balance due to defined benefit plan</b>			
Present value of defined benefit obligation		20,835	18,627
Payable to outgoing members		-	468
Fair value of plan assets		(559)	(600)
		20,276	18,495



**AL-ABBAS CEMENT INDUSTRIES LTD.**

	June 30, 2011 (Rupees in thousand)	June 30, 2010
<b>c) Movement of the liability recognized in the balance sheet</b>		
Present value of defined benefit obligations	18,495	11,537
Charge for the year	7,450	10,512
Liability transferred to other Group Company	-	983
Liability transferred from other Group Company	264	(291)
Payments made during the year	(5,933)	(4,246)
Liability recognized in the balance sheet	<u>20,276</u>	<u>18,495</u>
<b>d) Change in present value of defined benefits obligations</b>		
Present value of defined benefits obligation as on 30 June	18,627	11,357
Current service cost for the year	6,650	6,278
Interest cost for the year	2,235	1,364
Benefits paid during the year	(5,784)	(3,528)
Benefits payable to outgoing	-	(407)
Liability transferred to other Group Company	-	(291)
Liability transferred from other Group Company	264	983
Actuarial loss on present value of defined benefit obligation	(1,157)	2,871
	<u>20,835</u>	<u>18,627</u>
<b>e) Changes in fair value of plan assets</b>		
Fair value of plan assets as at 30 June	600	-
Expected return on plan assets	72	-
Contribution during the year	5,933	4,246
Benefits paid / discharged during the year	(6,252)	(3,646)
Actuarial gain / (loss) on plan assets	206	-
Fair value of plan assets	559	600
<b>f) Expenses recognized in the profit and loss account</b>		
Current service cost	6,650	6,278
Interest cost	2,235	1,364
Net actuarial loss recognized in the period	(1,363)	2,871
Expected return on plan assets	(72)	-
	7,450	10,513
<b>g) Change in actuarial gains / (losses)</b>		
Net gains/(losses) arising during the year	1,363	(2,871)
Charged to the profit and loss account	(1,363)	2,871
	-	-

**h) Expected charge for the year ending 30 June 2012 is Rs. 10.567 million.**

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

	2010-11	2009-10	2008-09	2007-08
	<b>(Rupees in thousand)</b>			
Present value of defined obligations	<u>20,835</u>	18,627	11,358	6,326

**j) Experience adjustments**

Experience adjustment arising on plan liabilities	<u>(1,363)</u>	2,871	2,209	(1,956)
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## AL-ABBAS CEMENT INDUSTRIES LTD.

	Note	June 30, 2011 (Rupees in thousand)	June 30, 2010
<b>k) The charge for the year has been allocated as follows:</b>			
Cost of sales	21	5,810	8,409
Distribution cost	22	894	1,051
Administrative expenses	23	746	1,053
		7,450	10,513

15.2 The previous management of the Company took over the management of the Company by purchasing controlling shareholding during the year 2005. One of the condition of takeover of the management from the previous sponsors was that the amount payable in respect of this loan was required to be adjusted in respect of any differences in the value of assets and/or unrecorded liabilities including stores, spares and loose tools as mentioned in note 6.2. However, due to dispute between the old sponsors and the previous management, the final amount of the sponsor's loan remain undetermined and unsettled.

Pending the outcome of the decision, the amount standing to the credit of the previous sponsors has been kept intact under the head 'Deferred Liabilities'. The previous management has committed to bear and pay the amount of interest if decided payable in this context in their personal capacity. The matter is under arbitration as per the Share Purchase Agreement between the previous management and the old sponsors. The management based on the lawyer's advice is confident of a favorable outcome of the case.

	June 30, 2011 (Rupees in thousand)	June 30, 2010
<b>16 TRADE AND OTHER PAYABLES</b>		
Trade creditors	230,752	227,692
Bills payable	132,953	41,377
Accrued liabilities	72,291	64,726
Advances from customers	64,951	70,001
Sales tax payable	18,541	12,415
Retention money payable	7,866	5,316
Unclaimed dividends	128	128
Withholding tax payable	307	767
Leave encashment payable	11,653	9,291
Payable to Gratuity Fund	-	514
Others	281	282
	539,723	432,509
<b>17 MARK-UP ACCRUED</b>		
On long term financing	333,097	184,925
On short term borrowings	12,877	14,431
	345,974	199,356



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	Note	June 30, 2011	June 30, 2010
<b>18 SHORT TERM BORROWINGS</b>			
<b>From banking companies:</b>			
Running finances	18.1	484,877	610,443
Murahbahah	18.2	72,500	121,333
		<u>557,377</u>	<u>731,776</u>

18.1 The Company has arranged aggregate short-term running finance facilities from various banks amounting to Rs. 500 million (2010: Rs.500 million). This carries mark up at the rate ranging between 3 months KIBOR plus 1.50 % to 3 months KIBOR plus 2.25 % (2010: 1 month KIBOR plus 1.50% to 6 months KIBOR plus 3.5 %) per annum.

18.2 The Company has arranged Murabaha facility amounting to Rs. 130 million (2010: Rs. 130 million) from a bank. This carries mark up at the rate of 1 month KIBOR plus 3% (2010: 1 month KIBOR plus 4.50%) per annum.

Both the above arrangements were obtained to meet the working capital requirement of the company. These facilities are available upto April 2012 and are secured by first pari passu charge against current / fixed assets of the Company.

## 19 CONTINGENCIES AND COMMITMENTS

### 19.1 Contingencies

- a) The Company received an order from Central Excise and Land Custom on 28 October 1992 alleging that the Sales tax and CED amounting to Rs. 15.210 and Rs. 30.312 million respectively, were not paid on certain sales. An order was received demanding the recovery of the above amounts along with penalty amounting in aggregate to Rs. 91.046 million. The company has however disputed the same on grounds of lack of jurisdiction as well as on the merits, the matter is subjudice. The stay order was granted by the Honorable High Court of Sindh against the said order and the case is currently pending with the Appellate Tribunal Inland Revenue, Karachi. The management is confident that the outcome of the case would be in favor of the Company and hence no provision is made in these financial statements.
- b) The Competition Commission of Pakistan (the CCP) took Suo Moto action under Competition Commission Ordinance, 2007 and issued a Show Cause Notice on 28 October 2008 for increase in prices of cement across the country. Similar notices were also issued to All Pakistan Cement manufacturers Association (APCMA) and its member cement manufacturers. The Company filed a writ petition before the Honourable Lahore High Court (LHC), the LHC vide its order dated 24 August 2009 allowed the CCP to issue its final order. The CCP accordingly passed an order on 27 August 2009 and imposed a penalty of Rs. 87 million on the company. The Lahore High Court vide its order dated 31 August 2009 restrained the CCP from enforcing its order against the Company for the time being.

During the financial year ended 30 June 2009, the company has filed an appeal before the Honourable Supreme Court of Pakistan and Lahore High Court against the Order of the CCP dated 27 August 2009. The petition filed by the company and other cement manufacturers before the Lahore High Court are also pending for adjudication meanwhile order passed by the Lahore High Court on 31 August 2009 is still operative.

- c) A customer has filed claim of Rs. 1.197 million before the Court of District & Session Judge Karachi (East), for recovery of financial loss due to sub-standard supply of cement bags. The Honorable Judge has decided the order in favor of the customer. Thereafter, the Company filed a revision application against the order before the Sindh High Court. The management based on the advice of the lawyer is confident that the outcome of the case would be in favor of the Company and hence no provision is made in these financial statements.



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

19.2 Commitment	Note	June 30, 2011 (Rupees in thousand)	June 30, 2010
Commitment against open letter of credit for:			
- Coal		303,844	4894
- Stores and spares		22,987	-
		326,831	4,894
<b>20 SALES - NET</b>			
Local		1,657,840	816,251
Export	20.1	1,025,753	1,622,405
		2,683,593	2,438,656
Less :			
Sales tax		(237,796)	(111,787)
Central excise duty		(204,192)	(119,725)
Special excise duty		(21,245)	(5,790)
Sales Discount		-	(2,911)
		(463,233)	(240,213)
		2,220,360	2,198,443
20.1 It includes exchange difference of Rs. 3.561 million (2010 : Rs. 3.797 million).			
<b>21 COST OF SALES</b>			
Salaries, wages and other benefits including retirement benefits	21.1	153,214	170,031
Raw materials consumed	21.2	174,041	152,351
Packing material consumed	21.3	181,062	158,498
Stores, spares and loose tools		92,711	76,658
Fuel and power		1,480,901	1,086,313
Insurance		11,739	14,371
Repairs and maintenance		33,431	20,913
Depreciation	4.1	87,448	70,701
Provision for stores and spares		13,519	-
Other production overheads		18,444	18,032
		2,246,510	1,767,868
<b>Work in process</b>			
Opening		17,117	292,394
Closing	7	(22,912)	(17,117)
		(5,795)	275,277
Cost of goods manufactured		2,240,715	2,043,145
<b>Finished goods</b>			
Opening		22,889	29,570
Finished goods purchased for sale		42,830	81,201
Closing	7	(28,130)	(22,889)
		37,589	87,882
		2,278,304	2,131,027



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21.1 It includes Rs. 5.810 million (2010: Rs. 8.409 million) against staff retirement benefits.

	Note	June 30, 2011 (Rupees in thousand)	June 30, 2010
<b>21.2 Raw materials consumed</b>			
Opening stock of raw material		52,354	118,352
Purchases		149,999	86,353
		<u>202,353</u>	<u>204,705</u>
Closing stock of raw material	7	(28,312)	(52,354)
		<u>174,041</u>	<u>152,351</u>
<b>21.3 Packing materials consumed</b>			
Opening stock of packing material		24,306	31,960
Purchases		197,824	150,844
		<u>222,130</u>	<u>182,804</u>
Closing stock of packing material	7	(41,068)	(24,306)
		<u>181,062</u>	<u>158,498</u>
<b>22 DISTRIBUTION COST</b>			
Salaries, wages and other benefits	22.1	10,642	10,601
Export expenses		261,456	389,299
Traveling and conveyance		507	1,481
Cartage outward		-	4,605
Entertainment		-	184
Depreciation	4.1	1,900	1,647
Marking fee		2,220	2,435
Others		4,129	3,415
		<u>280,854</u>	<u>413,667</u>

22.1 It includes Rs. 0.894 million (2010: Rs. 1.051 million) against staff retirement benefits.

### 23 ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	23.1	11,674	6,924
Traveling and conveyance		12	16
Printing and stationery		843	940
Repair and maintenance		1,051	121
Legal and professional charges		3,968	3,525
Auditor's remuneration	23.2	912	520
Rent, rates and taxes		955	2,739
Advertisement		751	1,280
Postage, telephone and telegram		740	255
Entertainment		481	270
Fees and subscription		2,276	2,325
Depreciation	4.1	5,699	4,959
Charity and Donation		-	596
Miscellaneous		331	328
		<u>29,693</u>	<u>24,798</u>

23.1 It includes Rs. 0.74 million (2010: Rs. 1.053 million) against staff retirement benefits.

### 23.2 Auditor's remuneration

Statutory Auditors			
Audit fees		550	300
Half yearly review fee		225	100
Fee for the review of compliance with Code of Corporate Governance		50	50
Out of pocket expenses		87	70
		<u>912</u>	<u>520</u>



**AL-ABBAS CEMENT INDUSTRIES LTD.**

	<b>June 30, 2011</b>	<b>June 30, 2010</b>
	<b>(Rupees in thousand)</b>	
<b>24 OTHER OPERATING INCOME</b>		
<b>From non financial assets:</b>		
Gain / (loss) on disposal of property, plant and equipment	472	(461)
Rebate income	7,259	-
Sale of scrap	9,116	42,201
Others	3,693	-
	<u>20,540</u>	<u>41,740</u>
<b>25 FINANCE COST</b>		
<b>Markup on:</b>		
- long term financings	325,311	342,270
- short term borrowings	79,871	71,019
- lease liabilities	612	1,435
Bank charges and commission	1,880	2,465
	<u>407,674</u>	<u>417,189</u>
<b>26 TAXATION</b>		
<b>Current</b>		
For the year	22,295	15,946
Prior year	11	97
	<u>22,306</u>	<u>16,043</u>
<b>Deferred</b>	148,739	(41,926)
	<u>171,045</u>	<u>(25,883)</u>
<p>Income Tax assessments of the Company have been finalized up to and including the tax year 2010. However the Commissioner of Income Tax may at any time during a period of five years from the date of filing of return may select the deemed assessment for audit. Since the Company is liable to pay minimum tax, therefore, no numerical tax reconciliation is given.</p>		
<b>26.1 Reconciliation of tax charge for the year</b>		
(Loss) / profit before taxation	(755,625)	(746,498)
Tax at the applicable tax rate of 35% (2010: 35%)	(264,469)	(261,274)
Reversal due to final tax regime / presumptive tax regime and minimum tax	264,469	261,274
Tax effect under final tax regime / presumptive tax regime	10,258	12,857
Tax effect of minimum tax	12,037	3,089
Tax effect of amount relating to prior year	11	97
Amount related to deferred tax	148,739	(41,926)
	<u>171,045</u>	<u>(25,883)</u>
<b>27 LOSS PER SHARE - BASIC AND DILUTED</b>		
Loss after taxation	(926,670)	(720,615)
Weighted average number of ordinary shares	216,910,000	182,844,984
Loss per share in rupees - basic and diluted	<u>(4.27)</u>	<u>(3.94)</u>



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**27.1** No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

### **28. OPERATING SEGMENTS**

**28.1** These financial statements have been prepared on the basis of single reportable segment.

**28.2** Revenue from sale of cement represents 100% (2010 : 100%) of the total revenue of the company.

**28.3** 62% (2010: 33%) gross sales of the Company relates to customers in Pakistan.

**28.4** All non-current assets of the Company at 30 June 2011 are located in Pakistan.

**28.5** The Company does not have any customer having sales of 10% or more during the year ended 30 June 2011.

### **29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

#### **Introduction and overview**

The Company has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, Company's objectives, policies and processes for measuring and managing risk, fair value of financial instruments and the Company's management of capital.

#### **Risk management framework**

The Board of Directors of the Company has the overall responsibility for the establishment and oversight of the Company's risk management framework. To assist the Board in discharging its oversight responsibility, the management has been made responsible for identifying, monitoring and managing the Company's financial risk exposure.

#### **29.1 Credit risk**

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

#### **Management of credit risk**

The Company's policy is to enter into financial contracts in accordance with the guidelines set by the Board of Directors. The Company is not materially exposed to credit risk as it's majority sales are on advance payment basis.

Credit risk is managed and controlled by the management of the company in the following manner:

- Credit rating and / or credit worthiness is taken into account along with the financial background so as to minimize the risk of default.
- Cash is held with reputable banks only.

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



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	<b>June 30, 2011</b>	<b>June 30, 2010</b>
	<b>(Rupees in thousand)</b>	
Trade debts	37,173	42,008
Advances and other receivables	99,915	121,251
Deposits and Prepayments	27,158	24,189
Bank Balances	14,577	12,029
	<b>178,823</b>	<b>199,477</b>

Past due / impaired assets

None of the above financial assets are impaired or past due.

Credit Ratings and Collaterals

Details of the credit ratings of bank balances including term deposits as at 30 June 2011 are as follows:

<b>Ratings</b>	<b>Bank balances (including profit due) % of balance</b>
AAA	32.18
AA+	2.65
AA-	0.49
AA	2.23
A	62.45
	<b>100</b>

Above ratings are on the basis of available ratings assigned by PACRA and JCR-VIS (as of 30 June 2011). The bank balances are unsecured.

### Concentration of credit risk

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The company manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

At the reporting date, the Company's total credit risk was concentrated in the following industrial /economic sectors:

	<b>2011</b>		<b>2010</b>	
	<b>(Rupees)</b>	<b>%</b>	<b>(Rupees)</b>	<b>%</b>
Banks	14,577	8	3,342	2
Others	164,246	92	172,492	98
	<b>178,823</b>	<b>100</b>	<b>199,477</b>	<b>100</b>

### Settlement risk

Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash or other assets as contractually agreed on sale.

This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.



## 29.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

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

### Management of liquidity risk

The Company's approach to managing liquidity risk by maintaining adequate capital base, borrowing facilities and continuously monitoring of forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 18 to these financial statements are additional undrawn facilities that the Company has at its disposal to reduce liquidity risk.

### Maturity analysis for financial liabilities

The table below analysis the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments):

	2011					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve	One to two years	Two to five years
Rupees in '000'						
<b>Non-derivative liabilities</b>						
Long term finance	2,500,000	(4,398,500)	(463,875)	(463,875)	(1,350,100)	(2,120,650)
Short term borrowings	557,377	(645,331)	(322,666)	(322,665)	-	-
Trade and other payables	539,723	(539,723)	(539,723)	-	-	-
Mark-up accrued	345,974	(345,974)	(345,974)	-	-	-
	<b>3,943,074</b>	<b>(5,929,528)</b>	<b>(1,672,238)</b>	<b>(786,540)</b>	<b>(1,350,100)</b>	<b>(2,120,650)</b>

	2010					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve	One to two years	Two to five years
Rupees in '000'						
<b>Non-derivative liabilities</b>						
Long term finance	2,500,000	(4,567,816)	(432,925)	(858,330)	(1,728,497)	(1,546,064)
Liabilities against assets subject to finance lease	6,314	(6,599)	(6,599)	-	-	-
Short term borrowings	638,532	(734,631)	(367,316)	(367,315)	-	-
Trade and other payables	432,509	(432,509)	(432,509)	-	-	-
Mark-up accrued	199,356	(199,356)	(199,356)	-	-	-
	<b>3,776,711</b>	<b>(5,940,911)</b>	<b>(1,438,705)</b>	<b>(1,225,645)</b>	<b>(1,728,497)</b>	<b>(1,546,064)</b>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June 2011. The rates of mark-up have been disclosed in note 14 and 18 to the financial statements.



**29.3 Market risk**

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will effect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The company is exposed to currency risk and interest rate risk.

**a) Currency risk**

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company is exposed to currency risk on export sales and import purchases in a currency other than Rupees.

Company's exposure to foreign currency risk is as follows:

	2011	
	Rupees in '000	US Dollars
Trade debts	6,297	73,008
Bills payable	(132,953)	(1,554,549)
Gross exposure	<u>(126,656)</u>	<u>(1,481,541)</u>
	2010	
	Rupees in '000	US Dollars
Trade debts	54,475	640880
Bills payable	(41,377)	(492,583)
Gross exposure	<u>13,098</u>	<u>148,297</u>

Above net exposure is payable by the Company in Rupees at the rate on which these are settled by the Company. Currently, the Company does not obtain forward cover against the gross exposure.

	Average rates		Balance sheet date rate	
	2011 (Rupees)	2010	2011 (Rupees)	2010
US Dollars	85.85	83.78	86.04	85.65

**Sensitivity analysis**

A ten percent strengthening or weakening of the Rupee against USD as at the year end would have increased or decreased the equity and profit and loss account by an amount shown in table below. This analysis assumes that all other variables, in particular the interest rates, remain constant. The analysis is performed on the same basis for 2010.

	2011 (Rupees)	2010
Effect on profit or loss		
US Dollars	(12,747,179)	1,270,164



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### b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure arises from long term loan, bank balances, lease liability, short term running finance and long term loan. Other risk management procedures are same as those mentioned in the credit risk management.

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instrument was as follows:

	Carring Amount	
	2011	2010
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets (bank balances)	6,713	0
Financial liabilities (lease liability)	-	6,314
	6,713	6,314
Variable rate instruments		
Financial liabilities		
- short term running finance	557,377	731,776
- long term loan	2,500,000	2,250,000
	3,057,377	2,981,776

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have net increased or (net decreased) the profit or loss of the Company as at 30 June 2011 by Rs. 28.172 million . This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

c) A summary of the Company's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity dates at the end of year is as follows:

	2011				Total
	Mark-up / return (%)	less than 6 month	6 months to 1 year	More than 1 year	
	Rupees in Thousand				
<b>Assets</b>					
Bank balance		349	7,864	6,713	14,926
<b>Total assets</b>		349	7,864	6,713	14,926
<b>Liabilities</b>					
Short term running finance	13.29 - 16.54	278,689	278,689	-	557,378
Long term loan	12.37 - 13.78	-	-	2,500,000	2,500,000
<b>Total liabilities</b>		-	-	2,500,000	2,500,000
<b>On-balance sheet gap</b>		349	7,864	(2,493,287)	(2,485,074)
<b>Total interest risk sensitivity gap</b>		349	8,213	(2,485,074)	(2,485,074)



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	Mark-up / return (%)	2010			Total
		less than 6 month	6 months to 1 year	More than 1 year	
Rupees in Thousand					
<b>Assets</b>					
Bank balance		205	3,342	-	3,547
<b>Total assets</b>		205	3,342	-	3,547
<b>Liabilities</b>					
Liabilities against assets subject to finance lease,	13 - 16	-	6,314	-	6,314
Short term running finance	12.93 - 16.54	365,888	365,888	-	731,776
Long term loan	12.37 - 13.78	-	250,000	2,250,000	2,500,000
<b>Total liabilities</b>		365,888	622,202	2,250,000	3,238,090
<b>On-balance sheet gap</b>		(365,683)	(618,860)	(2,250,000)	(3,234,543)
<b>Total interest risk sensitivity gap</b>		(365,683)	(984,543)	(3,234,543)	(3,234,543)

### 29.4 Fair value of Financial Instruments

Carrying value of all the financial instruments reflected in the financial statements are not significantly different from their fair values.

### 29.5 Capital risk management

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

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

	June 30, 2011 (Rupees in thousand)	June 30, 2010
Total borrowings	3,057,377	3,144,846
Less: Cash and bank balances	14,926	3,547
Net debt	<u>3,042,451</u>	<u>3,141,299</u>
Total equity	971,979	1,196,177
Total Capital employed	<u>4,014,430</u>	<u>4,337,476</u>
Gearing ratio	<u>75.79%</u>	<u>72.42%</u>

### 29.6 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities, either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operation behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its objective of becoming a profitable organisation, producing high quality cement and generating returns for investors.



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Primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.
- operational and qualitative track record of the plant and equipment supplier and related service providers.

### 30. CASH GENERATED FROM / (USED IN) OPERATIONS

	June 30, 2011	June 30, 2010
(Rupees in thousand)		
Loss before taxation	(755,625)	(746,498)
<b>Adjustment for:</b>		
Depreciation	95,047	77,307
Financial costs	407,674	417,189
(Gain) / loss on disposal of property, plant and equipment	(472)	461
Provision for gratuity	7,450	10,512
	509,699	505,469
Operating (loss) / profit before working capital changes	(245,926)	(241,029)
<b>(Increase) / decrease in current assets</b>		
Stores, spares and loose tools	(67,857)	52,373
Stock-in-trade	(3,756)	355,610
Trade debts	26,750	(30,786)
Advances and other receivables	(43,268)	37,310
Short term deposit and prepayments	2,997	(2,789)
Refund due from government - other than income tax	12,088	229,749
	(73,046)	641,467
(Decrease) / increase in trade and other payables	107,214	(287,085)
<b>Cash generated from operations</b>	(211,758)	113,353

### 31. CASH AND CASH EQUIVALENT

Cash and bank balances	12	14,926	3,547
Short term borrowings	18	(557,377)	(731,776)
		(542,451)	(728,229)

### 32. CAPACITY (Clinker)

Installed capacity (M.Tons)	900,000	900,000
Actual production (M.Tons)	460,894	407,746

#### 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.



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### 33. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related group companies and persons, directors of the Company, staff retirement benefit fund and key management personnel. The Company carries out transactions with various related parties in the normal course of business. Amounts due to related parties are shown in under respective note to the financial statement. Remuneration of executive and key management personnel is disclosed in note 34.

Details of other transactions / balances with related parties are as follows:

<b>Transactions with related parties</b>	<b>June 30, 2011</b>	<b>June 30, 2010</b>
	<b>(Rupees in thousand)</b>	
<b>Al Abbas Sugar Mills Limited</b>		
- Sale of Goods	1,355	-
- Shared Expenditure	165	1,853
- Purchase of Stores and Spares	-	33,881
- Sale of Cement	-	456
- Sale of Stores and Spares	-	407
- Sale of fixed asset	-	-
<b>Fatima fertilizer Company Limited</b>		
- Sale of Goods	2,310	10,094
- Purchase of Goods	171	-
<b>Aisha Steel Mills Limited</b>		
- Sale of Goods	20,992	1,093
<b>Safe Mix Concrete (Pvt) Limited</b>		
- Sale of Goods	119,48	1,972
<b>Thatta Cement Company Limited</b>		
- Purchase of Goods	61,002	-
- Loan received	50,000	-
- Loan repaid	50,000	-
- Advance against right issue of shares	128,000	-
- Sale of fixed assets	669	-
<b>Javedan Corporation Limited (Formerly Javedan Cement Limited)</b>		
- Purchase of Cement	-	115,242
- Purchase of Stores and Spares	6,488	14,458
- Sale of Clinker	-	6,4301
- Sale of Stores and Spares	-	28
- Purchase of fixed assets	-	1,712
<b>Rotocost Engineering Company (Pvt) Limited</b>		
- Purchase of Goods	19	-
<b>Arif Habib Corporation Limited (Formerly Arif Habib Security Limited)</b>		
- Advance against right issue of shares	591,055	-
- Loan received	100,000	-
- Loan repaid	100,000	-
<b>Arif Habib Investment Limited</b>		
- Loan repaid	10,251	-
<b>Balances with related parties</b>		
Aisha Steel Mills Limited		
- Trade Receivable	3,856	-



**AL-ABBAS CEMENT INDUSTRIES LTD.**

	June 30, 2011 (Rupees in thousand)	June 30, 2010
<b>Safe Mix Concrete (pvt) Limited</b> - Trade Receivable	1,936	-
<b>Javedan Corporation Limited (Formerly Javedan Cement Limited)</b> - Trade Payable	1,840	10,243
<b>Al Abbas Sugar Mills Limited</b> - Trade Payable	-	3,107
<b>Thatta Cement Company Limited</b> - Trade Receivable	3,742	5,181

	2011			2010		
	Chief Executive	Director	Executive	Chief Executive	Director	Executive
	Rupees in Thousand					
Managerial remuneration	3,432	19,964	-	-	27,180	-
Retirement benefits	-	-	2,145	-	-	3,699
Reimbursable perquisites	-	-	1,996	2,718	-	-
	<u>3,432</u>	<u>19,964</u>	<u>4,141</u>	<u>2,718</u>	<u>27,180</u>	<u>3,699</u>
	Numbers					
Number of key executives	<u>1</u>	<u>7</u>	<u>16</u>	<u>1</u>	<u>7</u>	<u>17</u>
Number of non-executive directors	<u>-</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>-</u>

The Chief Executive, Director and certain Executives are provided with the use of Company cars and the operating expenses are borne by the Company to the extent of their entitlement. Executives are employees whose basic salaries exceeds Rs. 500,000 in a financial year.

**34. RECLASSIFICATION**

Following reclassifications have been made in these financial statements in order to give better and more appropriate presentation:

	From	To	2010
Cost of goods sold	Repairs and maintenance	Salaries, wages and other benefits including retirement benefits.	73,737
Other income	Scrap sales	Gain / (loss) on disposal of property, plant and equipment	(461)
Short term borrowings	Secured - running finances	Murahbahah	121,333

**35. AUTHORIZATION**

These financial statements have been authorized for issue by the Board of Directors on September 30, 2011.

**Kashif Habib**  
Chief Executive

**Syed Ajaz Ahmed**  
Chairman



**AL-ABBAS CEMENT INDUSTRIES LTD.**

**FORM OF PROXY**

The Secretary,  
The Al-Abbas Cement Industries Limited  
Arif Habib Center 23, M.T Khan Road  
Karachi

**Please quote:**

No. of shares held \_\_\_\_\_

Folio No. \_\_\_\_\_

I/We \_\_\_\_\_

of \_\_\_\_\_

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

\_\_\_\_\_ of \_\_\_\_\_

or failing him \_\_\_\_\_

of \_\_\_\_\_

as proxy in my/our behalf at the Annual General Meeting of the Company to be held at Beach Luxury Hotel, Molvi Tamizuddin Kahn Road on Monday, October 24, 2011 at 7:00 p.m. and at any adjournment thereof.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2011

Signed by \_\_\_\_\_

in the presence of \_\_\_\_\_

**Signature**

**Rupees five  
revenue  
stamp**

**Important:**

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

\_\_\_\_\_



ARIF HABIB GROUP

**AL-ABBAS CEMENT INDUSTRIES LIMITED**

1st Floor, Arif Habib Centre,

23 M.T. Khan Road,

Ph : 021-32468227-8

[www.alabbascement.com](http://www.alabbascement.com)