# 29th ANNUAL REPORT 2009

DADABHOY
GROUP

DADABHOY CEMENT INDUSTRIES LTD.

# *Vision*

**To be recognized and accepted as leader in the country for manufacturing of state of the Art Hi-tech Super-durable construction materials**

# Mission

- To have a diversified customer base
- To serve the market through innovation & creations
- To offer a high rate of return to Shareholders
- To create a good work environment for our employees and faster team work & career development
- To operate ethically
- To serve the country to achieve the national goals

# CONTENTS

# COMPANY INFORMATION

## BOARD OF DIRECTORS

| | |
|---|---|
| Mr. Muhammad Hussain Dadabhoy | Chairman |
| Mr. Muhammad Amin Dadabhoy | Chief Executive |
| Mr. Fazal Karim Dadabhoy | |
| Mrs. Yasmeen Dadabhoy | |
| Mrs. Noor Bakht Dadabhoy | |
| Mr. Naseemuddin | |
| Syed Nasim Ahmed | |

## CHIEF FINANCIAL OFFICER
Mr. Muhammad Umair Bhaur

## COMPANY SECRETARY
Arif Mehmood Uppal.

## AUDITORS
M/s A.R Khan & Co Chartered Accountants

## LEGAL ADVISOR
Mr. Salim Thepdawala & Company

## BANKERS
Saudi Pak Commercial Bank Limited
National Bank of Pakistan
Prime Commercial Bank Limited
Muslim Commercial Bank Limited

## REGISTERED OFFICE
C-30/II, 24$^{th}$ Commercial Street,
Phase 2 (Ext). D.H.A,
Karachi.

## SHARE REGISTRAR
M/s. Technology Trade (Pvt) Ltd.
Dagia House, 241-C, Block 2, P.E.C.H.S.
Off Shahrah-e-Quaideen, Karachi.
Telephone No. 4391316-17
Fax No. 4391318

## FACTORY
Nooriabad Deh Kalu Kohar,
District Dadu (Sindh)

## AUDIT COMMITTEE

| | |
|---|---|
| Mr. Muhammad Hussain Dadabhoy | Chairman |
| Mr. Fazal Karim Dadabhoy | Member |
| Mr. Naseemuddin | Member |

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 29th Annual General Meeting of Dadabhoy Cement Industries Limited will be held on Saturday the 30th October, 2009 at 04:00 p.m. at Jinnah Club, Jinnah Co-operative Housing Society behind KESC Office, Tipu Sultan Road Karachi, to transact the following business:

ORDINARY BUSINESS:

1. To read and confirm the minutes of 28th Annual General Meeting of the company held on 29st November, 2008.

2. To receive, consider and adopt the Audited Accounts of the company for the year ended June 30, 2009 together with Directors and Auditors Reports thereon.

3. To appoint auditor for the year ended June 30, 2010 and fix their remuneration.

4. To transact any other business as may be placed before the meeting with the permission of the Chair.

Karachi. | Arif Mehmood Uppal
October 09, 2009 | Company Secretary

Note

1. The Share Transfer Book of the company will remain closed from 22nd October, 2009 to 30th October, 2009 (both days inclusive).

2. Any member of the company entitled to attend and vote may appoint another member as his / her proxy to attend and vote on his / her behalf.

3. Proxies must be received at the registered office of the company not less than 48 hours before the meeting.

# DIRECTOR REPORT TO THE MEMBERS FOR THE YEAR ENDED JUNE 30, 2009

The directors are pleased to present annual report together with audited financial statements and the auditor's report for the year ended June 30, 2009.

| PRODUCTION AND DISPATCHES (TONS) | 2009 | 2008 |
|---|---|---|
| Clinker Production | 14,080 | 221,455 |
| Cement Production | 8,800 | 134,215 |
| Cement Dispatches | 8,396 | 131,907 |
| - Local | 8,396 | 123,158 |
| - Export | Nil | 8,749 |

| FINANCIAL RESULTS (Rupees in thousands) | 2009 | 2008 |
|---|---|---|
| Net Sales | 30,030 | 378,585 |
| Gross Profit /(Loss) | (20,378) | 6,109 |
| Net (Loss) / Profit | 6,711 | (264,899) |
| Earning Per Share | 0.01 | (2.96) |

**SUBSIDIARY COMPANY AND CONSOLIDATED ACCOUNTS**

Consolidated financial statement of the company with it's subsidiary Dadabhoy Energy Supply Company Limited together with the Auditor's report thereon are included in this annual report.

**STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

- Financial statements prepared by management fairly present its state of affairs, results of operation, cash flow and changes in equity.
- The company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statement and accounting estimates are based on reasonable and prudent judgments.
- International Accounting standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control has been effectively implemented and is continuously reviewed and monitored by internal audit.
- There is no material departure from the best practices of governance as detailed in the listing regulations.
- Key operating and financial data for last six years in summarized form is annexed.
- There has been nothing outstanding against your company on account of taxes, duties, Levis and other charges except for those which are being made in the normal course of business.

**GOING CONCERN**

The directors have taken several positive steps to increase the production and sale for which negotiations to secure working capital loan are at final stages with the bank and we hope that it would be materialized very soon. After the necessary repair and maintenance, the plant will go into production within 90 days, thus plant will be full operational by the end of 2009 with enhance production of 700,000 tones Director are quite optimistic for the un interrupted commencement of operation of plant in future.

Keeping in view the current market trend of cement industry, the Directors expressed their optimism to achieve its full production capacity of 700,000 tons with in first year of operations and generate enough cash flow, mainly through export sales and supplemented by US Dollar conversion rate, to meet all its liabilities when due.

**DEBT OBLIGATION**

An agreement was reached with National Bank of Pakistan for settlement of long-term loan on the basis of final settlement amount of Rs. 600.0 million by the end of December 2008. Negotiation is still in progress with the bank for further concessions.

The company is confident that outcome of the negotiation with the bank will be highly favorable. The company intends to settle the loan by paying installment regularly on long term loan.

**MEETINGS OF THE BOARD OF DIRECTORS**

During the year five meetings of board of directors were held. Attendance by each director is as follows.

| **Name of Directors** | **No. of Meetings Attended** |
|---|---|
| Mr. Muhammad Hussain Dadabhoy | 04 |
| Mr. Muhammad Amin Dadabhoy | 04 |
| Mr. Fazal Karim Dadabhoy | 04 |
| Mrs.Yasmeen Dadabhoy | 04 |
| Mrs. Noor Bakht Dadabhoy | 04 |
| Mr. Naseemuddin | 04 |
| Syed Nasim Ahmed | 04 |

**APPROPRIATION**

No dividends have been declared, as there are accumulated losses and the company is in the process of repayments of long-term loans.

**AUDITORS**

Present auditors M/s. A.R Khan & Co. Chartered Accountants.

**FUTURE PROSPECTS**

The board is optimistic for future prospects of the entity, despite the unwanted performance of past two years. The board stands firm on its vision and mission and concurrently planning and gradually executing expansion activities within the entity, forecasts production of 0.7 million tons per annum in the upcoming three years, rising to 1 million tons (3000 tons per day) by the entity in five year tenure. The management remains dedicated, motivated and optimistic, retains concrete confidence in its resources (both human and financial) and foresees viable and bright prospects for the company.

**PATTERN OF SHARES HOLDING**

Pattern of share holding as at June 30, 2009 required under the reporting framework is annexed.

**ACKNOWLEDGMENTS**

We would like to express thanks to customers for their continued patronage, employees for their hard work and shareholders for their trust in the board.

Karachi

For and on behalf of the
Board of Directors

October 09, 2009

MUHAMMAD AMIN DADABHOY
Chief Executive Officer

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

The Board comprises seven Directors including CEO. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors.

The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this company.

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

The company has prepared a Statement of Ethics and Business Practices, which has been signed by all the Directors and employees of the company.

The Board has developed a vision 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.

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.

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 meetings. The minutes of the meetings were appropriately recorded and circulated.

The directors are well experience and conversant with the listing regulations, legal and operational requirements and as such are fully aware of their duties and responsibilities.

The Company Secretary was appointed prior to the implementation of the Code of Corporate Governance. Remuneration, terms and conditions in case of future appointments on this position will be approved by the Board. However, the appointment of CFO and head of internal audit and terms and conditions of their employment have been approved by the Board.

The Directors' report has been prepared in compliance with the requirements of the Code as fully describes the salient matters required to be disclosed.

The financial statements of the company were duly endorsed by Chief Executive and CFO before approval of the Board.

The Directors, Chief Executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

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

The Board has formed an audit committee. It comprises 3 members; of whom 2 are non-executive directors, including the Chairman of the Committee.

The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

The Board has set up an effective internal audit function and personnel involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on a full time basis.

The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accounts (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

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.

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

Karachi : 09th October , 2009

**MUHAMMAD AMIN DADABHOY**
Chief Executive

# 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 Dadabhoy Cement Industries Limited (the company) and to comply with the Listing regulations No. 37, 40 and 36 Part XI of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) and Islamabad Stock Exchange (Guarantee) Limited 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 inquire of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

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

Karachi : 09th October . 2009.

**A.R Khan & COMPANY**
Chartered Accountants

A.R.KHAN & COMPANY
CHARTERED ACCOUNTANTS

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# 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 Dadabhoy Cement Industries Limited to comply with the listing regulations of Karachi Stock Exchange (Guarantee) Limited, 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 reflect the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it doesn't. A review is limited primarily to inquire of the company's personally and review of various documents prepared by the company to comply with the Code.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Sub Regulation (xiii) of Listing Regulations 37 notified by the Karachi Stock Exchange (Guarantee) Ltd vide Circular KSE/N-269 dated January 19, 2009 required the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, noting has come to our attention which cause us to believe that the statement of compliance doesn't appropriately reflect the company's compliance, in all material respect, with the best practices contained in the Code of Corporate Governance, as applicable to the company, for the year ended June 30, 2009.

**Place: Karachi**
**Dated:** 0 9 OCT 2009

**A. R. KHAN & COMPANY**
**CHARTERED ACCOUNTANTS**
**Engagement Partner: Maqsood Raza**
**FCA**

# DADABHOY CEMENT INDURSTRIES LIMITED

## FINANCIAL REVIEW FOR SIX YEARS

| Particulars | **2009** | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|
| **PRODUCTION SUMMARY** | | | | | | |
| Clinker Production | **14,080** | 221,455 | 219,858 | 377,960 | 345,692 | 260,015 |
| Cement Production | **8,800** | 134,215 | 261,983 | 446,258 | 457,678 | 350,262 |
| Cement Dispatch | **8,396** | 131,907 | 260,292 | 448,184 | 460,300 | 351,252 |
| **ASSETS EMPLOYED** | | | | | | |
| Fixed Assets | **3,359,527** | 3,512,115 | 3,023,767 | 2,917,427 | 2,826,185 | 2,851,507 |
| Long term Loan & Investments | **210,363** | 215,937 | 217,583 | 122,724 | 64,116 | 59,218 |
| Current Assets | **394,954** | 390,332 | 276,624 | 402,200 | 347,973 | 280,446 |
| Total Assets Employed | **3,964,844** | 4,118,384 | 3,517,974 | 3,442,351 | 3,238,274 | 3,191,171 |
| **FINANCED BY** | | | | | | |
| Shareholders Equity | **554,838** | 557,485 | 696,578 | 231,906 | 225,437 | 87,578 |
| Surplus on Revaluation | **1,356,563** | 1,482,172 | 999,909 | 1,022,085 | 1,054,309 | 1,081,166 |
| Long term Liabilities | **602,628** | 610,191 | 801,519 | 1,136,737 | 1,013,442 | 1,095,560 |
| Deferred Liabilities | **844,534** | 910,930 | 777,027 | 644,714 | 604,958 | 603,389 |
| Current Liabilities | **606,280** | 557,607 | 242,941 | 406,910 | 340,128 | 323,478 |
| Total Funds Invested | **3,964,844** | 4,118,385 | 3,517,974 | 3,442,352 | 3,238,274 | 3,191,171 |
| **FINANCED BY** | | | | | | |
| Turnover (Net) | **30,030** | 378,585 | 704,716 | 1,488,535 | 1,265,026 | 860,376 |
| Operating Profit (Loss) | **(51,764)** | (124,521) | (128,853) | 330,817 | 258,928 | 146,845 |
| Profit before Taxation | **(59,540)** | (130,425) | 149,009 | 173,223 | 113,849 | 10,283 |
| Profit after Taxation | **6,711** | (264,899) | 14,311 | 119,283 | 111,002 | 18,326 |
| Cash Dividend | | - | - | - | - | - |
| Profit (Loss) carried forward | **(460,752)** | (458,105) | (170,066) | (206,650) | (246,343) | (382,662) |

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A.R.KHAN & COMPANY
CHARTERED ACCOUNTANTS

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## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **DADABHOY CEMENT INDUSTRIES LTD.** as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit, except as discussed in Para 2 below.

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 above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

1. During the year, the company continued the negotiation with the banks and has not yet reached to any agreement. The existing long term and short term liabilities are already overdue and is payable immediately as per bank letter No.Accounts/Bill/DCIL/2009 dated; June 26,2009 (Management has reservation with loan amount and applied for recalculation as per letter dated: July 07,2009). Moreover, production has been stopped since August 2008 due to unavailability of working capital. These events indicate a material uncertainty which cast significant doubt on the Company's ability to be continued as a going concern. The financial statements do not disclose this fact and have been prepared on going concern basis based on the favorable outcome of the proposals of management as given in note 16.2.3.

2. Despite various reminders we did not receive direct confirmations from various banks.

   (i) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

   (ii) in our opinion:

   (a) the balance sheet and the 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 accounts and are further in accordance with accounting policies consistently applied with which we concur;

Continued Page 2

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CHARTERED ACCOUNTANTS

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(b) the expenditure incurred during the year was for the purpose of the company's business; and

(c) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(iii) Except for the matters discussed in paragraph 1 & 2 above in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and

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

The Financial Statements of the company for the year ended 30.6.2008 were audited by another firm of Chartered Accountants. Without qualifying their opinion, they draw attention to note 2 and 17.2.3 to the financial statements, which fully describe the matters respectively.

1. The auditor draw the attention of the members towards company's ability to meet its current and long term liabilities and continuation of its operation which is contingent on the availability of continued financial support from its directors and others and successful implementation of the plans in note 2 to the financial statements.

2. The auditor also diverted the attention to the fact that 'should the settlement process with the National Bank of Pakistan abandoned, the entire liability before any adjustment, would become due for payments by the company.

Karachi
Dated 0 9 OCT 2009

A.R.KHAN & COMPANY
CHARTERED ACCOUNTANT S
Engagement Partner: Maqsood Raza
FCA

# DADABHOY CEMENT INDUSTRIES LIMITED
## BALANCE SHEET
## AS AT JUNE 30, 2009

| | Note | 2009 | 2008 |
|---|---|---|---|
| **ASSETS** | | (Rupees in '000') | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 4 | 3,359,473 | 3,512,061 |
| Intangible assets | 5 | 54 | 54 |
| Long term investments | 6 | 207,597 | 208,108 |
| Long term loans and advances | 7 | 42 | 49 |
| Long term deposits | | 2,724 | 7,781 |
| | | 3,569,890 | 3,728,053 |
| **Current Assets** | | | |
| Stores, spares parts and loose tools | 8 | 259,546 | 259,546 |
| Stock-in-trade | 9 | 44,015 | 56,076 |
| Trade debts | 10 | 861 | - |
| Loans and advances | 11 | 84,220 | 61,206 |
| Other receivables | 12 | 4,257 | 4,294 |
| Bank balances | 13 | 2,055 | 9,210 |
| | | 394,954 | 390,332 |
| **Total Assets** | | 3,964,844 | 4,118,385 |
| **EQUITY AND LIABILITIES** | | | |
| Authorised Capital | | | |
| 150,000,000(2007: 150,000,000) Ordinary shares of Rs. 10 each | | 1,500,000 | 1,500,000 |
| Issued, subscribed and paid up capital | 14 | 982,366 | 982,366 |
| Accumulated losses | | (460,752) | (458,105) |
| Capital reserve | | 33,224 | 33,224 |
| | | 554,838 | 557,485 |
| **Surplus on revaluation of fixed assets** | 15 | 1,356,563 | 1,482,172 |
| **Non Current Liabilities** | | | |
| Long term financing | 16 | 600,000 | 600,000 |
| Long term morahaba | 17 | 1,259 | 4,031 |
| Liabilities against assets subject to finance lease | 18 | 1,369 | 6,160 |
| Deferred liabilities | 19 | 844,534 | 910,930 |
| | | 1,447,161 | 1,521,121 |
| **Current Liabilities** | | | |
| Trade and other payables | 20 | 570,832 | 518,457 |
| Short term borrowing-secured | 21 | 25,000 | 25,000 |
| Current portion of long term borrowings and deposits | 22 | 6,145 | 9,849 |
| Provision for income tax | 23 | 4,303 | 4,302 |
| | | 606,280 | 557,608 |
| **Contingency and Commitment** | 24 | - | - |
| | | 3,964,844 | 4,118,385 |

The annexed notes 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**DADABHOY CEMENT INDUSTRIES LIMITED**
**PROFIT AND LOSS ACCOUNT**
**FOR THE YEAR ENDED JUNE 30, 2009**

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |
| Sales - Net | 25 | 30,030 | 378,585 |
| Cost of sales | 26 | (50,408) | (372,476) |
| Gross profit | | (20,378) | 6,109 |
| Distribution costs | 27 | (1,828) | (14,950) |
| Administrative expenses | 28 | (61,383) | (121,043) |
| Other expenses | 29 | (913) | (1,428) |
| Other income | 30 | 33,249 | 7,745 |
| Share of (loss)/ profit of associate | 31 | (511) | (954) |
| | | (51,764) | (124,521) |
| Financial cost | 32 | (7,776) | (5,904) |
| (loss)/ profit before taxation | | (59,540) | (130,425) |
| Income tax | 33 | 66,251 | (134,474) |
| **Profit / (Loss) after Taxation** | | 6,711 | (264,899) |
| (loss)/ earnings per share - Basic and diluted (Rupees) | 34 | 0.01 | (2.96) |

The annexed notes 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**DADABHOY CEMENT INDUSTRIES LIMITED**
**CASH FLOW STATEMENT**
**FOR THE YEAR ENDED JUNE 30, 2009**

| | 2009 | 2008 |
|---|---|---|
| | (Rupees in '000') | |
| **Cash flows from operating activities** | | |
| (loss)/ profit before taxation | (59,540) | (130,425) |
| **Adjustments:** | | |
| Depreciation | 20,930 | 42,557 |
| Amortization of computer software | - | 1,783 |
| Liability no more payable written back | - | - |
| Other income | - | - |
| Gain on proceeds of motor vehicle | (8,579) | (1,766) |
| Share of loss/ (profit) of associate | 511 | 954 |
| Financial charges | 7,776 | 5,904 |
| Provision for staff gratuity | - | 3,214 |
| Provision for WPPF | - | 350 |
| Prior year adjustment | (13,196) | |
| **Operating cash flows before working capital changes** | (52,098) | (77,429) |
| **(Increase) / decrease in current assets** | | |
| Stores spares and loose tools | - | (72,331) |
| Stock in trade | 12,062 | 6,986 |
| Trade debts | (861) | 444 |
| Loans and advances | (23,014) | (47,980) |
| Short term prepayments | - | 2,247 |
| Advance from customers | - | - |
| Other receivables | 38 | 1,142 |
| | (11,775) | (109,492) |
| **Increase / (decrease) in current liabilities** | | |
| Trade and other payable | 52,375 | 113,560 |
| Cash generated from operations | (11,498) | (73,361) |
| Taxes paid | - | (5,852) |
| Gratuity paid | (145) | (1,294) |
| Financial charges paid | (2,416) | (5,904) |
| | (14,059) | (86,411) |
| **Cash flows from investing activities** | | |
| Capital expenditure | - | (33,558) |
| Proceeds from sales of fixed assets | 13,105 | 2,110 |
| Investment | - | - |
| Long-term loans and advances | 7 | 139 |
| Long term deposits | 5,057 | 182 |
| Net cash used in investing activities | 18,169 | (31,127) |
| **Cash flows from financing activities** | | |
| Advance against issue of right shares | - | - |
| Proceeds from issue of share capital | - | 115,722 |
| Repayments of long term finance | - | (50,000) |
| Long-term loan obtained | - | 25,000 |
| Deposits from dealers | - | - |
| Due to related parties | - | 39,558 |
| Payments of long term morahaba | (7,615) | (4,331) |
| Payments lease finance installments | (3,651) | (4,116) |
| Net cash outflow from financing activities | (11,266) | 121,834 |
| Net increase/ (decrease) in cash and cash equivalents | (7,155) | 4,295 |
| Cash and cash equivalents at beginning of the year | 9,210 | 4,915 |
| Cash and cash equivalents at end of the year | 2,055 | 9,210 |

The annexed notes 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**DADABHOY CEMENT INDUSTRIES LIMITED**
**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED JUNE 30, 2009**

| | Share Capital | Capital Reserve | Accumulated losses | Total |
|---|---|---|---|---|
| | Rupees '000 | | | |
| Balance at June 30, 2007 | 438,557 | 33,224 | (207,708) | 264,073 |
| Changes in equity for the year 2008 | | | | |
| Balance at June 30, 2007 as previously reported | 438,557 | 33,224 | (203,290) | 268,491 |
| Effect of depreciation for prior years (note 4.1.6) | - | - | (4,418) | (4,418) |
| Opening accummulated losses as restated | 438,557 | 33,224 | (207,708) | 264,073 |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation | - | - | 14,403 | 14,403 |
| Share of associate's incremental depreciation | - | - | 99 | 99 |
| Loss after taxation for the year 2008 | - | - | (264,899) | (264,899) |
| Issue of 54,380,944 shares of Rs.10 each | 543,809 | - | - | 543,809 |
| **Balance at June 30, 2008** | 982,366 | 33,224 | (458,105) | 557,485 |
| Effect of prior year adjustment | - | - | (13,324) | (13,324) |
| Opening accumulated losses as restated | 982,366 | 33,224 | (471,429) | 544,161 |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation | | | 3,966 | 3,966 |
| Share of associate's incremental depreciation | | | | |
| Loss after taxation for the year 2009 | - | - | 6,711 | 6,711 |
| **Balance at June 30, 2009** | **982,366** | **33,224** | **(460,752)** | **554,838** |

The annexed notes 1 to 43 form an integral part of these financial statements.

**CHIEF EXECUTIVE** **DIRECTOR**

**DADABHOY CEMENT INDUSTRIES LIMITED**
**NOTES TO THE ACCOUNTS**
**FOR THE YEAR ENDED JUNE 30, 2009**

## 1 STATUS AND NATURE OF BUSINESS

Dadabhoy Cement Industries Limited was incorporated on 09 August 1979 as a public limited company with its Registered Office situated at C-30/II, 24th Commercial Street, Phase 2 (Ext). D.H.A, Karachi and is listed on all the Stock Exchanges in Pakistan. The Company is engaged in the manufacturing and sale of ordinary Portland, slag and sulphate resistant cement.

## 2 GOING CONCERN BASIS

The directors have taken several positive steps to boost production and sales, this includes successful negotiation with the lender of long term finances (see note 16.2.3) and arrangement with other banks for financing export sales. Consequently, the company expects to increase its production by the end of 2008 and is in advance stages of negotiation with its bankers to secure an amount necessary to cover its working capital and repair and maintenance requirements for the commencement of un-interrupted operations in future.

Given the continuous upward trend in the cement industry, the company expects to achieve its full production capacity (600,000 tons) within first year of operations and generate enough cash flows, mainly through export sales and supplemented by a favorable US dollar conversion rate, to meet all its liabilities when due.

## 3 SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Statement of compliance

These Financial Statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of said directives take precedence.

### 3.2 Accounting standards, amendments and interpretations effective in 2009

Amendments to IAS 1 Presentations of Financial Statements - Capital Disclosures is mandatory for the company's accounting periods beginning on or after January 1, 2007. It introduces new disclosures relating to Company's objectives, policies and processes for managing capital. Adoption of this amendment only impacts the format and extent of the disclosure presented in note 38.3 to financial statement.

The other new standards, amendments and interpretations are considered not relevant or have any significant effect to the company's financial statements.

Following amendments to approved accounting standards and interpretations have been published that are mandatory for the company's accounting periods beginning on the dates mentioned below:

| Standard or Interpretation | Effective date (accounting period beginning on or after) |
|---|---|
| IAS 1 - Presentation of Financial Statements (Revised) | January 1, 2009 |
| IAS 23 - Borrowing Cost (Revised) | January 1, 2009 |
| IAS 27 - Consolidated and separate Financial Statements (Revised) | January 1, 2009 |
| IFRS 3 - Business Combination (Revised) | January 1, 2009 |
| IFRS 7 - Financial Instruments : Disclosure | July 1, 2008 |
| IFRS 8 - Operating segments | January 1, 2009 |
| IFRIC 12 - Service Concession Arrangements | January 1, 2009 |
| IFRIC 14 - The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interactions | January 1, 2008 |

### 3.3 Accounting Convention

These financial statements have been prepared under the "historical cost convention" except for free hold land, building on free hold land, plant and machinery, quarry equipments and motor vehicles which are stated at revalued amounts and measurement of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

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

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

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

judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are discussed in Note No.40 to these financial statements.

### 3.4 Staff retirement benefits ( Defined Benefit Plan)

The company operates an approved defined gratuity fund for all of its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out as at June 30, 2006 using the Projected Unit Credit Method. For details refer to Note No 21.2.

### 3.5 Taxation

**Current:**

Provision for current taxation is base on taxable income at the current rates of taxation or based on turnover at the specified rates whichever is higher, after taking into account tax credits and rebates available and effect of tax on income falling under Final Tax Regime.

**Deferred:**

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 c the Institute of Chartered Accountants of Pakistan, if considered material.

### 3.6 Property, Plant and Equipment

**Owned**

Fixed assets are stated at cost including exchange differences arising on acquisition or revalued amounts less accumulated depreciation and impairment loses if any except for freehold land and capital work-in-progress which are stated at revalued amount and cost respectively. Depreciation on plant and machinery and quarry equipment is charged on the basis of unit of production method. Depreciation on other assets is charged on straight line method at the rates stated in note 4.

Depreciation on additions is charged from the month the assets is put to use while depreciation on disposals is charged up to the month of disposals.

The surplus on revaluation of fixed assets is reversed to the extent of incremental depreciation and is transferred to accumulated loss.

Gains and losses on sale of fixed assets are included in income currently ,except that is related to surplus on revaluation of fixed assets (net of deferred taxation ), is transferred directly to accumulated loss.

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

**Leased**

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets acquired on lease. The outstanding obligations under the lease less finance charges allocated to future periods are shown as liability. Financial charges are calculated at the interest rate implicit in the lease and are charged to the profit and loss account. Depreciation is charged to income applying the same basis as for owned assets.

**Capital work in progress:**

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

**3.7 Intangible assets**

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized on a straight line basis over their estimated useful lives.

**3.8 Impairment**

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. Impairment loss is recognized in Profit and Loss account whenever carrying amount of an asset exceeds its recoverable amount.

**3.9 Financial Instruments**

The particular recognition methods adopted by the company are disclosed in the individual policy statement associated with each item of financial instruments.

**Financial assets**

Financial assets are initially recognized at their cost which is the fair value of the consideration given for them at the time when the Company becomes a party to the contractual provisions of the instruments and subsequent to initial recognition, financial assets are carried at fair value except any financial asset whose fair value can not be reliably measured.

A 'regular way' purchase or sale of financial asset is recognized using trade date accounting.

**Financial liabilities**

All financial liabilities are initially recognized at cost which is the fair value of consideration received at the time when the Company becomes a party to the contractual provisions of the instruments. After initial recognition, financial liabilities are carried at fair value, amortized cost or original cost as the case may be.

**Off-setting financial instruments** #DIV/0!

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when the Company has a legally enforceable right to set off the recognized amounts or intend either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

**De- recognition**

Financial assets are de-recognized when the Company looses control of the contractual rights that comprise the Financial liabilities are de-recognized when they are extinguished; that is, when the obligation specified in the contract is discharged, cancelled or expires.

**Recognition of gains / (losses)**

Gains or losses, if any, on realization or settlement/ subsequent measurement and de recognition of financial assets and liabilities are included in net profit and loss in the period in which it arises.

**Impairment/ un-collectibility of financial assets**

An assessment is made at each balance sheet date to determine whether there is an evidence that the financial asset or the group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of the assets is determined and impairment loss is recognized for the difference between the recoverable amount and the carrying amount.

**3.10 Investments**

**In Associates**

These represents investments in shares of companies that are directly or indirectly controlled by, or are under common control of DCIL or in which a substantive interest in the voting power is owned, directly or indirectly by the directors of DCIL.

Investment in subsidiary company is stated at cost less any impairment in the value of investment.

Investment in associate is accounted for using the equity method whereby investment is carried in the balance sheet at cost as adjusted by the post-acquisition changes in the company's share of net assets of the associate less any impairment in the value of investment.

**3.11 Stores, spares and loose tools**

These are valued at moving average cost. Items in transit and in bonded warehouse are valued at cost comprising invoice value plus other charges paid thereon up to the date of balance sheet.

**3.12 Stock-in-trade**

Stock of raw materials, ecept for those in transit work-in-process and finished goods are value pricipally at the lower of average cost and net realisable value. Stock of packing material is valued principally at moving average cost. Cost of work in process and finished goods comprises cost of direc materials, labour and appropriate manufacturing overheads.

Material in transit are stated at cost comprising invoice value plus other charges paid thereon.

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

**3.13 Trade debts**

Trade debts are carried at original invoice amount less an estimate made for doubtful receivable balances. Bad Debts are written off when identified.

**3.14 Trade and other payables**

Liabilities for trade and other payables are carried at cost which is the value of the consideration to be paid in future for goods and services.

**3.15 Borrowing costs**

Borrowing costs are charged to profit and loss account in the year when they are incurred, except to the extent that they are directly attributable to the construction of a qualifying assets in which case they are capitalized as part of the cost of that assets.

**3.16 Foreign currency transactions**

Transactions in foreign currencies are translated into rupees at the rates of exchange ruling on the date of transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the balance sheet date. Exchange differences are included in income currently, except for exchange differences arisin on acquisition of fixed assets which are included in the cost of fixed assets for which no practical means of hedging are present.

**3.17 Revenue recognition**

**Sales** are recorded on dispatch of goods to customers.

**Dividend income** is accounted for when the right to receive the dividend is established.

**Return on term deposit** and saving accounts is accounted for on an accrual basis.

**3.18 Provisions**

Provisions are recognized when the company has a present obligation as a result of past event, which it is probable will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

**3.19 Transactions with related parties**

Transactions with related parties are based on the policy that all transactions between the Company and the related parties are carried out at arm's length. These prices are determined in accordance with the methods prescribed in the Companies Ordinance, 1984.

**3.20 Cash and cash equivalents**

Cash and Cash Equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash-in-hand, bonds, current and deposit accounts with banks / financial institutions net of running finance under mark-up arrangement, if any.

**3.21 Functional and presentation currency**

These financial statements are presented in Pakistani Rupees which is the company's functional currency. All financial information is stated in Pak Rupees.

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |

## 4. PROPERTY, PLANT AND EQUIPMENT

| | Note | 2009 | 2008 |
|---|---|---|---|
| Tangible fixed assets | 4.1 | **3,348,833** | 3,501,421 |
| Capital work-in-progress | 4.2 | **10,640** | 10,640 |
| | | **3,359,473** | 3,512,061 |

### 4.1 Tangible fixed assets

M/S DADABHOY CEMENT LIMITED
FOR THE YEAR JUNE 30, 2009

TANGIBLE FIXED ASSETS (RS '000)

| PARTICULARS | COST 1/7/2008 | Addition/ (Deletion) | Revaluation/ (Devaluation) | Addition/ | 30/06/09 | | DEPRECIATION 1/7/2008 | Adjustment | Adjustment | For the year | 30/06/09 | Written Down Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Free hold land | 350,000 | - | | | 350,000 | | - | - | | - | | 350,000 |
| Building on free hold land | 335,000 | - | | | 335,000 | 2.50% | 8,375 | - | | **8,375** | 16,750 | 318,250 |
| Roads and pavement | 15,000 | - | | | 15,000 | 2.50% | 375 | - | | **375** | 750 | 14,250 |
| Plant and Machinary | 2,705,226 | - | | | 2,705,226 | Upm | 19,510 | 42,226 | | **2,971** | 64,707 | 2,640,519 |
| Query Equipment | 134,574 | - | | | 134,574 | Upm | 44,988 | 79,417 | | **169** | 124,574 | 10,000 |
| Furniture & fixture | 10,020 | - | | | 10,020 | 10% | 8,049 | - | | **1,002** | 9,051 | 969 |
| Other equipment | 49,504 | - | | | 49,504 | 10% | 29,709 | - | | **4,950** | 34,659 | 14,845 |
| Motor vehicle | 36,159 | (3,721) | | 6,679 | 39,117 | 20% | 36,159 | (3,721) | 5,343 | **1,336** | 39,117 | - |
| | 3,635,483 | (3,721) | - | 6,679 | 3,638,441 | | 147,165 | 117,922 | 5,343 | 19,178 | 289,608 | 3,348,833 |
| Lease vehicle | 37,809 | (30,974) | | | 6,835 | 20% | 29,130 | (24,047) | | **1,752** | 6,835 | - |
| | 3,673,292 | (34,695) | - | 6,679 | 3,645,276 | | 176,295 | 93,875 | 5,343 | 20,930 | **296,443** | 3,348,833 |

**4.1.1** Depreciation for the year has been allocated as:

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |
| Cost of sales | 26 | **3,140** | 36,173 |
| Mining and other related cost | 26 | **1,699** | 3,405 |
| Administrative expenses | 28 | **16,091** | 2,979 |
| | | **20,930** | 42,557 |

**4.1.2** The above balance represents the value of operating property, plant and equipment subsequent to revaluation carried out by independent valuers, as referred to in note 16, which has resulted in surplus and addition thereafter at cost.

Had there been no revaluation, the net book value of specific classes of Property, Plant and Equipment as at June 30, 2009 would have been as follows:

| | 2009 | 2008 |
|---|---|---|
| | ( Rupees in '000 ) | |
| Freehold lands | **3,198** | 3,198 |
| Factory building | **80,704** | 80,704 |
| Plant & Machinery | **825,418** | 825,418 |
| Quarry equipment | **69,025** | 69,025 |
| Vehicles | **2,772** | 2,772 |
| | **981,117** | 981,117 |

**4.1.3** All the fixed assets of the company have been hypothecated and /or mortgaged with the lender of long term finances

### 4.1.4 Details of operating assets sold

The details of operating assets sold during the year are as follows:

| Particulars | Cost | Accumulated depreciation | Book value | Sale proceeds | Mode of disposal | Particulars of Purchasers |
|---|---|---|---|---|---|---|
| | Rupees'000 | | | | | |
| Vehicle | 845 | 676 | 169 | 600 | Negotiation | |
| " | 845 | 676 | 169 | 520 | " | Mr. Anwar Memon |
| " | 380 | 304 | 76 | 250 | " | " |
| " | 380 | 304 | 76 | 210 | " | " |
| " | 799 | 639 | 160 | 670 | " | " |
| " | 371 | 371 | 0 | 218 | " | " |
| " | 371 | 371 | 0 | 218 | " | " |
| " | 371 | 371 | 0 | 218 | " | Mr. Syed Shoail Ali |
| " | 371 | 371 | 0 | 245 | " | " |
| " | 371 | 371 | 0 | 218 | " | " |
| " | 371 | 371 | 0 | 218 | " | " |
| " | 504 | 403 | 101 | 350 | " | " |
| " | 504 | 403 | 101 | 425 | " | " |
| " | 618 | 618 | 0 | 350 | " | " |
| " | 678 | 678 | 0 | 170 | " | " |
| " | 1,995 | 1,197 | 798 | 1,400 | " | " |
| " | 225 | 225 | 0 | 160 | " | Mr. Saleem Khan |
| " | 469 | 469 | 0 | 200 | " | " |
| " | 469 | 469 | 0 | 220 | " | " |
| " | 469 | 469 | 0 | 200 | " | " |
| " | 469 | 469 | 0 | 200 | " | " |
| " | 785 | 785 | 0 | 525 | " | " |
| " | 235 | 235 | 0 | 170 | " | " |
| " | 600 | 600 | 0 | 250 | " | " |
| " | 6,000 | 6,000 | 0 | 1,500 | " | " |
| " | 7,190 | 4,314 | 2,876 | 3,400 | " | " |

## 4.2 CAPITAL WORK-IN-PROGRESS

| | Civil work & gas pipe lines | Machinery | Total |
|---|---|---|---|
| | Rupees'000 | | |
| Cost as at June 30, 2008 | 9,120 | 1,520 | 10,640 |
| Incurred during the year | - | - | - |
| Cost as at June 30, 2009 | 9,120 | 1,520 | 10,640 |

## 5. INTANGIBLE ASSETS - ERP software

| | | (Rupees in '000') |
|---|---|---|
| **Cost** | | |
| **As at June 30, 2007 and 2008** | | 5,403 |
| **Amortisation** | | |
| As at July 01, 2007 | | 3,566 |
| For the year 2008 | | 1,783 |
| **As at June 30, 2008** | | 5,349 |
| For the year 2009 | | 54 |
| **As at June 30, 2009** | 54 | 5,403 |
| Net book value | 54 | |
| **At June 30, 2009** | 54 | - |
| **At June 30, 2008** | | 54 |

| | | **2009** | 2008 |
|---|---|---|---|
| | | **(Rupees in '000')** | |

**5.1 Amortization for the year has been been completely charged to Admin. Exenses:**

| | | | |
|---|---|---|---|
| Cost of sales | 26 | **-** | 1,516 |
| Mining and other related cost | 26 | **-** | 143 |
| Administrative expenses | 28 | **-** | 125 |
| | | **-** | 1,783 |

## 6 LONG-TERM INVESTMENTS

**Investments in related parties-**

| | | |
|---|---|---|
| i. **At cost (Unquoted)** | | |
| Dadabhoy Energy Supply Company | | |
| Cost at July, 01 | **205,000** | 205,000 |
| Cost at June, 30 | **205,000** | 205,000 |
| ii. **Equity method (Quoted)** | | |
| **Dadabhoy Sack Limited** | | |
| Investment at July 01 | **3,108** | 3,963 |
| Share of (loss)/ profit | **(511)** | (954) |
| Share of incremental depreciation | **-** | 99 |
| Adjustment | **-** | - |
| | **(511)** | (855) |
| | **2,597** | 3,108 |
| | **207,597** | 208,108 |

Fair value of investment in associate, based on quoted market price amounted to Rs. NIL ( 2008: Rs.7.176 million).

| | 2009 | 2008 |
|---|---|---|
| | ( Rupees in '000 ) | |
| **Summarised financial information of an associate** | | |
| Total assets | **70,307** | 82,615 |
| Total Liabilities | **29,043** | 33,943 |
| Revenue | **3,750** | 40,948 |
| Net (loss) /profit for the year | **(7,408)** | (13,827) |

6.1

| Name of related party | Place of incorporation | Proportion of ownership interest | Proportion of voting power | Principal activity |
|---|---|---|---|---|
| i. Dadabhoy Energy Supply Ltd. | Sindh, Pakistan | 47.86% | 79.26% | Generation of electricity |
| ii. Dadabhoy Sack Ltd. | Sindh, Pakistan | 6.9% | 6.9% | Manufacture of paper sacks for cement industry |

Dadabhoy Energy Supply Company Limited (DESCL) has been treated a subsidiary company as more than 50% of its shares are held by DCIL and its directors thus providing substantial interest in the voting power in DESCL.

**6.2** The company has pledged 4,500,000 Ordinary shares of Rs. 10 each of DESCL with a financial institution as a security against the financial assistance extended by the financial institution to Dadabhoy Energy Supply Company Limited.

**6.3** Dadabhoy Sack Limited has been presumed to be an associated company as the directors of the company are also members of the board of directors of Dadabhoy Sack Ltd. and also, material transactions are undertaken between the companies. The reporting date of Dadabhoy Sack Limited is also the same as of the company that is, year ended June 30, 2009.

| | | | 2009 | 2008 |
|---|---|---|---|---|
| **7** | **LONG TERM LOANS AND ADVANCES** | **Note** | **(Rupees in '000')** | |
| | **Loans to employees - considered good** | | | |
| | Executives | | - | 67 |
| | Employees | 7.1 | 72 | - |
| | | | 72 | 67 |
| | Less: Receivable within one year | | | |
| | Executives | | - | (18) |
| | Employees | 7.1 | (30) | - |
| | | | (30) | (18) |
| | | | 42 | 49 |

**7.1** Represents interest-free loans to executives and employees given for personal reasons and for house building. These are granted in accordance with the service rules and recoverable in monthly installments over a period ranging between 5 to 100 months and are secured against their retirement benefits.

| | | | | |
|---|---|---|---|---|
| **8** | **STORES, SPARES AND LOOSE TOOLS** | | | |
| | Stores, spares and loose tools | 8.1 | **284,491** | 284,491 |
| | Provision against slow moving spares in hand | | **(24,945)** | (24,945) |
| | | | **259,546** | 259,546 |

**8.1** It was not practicable to bifurcate and distinguish separately stores, spares and loose tools.

| | | Note | 2009 | 2008 |
|---|---|---|---|---|
| | | | (Rupees in '000') | |
| **9** | **STOCK-IN-TRADE** | | | |
| | Raw materials | | **15,488** | 2,149 |
| | Packing materials | | **3,750** | 589 |
| | Work-in-process | | **23,415** | 53,338 |
| | Finished goods | | **1,362** | - |
| | | | **44,015** | 56,076 |
| **10** | **TRADE DEBTS - unsecured** | | | |
| | Considered good | | **861** | - |
| **11** | **LOANS AND ADVANCES** | | | |
| | **Loans to employees - considered good** | | | |
| | Executives | | **30** | 18 |
| | Others | | | - |
| | | | **30** | 18 |
| | Prepayments | | **490** | - |
| | Advance income tax | | **7,539** | 7,323 |
| | Advance to suppliers | | | |
| | Advance to local suppliers | | **14,083** | 8,369 |
| | Advance to subsidiary company | | | |
| | Dadabhoy Energy Supply Co Limited | 11.1 | **62,077** | 45,496 |
| | | | **76,160** | 53,865 |
| | | | **84,220** | 61,206 |

**11.1** This represent advance payment to subsidiary company Dadabhoy Energy Supply Company limited against supply of electricity.

| | | 2009 | 2008 |
|---|---|---|---|
| **12** | **OTHER RECEIVABLES** | | |
| | Excise duty | **4,243** | 4,243 |
| | Export rebates | **161** | 198 |
| | Others | **1,181** | 1,181 |
| | | **5,584** | 5,622 |
| | Provision for doubtful receivable | **(1,328)** | (1,328) |
| | | **4,257** | 4,294 |

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |

## 13 BANK BALANCES

| | | | |
|---|---|---|---|
| Current accounts | | **(593)** | 7,254 |
| Savings accounts | | **1** | 5 |
| Dividend accounts | | **683** | 683 |
| Collection accounts-Current | | **2,106** | 1,233 |
| Inter Bank Transaction | | **(142)** | 35 |
| | | **2,055** | 9,210 |
| | | **2,055** | 9,210 |

## 14 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| (Number of shares) | | | | |
|---|---|---|---|---|
| **2009** | **2008** | | | |
| Ordinary shares of Rs. 10 each | | | | |
| 98,236,624 | 43,855,680 | Fully paid up in cash | 982,366 | 438,557 |
| | 54,380,944 | Fully paid up in cash | - | 543,809 |
| **98,236,624** | **98,236,624** | | **982,366** | 982,366 |

## 15 SURPLUS ON REVALUATION OF FIXED ASSETS

| | | | |
|---|---|---|---|
| Balance at beginning of year | | **1,482,172** | 999,909 |
| Revaluation for the year | | **(121,643)** | 496,666 |
| | | **1,360,529** | 1,496,575 |
| Released to the extent of incremental depreciation for the year- | | | |
| Incremental depreciation | | **11,331** | 22,159 |
| Related deferred tax liability | | **(7,365)** | (7,756) |
| Net released to accumulated losses | | **3,966** | 14,403 |
| Balance at end of year | | **1,356,563** | 1,482,172 |

## 16 LONG TERM FINANCING - secured

| | | | |
|---|---|---|---|
| Loan from banking company- | | | |
| Long-term loan | 16.1 | **600,000** | 600,000 |
| Consortium loan | 16.2 | **-** | - |
| | | **600,000** | 600,000 |

| | | | 2009 | 2008 |
|---|---|---|---|---|
| **16.1** | **Long term Loan** | **Note** | **(Rupees in '000')** | |
| | Balance as at 01 July | | **600,000** | 775,898 |
| | Transferred from accrued interest | | **-** | - |
| | Repaid during the year | | **-** | (50,000) |
| | Paid against proposed settlement terms | | **-** | - |
| | Transferred to income | | | - |
| | Transferred to deferred income | 16.2.3 | **-** | (125,898) |
| | Balance as at June 30 | | **600,000** | 600,000 |

| | | | | |
|---|---|---|---|---|
| **16.2** | **Consortium loan** | | | |
| | Balance as at 01, July | | **-** | 12,413 |
| | Less: Transferred to income | | **-** | - |
| | Transferred to deferred income | 16.2.3 | **-** | (12,413) |
| | Balance as at 30, June | | **-** | - |

**16.2.1** The above represents the amount of loans settled/rescheduled/restructured by NBP pursuant to an agreement reached between the company and the bank as per the directives given by Honourable Supreme Court of Pakistan on review petition filed by the company praying for review of court's earlier order dated October 1, 2001. During the previous year the company and NBP revised the term of charging mark-up at the rate of 13% p.a by replacing with average 6 month KIBOR plus 2.5% per annum with a floor of 9.00% and cap of 12% per annum based on which NBP would revised repayment schedule on six monthly basis. In addition last five installment of Rs. 150 million each have been deleted to reduce the amount of total loan to Rs.1950.960 million payable in 30 quarterly installments with effect from October 01, 2005 till January 01, 2013. As per agreed repayment schedules in the compromise submitted to the court, total amount of respective loan inclusive of markup till the repayment of last installment is as under:

| | Installments amount | Repayment | Period of Repayment | No. of Installments | Rate of Interest |
|---|---|---|---|---|---|
| | --------Rs. In "000"-------- | | | | |
| Consortium loan | 478 | Quarterly | Jul 01, 2003 - Jan 01, 2013 | 40 | 11% |
| Long term loan | 66,240<br>30,000 | Quarterly | Jan 01, 2006 - Jan 01, 2013 | 29<br>01 | 6 months KIBOR + 2.5% |

**16.2.2 Security**

The loan is secured by way of legal mortgage on the immovable properties of the company. Pledge of sponsor director's shares, equitable mortgage on mining leases of the company, pledge and hypothecation of machinery, and all the movable properties, including book debts and receivables of the company, ranking pari passu with other creditors and with charges already existing and personal guarantees of sponsoring directors.

**16.2.3** During the year, the company continued its negotiations with the bank for full and final settlement of the outstanding balance in accordance with the judgement issued by the Supreme Court of Pakistan. In this connection, the Company submitted various proposals including projected cash flows and maintenance plans for the next five years. The proposals are under consideration of the bank and management expects a favourable outcome from these negotiations.

| | | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |

## 17 LONG TERM MORAHABA

| | | 2009 | 2008 |
|---|---|---|---|
| Balance at beginning of the year | | **9,886** | 9,762 |
| Obtained during the year | | | 1,331 |
| Adjustment | | **(4,580)** | 4,413 |
| Repaid during the year | | **(3,035)** | (5,620) |
| | | **2,271** | 9,886 |
| Less: Current maturity | 22 | **(1,012)** | (5,855) |
| | | **1,259** | 4,031 |

The Company has obtained car financing from commercial banks under long term morahaba arrangements. The aggregate cost price and purchase price amounted to Rs. NIL million (2008: Rs. 24.005 millions) and Rs. NIL million (2008:Rs. 31.021 millions) respectively .The Company accounts for cost of motor vehicles at the sales price which equals to fair value of vehicles; crediting corresponding morabaha liability.

The purchase prices are repayable by monthly equal installments over periods ranging from three to five years. Each installment contains a mark-up(difference between sale and purchase price ) which is accounted for at the effective borrowing rate and charge to the income for the period. The average effective borrowing rate was 8.5% to 10% (2008: 8.5% to 10%). The finance is secured by hypothecation of the purchased motor vehicles and personal guarantees of the Company's Chief Executive.

## 18 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

| | | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |
| Opening balance | | **8,656** | 10,197 |
| Obtained during the year | | **-** | - |
| Adjustment | | **529** | 2,574 |
| Paid during the year | | **(4,180)** | (4,115) |
| | | **5,005** | 8,656 |
| Less: Current maturity | 22 | **(3,636)** | (2,496) |
| | | **1,369** | 6,160 |

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | **Minimum lease payment** | **Present value** | **Minimum lease payment** | **Present value** |
| Within one year | 3,303 | 2,496 | 3,303 | 2,496 |
| After one year but not more than five years | 6,644 | 6,160 | 6,644 | 6,160 |
| Total minimum lease payments | 9,947 | 8,656 | 9,947 | 8,656 |
| Less: Future finance charges | (1,291) | - | (1,291) | - |
| Present value of minimum lease payments | 8,656 | 8,656 | 8,656 | 8,656 |
| Less: Current portion | | (440) | | (2,496) |
| | | **8,216** | | **6,160** |

**18.1** These represent finance lease entered into with leasing companies for motor vehicles. Rates of finance charges ranges from 8.60% to 12.3% (2008: 8.60% to 12.3%) per annum and are used as discounting factors. The lease terms are of 3 to 5 years.

**18.2** The company intends to exercise the option to purchase the leased assets upon completion of lease periods.

**18.3** Liabilities are secured against demand promissory notes and security deposits.

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |

## 19 DEFERRED LIABILITIES

| | Note | 2009 | 2008 |
|---|---|---|---|
| Deferred tax | 19.1 | **826,512** | 892,763 |
| Staff retirement benefits - gratuity fund | 19.2 | **18,022** | 18,167 |
| | | **844,534** | 910,930 |

**19.1** This comprise the tax effects of the following temporary differences:

| | 2009 | 2008 |
|---|---|---|
| Credit balances arising in respect of: | | |
| - accelerated tax depreciation allowances | **1,062,473** | 372,667 |
| - surplus on revaluation of fixed assets | - | 725,821 |
| | **1,062,473** | 1,098,488 |
| Deferred tax asset | | |
| - provision for minimum tax | - | - |
| - provision for gratuity | **(6,308)** | (6,358) |
| - unused tax losses | **(227,108)** | (192,354) |
| - provision for bad debts | - | - |
| - lease liability | **(479)** | (2,156) |
| - morahaba liability | **(441)** | (1,411) |
| - Current portion of morahaba and lease liabilities | **(1,627)** | (3,446) |
| | **(235,963)** | (205,725) |
| | **826,512** | 892,763 |
| **Movement for the year** | | |
| Balance at 01 July | **892,763** | 760,780 |
| Charge to income for the year | **(66,251)** | 131,983 |
| Balance at 30 June | **826,512** | 892,763 |

### 19.2 Staff retirement benefits - gratuity fund

| | 2009 | 2008 |
|---|---|---|
| **Movement in asset / (liability)** | | |
| Balance as at July 1, 2008 | **18,167** | 16,247 |
| Charge for the year | - | 3,214 |
| Contributions made | **(145)** | (1,294) |
| Liability as at June 30, 2009 | **18,022** | 18,167 |
| **Balance sheet reconciliation as at June 30** | | |
| Fair value of plan assets | - | - |
| Present value of obligations | **14,930** | 14,930 |
| Unrecognised actuarial gain | **3,092** | 3,237 |
| | **18,022** | 18,167 |

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |
| **Expense recognized** | | | |
| Current service cost | | **-** | 2,184 |
| Interest cost | | **-** | 1,175 |
| Expected return on plan assets | | **-** | - |
| Net actuarial gain recognized | | **-** | (145) |
| | | **-** | 3,214 |

**Key actuarial assumptions used are as follows:**

| | |
|---|---|
| Expected rate of return on investments (%) | **9** |
| Expected rate of increase in salaries (%) | **10** |
| Discount factor used (%) | **10** |

**Comparison for five years:**

| | **2009** | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|
| | Rupees '000 | | | | | |
| **Funded gratuity plan** | | | | | | |
| Present value of defined benefit obligation | (14,930) | (14,930) | (16,411) | (13,415) | (18,105) | (16,014) |
| Fair value of plan assets | - | - | 3,546 | 3,224 | 2,934 | 2,949 |
| Deficit | (14,930) | (14,930) | (12,865) | (10,191) | (15,171) | (13,065) |

## 20 TRADE AND OTHER PAYABLE

| | Note | 2009 | 2008 |
|---|---|---|---|
| **Trade creditors** | | | |
| Local creditors | | **27,776** | 23,239 |
| From associated companies | | | |
| Dadabhoy Hydrocarbon Limited | | **30,992** | 24,631 |
| Dadabhoy Sack Limited | | **20,842** | 20,355 |
| | | **51,834** | 44,986 |
| | | 79,609 | 68,225 |
| **Due to Related Parties-Unsecured** | | | |
| Dadabhoy Construction Technology Limited | | **1,721** | 898 |
| Leo (Pvt) Limited | | **5,282** | 5,282 |
| Due to directors | | **65,957** | 50,427 |
| | | **72,960** | 56,607 |
| Accrued liabilities | | **41,281** | 38,969 |
| Advance from customers | | **61,104** | 47,619 |
| Unclaimed dividend | | **566** | 566 |
| Deferred income | 17.1 & 17.2 | **138,311** | 138,311 |
| **Other liabilities** | | | |
| Royalty | | **4,962** | 4,962 |
| Sales tax | | **1,508** | 2,058 |
| Provident fund | | **1,633** | 1,633 |
| Workers' profit participation fund | 20.1 | **12,526** | 11,492 |
| Excise duty payable | | **138,713** | 130,844 |
| Special excise duty payable | | **254** | 254 |
| Tax deducted at source | | **15,089** | 14,631 |
| Book overdraft | | **2,206** | 2,206 |
| Others | | **110** | 80 |
| | | 177,002 | 168,160 |
| | | **570,832** | 518,457 |

The maximum aggregate amount due to related parties at the end of any month was Rs. 20.221 million (2008: Rs. 89.092) million.

| | | Note | 2009 | 2008 |
|---|---|---|---|---|
| **20.1** | **Workers' Profit Participation Fund** | | **(Rupees in '000')** | |
| | Balance at 01, July | | **11,492** | 23,072 |
| | Add: Allocation for the year | | **1,034** | 350 |
| | Less: Payments made during the year | | **-** | (13,726) |
| | Interest thereon | | **-** | 1,796 |
| | Balance at 30, June | | **12,526** | 11,492 |

## 21 SHORT TERM BORROWING-Secured

| | Note | 2009 | 2008 |
|---|---|---|---|
| | 8,800 | | |
| Packing credit from a bank | | **25,000** | 25,000 |
| | #DIV/0! | | |

The above facility was obtained from a a bank on a mark-up basis at the rate of 6 month KIBOR + 3 ( minimum 14% ).
The facility is secured by a Hypothecation of stock of cement to the extent of 34.0 million and equitable mortgage of factory land building and machinery of an associate company and personal guarantees of all directors.

## 22 CURRENT PORTION OF LONG TERM BORROWINGS

| | Note | 2009 | 2008 |
|---|---|---|---|
| Liabilities against assets subject to finance lease | 18 | **3,636** | 2,496 |
| Long term morahaba | 17 | **1,012** | 5,855 |
| Long term deposits | | **1,497** | 1,497 |
| | | **6,145** | 9,849 |

## 23 PROVISION FOR TAXATION

| | Note | 2009 | 2008 |
|---|---|---|---|
| As at 01, July | | **10,157** | 7,663 |
| Provided for the year | 33 | **-** | 2,491 |
| Adjusted against advance tax | | **(5,854)** | (5,852) |
| | | **4,303** | 4,302 |

## 24 CONTINGENCY AND COMMITMENT

**Contingencies**

**24.1** The company has filed a constitutional petition in the High Court of Sindh, Karachi against the demand of Rs 20.303 million on account of Central Excise Duty raised by Superintendent of Excise Nooriabad Circle on stock of clinker in hand as at 03 August, 1991. The company used the stock subsequently in cement produced and paid the duty on finished product. It paid an amount of Rs. 4.243 million against the demand under protest. Provision has been made in this respect in the financial statements of Rs. 1.328 million as a matter of prudence.

## 25 SALES - NET

| | Note | 2009 | 2008 |
|---|---|---|---|
| Local sales | | **44,403** | 521,561 |
| Export sales | 25.1 | **-** | 20,848 |
| | | **44,403** | 542,409 |
| Less: Sales tax | | **6,083** | 64,894 |
| Excise duty | | **8,289** | 98,930 |
| | | **14,373** | 163,824 |
| | | **30,030** | 378,585 |

| | | | 2009 | 2008 |
|---|---|---|---|---|
| 26 | **COST OF SALES** | **Note** | **(Rupees in '000')** | |
| | **Opening stock** | | | |
| | Raw material | | **2,149** | **1,644** |
| | Packing Material | | **589** | **1,641** |
| | | | **2,738** | **3,285** |
| | Purchases | | **19,238** | **57,029** |
| | | | **21,976** | **60,314** |
| | **Closing stock** | | | |
| | Raw material | | (15,488) | **(2,149)** |
| | Packing Material | | (3,750) | **(589)** |
| | | | **(19,238)** | **(2,738)** |
| | Raw and packing material consumed | | **2,738** | **57,576** |
| | Mining and other related costs | | 1,699 | **7,895** |
| | Stores and spares consumed | | 889 | **9,389** |
| | Fuel and power | | 9,888 | **217,660** |
| | Salaries, wages and other benefits | 26.1 | 1,366 | **20,936** |
| | Contract labour | | 25 | **10,018** |
| | Rent, rates and taxes | | - | **236** |
| | Security and protection | | 1,275 | **19** |
| | Inspection & testing | | 5 | **57** |
| | Fees and subscription | | 277 | **496** |
| | Repairs and maintenance | | 324 | **1,383** |
| | Depreciation/amortization | 4.1.1 | 3,140 | **37,689** |
| | Traveling and conveyance | | 2 | **273** |
| | Insurance | | - | - |
| | Telephone and telex | | 16 | **107** |
| | Vehicle running expenses | | 4 | **332** |
| | Printing and stationery | | - | **230** |
| | Entertainment | | 6 | **160** |
| | Cleaning | | - | **1,321** |
| | Others | | 193 | **260** |
| | Manufacturing costs incurred during the year | | **21,847** | **366,037** |
| | Work-in-process | | | |
| | Opening | | 53,338 | **57,025** |
| | Closing | | (23,415) | **(53,338)** |
| | | | **29,923** | **3,687** |
| | Cost of goods manufactured | | **51,770** | **369,724** |
| | Finished goods | | | |
| | Opening | | - | **2,752** |
| | Closing | | **(1,362)** | - |
| | | | **(1,362)** | **2,752** |
| | | | **50,408** | **372,476** |

**26.1** Included herein in a sum of Rs. NIL million (2008: Rs. 0.897) million charged in respect of staff retirement benefits.

| 27 | DISTRIBUTION COSTS | Note | 2009 | 2008 |
|---|---|---|---|---|
| | | | (Rupees in '000') | |
| | Salaries and other benefits | **27.1** | 1,044 | **5,877** |
| | Traveling and conveyance | | 40 | **284** |
| | Entertainment | | - | - |
| | Printing and stationery | | - | **25** |
| | Advertisement and publicity | | 14 | **252** |
| | Freight and cartage | | 15 | **7,069** |
| | Vehicle running expenses | | 187 | **382** |
| | Sales promotion | | 529 | **854** |
| | Telephone & telex | | - | **7** |
| | Others | | - | **200** |
| | | | **1,828** | **14,950** |

**27.1** Included herein is a sum of Rs NIL million (2008: Rs.0.252 million) charged in respect of staff retirement benefits.

**28 ADMINISTRATIVE EXPENSES**

| | | | |
|---|---|---|---|
| Salaries, wages and other benefits | | 19,853 | **48,223** |
| Directors remuneration | | 4,176 | **27,815** |
| Traveling and conveyance | | 359 | **5,005** |
| Rent, rates and taxes | | 4,722 | **960** |
| Printing and stationery | | 173 | **557** |
| Entertainment | | 169 | **518** |
| Utilities | | 3,175 | **5,240** |
| Telephone and telex | | 1,119 | **1,165** |
| Postage and telegram | | 75 | **364** |
| Repairs and maintenance | | 1,375 | **8,289** |
| Security and protection | | 663 | **127** |
| Legal and professional | | 5,017 | **2,225** |
| Depreciation/amortization | 4.1.1 | 16,091 | **3,104** |
| Insurance | | 177 | **367** |
| Fees and subscription | | 704 | **4,434** |
| Others | | 2,349 | **3,154** |
| Fines and penalties | | 8 | **-** |
| Lease rentals | | - | **3,811** |
| Vehicle running expenses | | 1,178 | **5,685** |
| | | **61,383** | **121,043** |

**28.1** Included herein is a sum of Rs. NIL million (2008: Rs. 2.066 million) charged in respect of staff retirement benefits.

| | | Note | 2009 | 2008 |
|---|---|---|---|---|
| | | | (Rupees in '000') | |
| **29** | **OTHER EXPENSES** | | | |
| | Auditors' remuneration | 29.1 | 912 | **875** |
| | Donations | 29.2 | 1 | **203** |
| | Workers profit participation fund | | - | **350** |
| | Trade debts written off | | - | - |
| | Other receivable written off | | - | - |
| | Provision against excise duty | | - | - |
| | | | **913** | **1,428** |

**29.1 Auditors' remuneration**

| | 2009 | 2008 |
|---|---|---|
| Audit fee | **590** | **590** |
| Half yearly review | **150** | **150** |
| Certificate on Code of Corporate Governance | **50** | **50** |
| Out of pocket expenses | **122** | **85** |
| | **912** | **875** |

**29.2** None of the directors or their spouses have any interest in any donee's fund to which donations were made.

**30 OTHER INCOME**

| | 2009 | 2008 |
|---|---|---|
| Return on bank deposits | - | **31** |
| Scrap sales | 21,882 | **42** |
| Site rent | - | - |
| Gain on sale of fixed assets | 8,579 | **1,766** |
| Others | 2,788 | **5,906** |
| | **33,249** | **7,745** |

**31 SHARE OF (LOSS)/ PROFIT OF ASSOCIATE**

| | 2009 | 2008 |
|---|---|---|
| Share of net (loss)/ profit for the year | 511 | **(954)** |
| Adjustment | - | - |
| | **511** | **(954)** |

**32 FINANCE COST**

| | 2009 | 2008 |
|---|---|---|
| Interest on short term borrowing | 6,365 | **1,088** |
| Interest on WPPF | 1,034 | **1,796** |
| Interest on finance lease liability | 264 | **1,757** |
| Bank charges | 113 | **1,263** |
| | **7,776** | **5,904** |

## 33 INCOME TAX

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |
| **Current** | 33.1 | | 2,491 |
| **Deferred** | 19.1 | (66,251) | 131,983 |
| | | (66,251) | 134,474 |

**33.1** Current Income tax charge represents minimum tax @ 0.5% of turnover for the year computed under Section 113 of the Income Tax Ordinance, 2001 due to taxable loss and tax deducted on export sales proceeds @ 1.0% being final tax liability.

## 34 (LOSS)/ EARNINGS PER SHARE - BASIC AND DILUTED

| | 2009 | 2008 |
|---|---|---|
| (Loss)/ profit after taxation | **6,711** | (264,899,317) |
| Weighted average number of outstanding ordinary shares | **982,366** | 89,530,213 |
| (Loss)/ earning per share - Basic | **0.01** | (2.96) |

There was no dilative effect on earnings per share in 2009 and 2008.

## 35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged for the year are as follows :

| | Chief Executive | | Directors | | Executives | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | Rupees'000 | | | | | |
| Managerial remuneration | - | - | - | 22,654 | - | 8,803 |
| Conveyance and utilities | - | - | **4,176** | 5,161 | - | 2,515 |
| Medical expenses | - | - | - | - | - | 1,258 |
| | - | - | **4,176** | 27,815 | - | 12,576 |
| Numbers of person(s) | - | - | **7** | 7 | **4** | 24 |

**35.1** Working Directors and certain Executives are also provided with free use of Company's owned and maintained cars. They are also entitled for leave fare assistance, free medical cover for self and family and other benefits as per company's rules.

## 36 CAPACITY - Cement all kind

| | **2009** | 2008 |
|---|---|---|
| | M. Tonnes | |
| Installed capacity | **598,000** | 598,000 |
| Production | **8,800** | 134,215 |
| | **1%** | 22% |

**36.1** Due to frequent closure of plant for repair and raw material problem, the production during the year decreased significantly.

## 37 TRANSACTIONS WITH RELATED PARTIES

( Rupees.'000')

| | Subsidiary company | | Associated company | | Other related parties | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Purchase of electricity | 9,336 | 142,368 | - | - | - | - |
| Purchase of goods | 25,665 | 166,567 | 3,750 | 47,500 | - | 162,155 |
| Payment against purchases | - | - | - | 39,322 | 1,720 | 134,482 |
| Payments on behalf | - | 42,080 | - | 4,618 | - | 5,175 |
| Investment in share capital | - | - | - | - | - | 12,000 |
| Issue right shares | - | - | - | - | - | 439,997 |
| Funds received | - | - | - | - | 377 | 38,927 |

**37.1** The transactions with associated and subsidiary companies are made at arm's length value under normal commercial terms and conditions.

**37.2** There are no transactions with key management personnel other than under the term of employment.

**37.3** Outstanding balances with related parties as at year end have been included in their respective notes to the financial statements.

## 38 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, the following table indicate their effective interest / mark-up rates at the balance sheet date.

| Description | Rate of markup | 2009 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Interest / Mark-up bearing | | | Non Interest / Mark-up bearing | | | Total |
| | | Maturity up to one year | Maturity after one year | Sub Total | Maturity up to one year | Maturity after one year | Sub Total | |
| **Financial Assets** | | | | | | | | |
| Long-term investments | | - | - | - | - | 207,597 | 207,597 | 207,597 |
| Long term deposits | | - | - | - | - | 2,724 | 2,724 | 2,724 |
| Loans and advances | | - | - | - | 30 | 42 | 72 | 72 |
| Bank balances | 4.75% | 1 | - | 1 | 2,054 | - | 2,054 | 2,055 |
| | | 1 | - | 1 | 2,084 | 210,363 | 212,447 | 212,448 |
| **Financial Liabilities** | | | | | | | | |
| Long-term finance | 6 month KIBOR + 2.5% 11% | - | 600,000 | 600,000 | - | - | - | 600,000 |
| Long-term morahaba | | - | 1,259 | 1,259 | - | - | - | 1,259 |
| Liabilities against assets subject to finance lease | 8.60% to 12.30% | - | 1,369 | 1,369 | - | - | - | 1,369 |
| Long-term deposits | | - | - | - | - | - | - | - |
| Trade and other payables | | - | - | - | 415,268 | - | 415,268 | 415,268 |
| Short term borrowing | 6 month KIBOR + 3% (minimum 14%) | 25,000 | - | 25,000 | - | - | - | 25,000 |
| | | 25,000 | 602,628 | 627,628 | 415,268 | - | 415,268 | 1,042,896 |
| Balance sheet gap | | (24,999) | - | (627,627) | (413,184) | 210,363 | (202,821) | (830,448) |

| Description | Rate of markup | 2008 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Interest / Mark-up bearing | | | Non Interest / Mark-up bearing | | | Total |
| | | Maturity up to one year | Maturity after one | Sub Total | Maturity up to one year | Maturity after one | Sub Total | |
| **Financial Assets** | | | | | | | | |
| Long-term investments | | - | - | - | - | 208,108 | 208,108 | 208,108 |
| Long term deposits | | - | - | - | - | 7,781 | 7,781 | 7,781 |
| Loans and advances | | - | - | - | 18 | 49 | 67 | 67 |
| Bank balances | 4.75% | 5 | - | 5 | 9,205 | - | 9,205 | 9,210 |
| | | 5 | - | 5 | 9,223 | 215,937 | 225,160 | 225,165 |
| **Financial Liabilities** | | | | | | | | |
| Long-term finance | 6 month KIBOR + 2.5% 11% | - | 600,000 | 600,000 | - | - | - | 600,000 |
| Long-term morahaba | | - | 4,031 | 4,031 | - | - | - | 4,031 |
| Liabilities against assets subject to finance lease | 8.60% to 12.30% | - | 6,160 | 6,160 | - | - | - | 6,160 |
| Long-term deposits | | - | - | - | - | - | - | - |
| Short term borrowing | 6 month KIBOR + 3% (minimum 14%) | 25,000 | - | 25,000 | - | - | - | 25,000 |
| Trade and other payables | | - | - | - | 118,815 | - | 118,815 | 118,815 |
| | | 25,000 | 610,191 | 635,191 | 118,815 | - | 118,815 | 754,006 |
| Balance sheet gap | | (24,995) | - | (635,187) | (109,592) | 215,937 | 106,345 | (528,842) |

## 38.1 Financial risk management objectives

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk. Taken as a whole, risk arising from the company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

### 39.1.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter party fails completely to perform as contracted without taking into account the fair value of any collateral. To manage exposure of credit risk, the company applies credit limits to its customers and ensures that sale of products are made to customer with appropriate credit history.

Concentration of credit risk arise when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political and other conditions. Concentration or credit risk indicate the relative sensivity of the company's performance to developments affecting a particular industry.

All the financial assets of the company are exposed to credit risk. The company believes that it is not exposed to major concentration of credit risk. The company seeks to minimize the credit risk exposure through having exposure only to customers considered credit worthy, obtaining securities where applicable and make provision against those balances considered doubtful of recovery.

### 39.1.2 Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and contracting floor and cap of interest rates as referred to in note 17.

### 39.1.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The company, where considered necessary, uses forward contracts and foreign currency options against payables exposed to foreign currency risks.

### 39.1.4 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

### 38.2 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities reflected in the financial statements approximates their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

### 38.3 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratio, strong credit rating and optimal capital structures in order to ensure ample availability of finance for existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The company manages its capital structure and make adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return the capital to shareholders or issue new shares. No changes were made in the objectives, policy or processes during the year ended June 30, 2009.

The company monitors capital using a gearing ratio, which is net debt dividend by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debts.

During the year, the company's strategy was to minimize leveraged gearing. The gearing ratios as at June 30, 2008 and 2007 were as follows:

| | **2009** | **2008** |
|---|---|---|
| | **(Rupees in '000')** | |
| Long term financing | **600,000** | 600,000 |
| Trade and other payables | **570,832** | 518,457 |
| Long term Morahaba | **1,259** | 4,031 |
| Liabilities against assets subject to finance lease | **1,369** | 6,160 |
| Current portion of long term finance | **6,145** | 9,849 |
| Current portion of long term Morahaba | **-** | 5,855 |
| Liabilities against assets subject to finance lease | **-** | 2,496 |
| Short term borrowing-Packing facility | **25,000** | 25,000 |
| Total debt | **1,204,605** | 1,171,847 |
| Cash and bank balances | **2,055** | 9,210 |
| Net debt | **1,202,550** | 1,162,638 |
| Share capital | **982,366** | 982,366 |
| Reserves | **(427,528)** | (424,881) |
| **Equity** | **554,838** | 557,485 |
| **Capital** | **1,757,388** | 1,720,123 |
| **Gearing Ratio** | **68%** | 68% |

The company finances its expansion projects through equity, borrowing and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimze risk. A significant decline in the gearing ratio during 2008 resulted primarily from the issue of right shares (note 13) with a view to finance the company's long term investment strategy for sustaining competitive advantage.

## 39 ACCOUNTING ESTIMATES AND JUDGMENTS

### 39.1 Staff Retirement Benefits

Certain actuarial assumptions have been adopted as disclosed in Note 2.4 to the financial statement for valuation of present value of defined obligations and fair value of plan assets any changes in these assumptions in future years might effect gains and and losses in those years.

### 39.2 Property, Plant and Equipment

The company's management estimates useful life and related depreciation charge for its plant and equipment. The company 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 amount of the respective items of the property, plant and equipment with a corresponding effect on the depreciation charged and impairment.

### 39.3 Classification of investments

The management has utilized its judgments in respect of classification of investment as disclosed in note 2.10 of the financial statements. Any change in such judgment might materially affect the accounting policy applied in respect of such investments.

### 39.4 Income Taxes

In making the estimates for income taxes currently payable by the company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

## 40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors in the meeting held on ________________..

## 41 GENERAL

- Figures have been rounded off to the nearest thousand of rupees unless stated otherwise.

## 42 CORRESPONDING FIGURES

- Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison.

CHIEF EXECUTIVE

DIRECTOR

FORM 34

THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464).

PATTERN OF SHAREHOLDING

1. Incorporation Number ______________________

2. Name of the Company DADABHOY CEMENT IND. LIMITED

3. Pattern of holding of the shares held by the shareholders as at 30-JUN-08

| No. of Shareholders | Shareholdings | | | | | Total Shares Held |
|---|---|---|---|---|---|---|
| 566 | Shareholding | From | 1 | To | 100 | 35,303 |
| 1886 | Shareholding | From | 101 | To | 500 | 801,557 |
| 1204 | Shareholding | From | 501 | To | 1000 | 995,343 |
| 779 | Shareholding | From | 1001 | To | 5000 | 2,023,621 |
| 184 | Shareholding | From | 5001 | To | 10000 | 1,478,238 |
| 49 | Shareholding | From | 10001 | To | 15000 | 636,020 |
| 38 | Shareholding | From | 15001 | To | 20000 | 698,422 |
| 21 | Shareholding | From | 20001 | To | 25000 | 490,300 |
| 16 | Shareholding | From | 25001 | To | 30000 | 463,882 |
| 9 | Shareholding | From | 30001 | To | 35000 | 293,500 |
| 6 | Shareholding | From | 35001 | To | 40000 | 233,050 |
| 3 | Shareholding | From | 40001 | To | 45000 | 124,300 |
| 6 | Shareholding | From | 45001 | To | 50000 | 298,000 |
| 7 | Shareholding | From | 50001 | To | 55000 | 365,550 |
| 3 | Shareholding | From | 55001 | To | 60000 | 172,500 |
| 4 | Shareholding | From | 60001 | To | 65000 | 250,180 |
| 1 | Shareholding | From | 65001 | To | 70000 | 69,880 |
| 2 | Shareholding | From | 70001 | To | 75000 | 145,500 |
| 3 | Shareholding | From | 75001 | To | 80000 | 233,000 |
| 4 | Shareholding | From | 85001 | To | 90000 | 352,000 |
| 1 | Shareholding | From | 90001 | To | 95000 | 93,200 |
| 3 | Shareholding | From | 95001 | To | 100000 | 296,500 |
| 2 | Shareholding | From | 105001 | To | 110000 | 214,000 |
| 3 | Shareholding | From | 115001 | To | 120000 | 346,950 |
| 1 | Shareholding | From | 120001 | To | 125000 | 123,024 |
| 1 | Shareholding | From | 125001 | To | 130000 | 130,000 |
| 2 | Shareholding | From | 165001 | To | 170000 | 332,670 |

| No. of Shareholders | Shareholdings | | | | Total Shares Held |
|---|---|---|---|---|---|
| 1 | Shareholding From | 180001 | To | 185000 | 184,314 |
| 1 | Shareholding From | 185001 | To | 190000 | 186,000 |
| 1 | Shareholding From | 220001 | To | 225000 | 220,531 |
| 2 | Shareholding From | 245001 | To | 250000 | 500,000 |
| 1 | Shareholding From | 295001 | To | 300000 | 299,900 |
| 1 | Shareholding From | 395001 | To | 400000 | 400,000 |
| 1 | Shareholding From | 490001 | To | 495000 | 490,500 |
| 1 | Shareholding From | 560001 | To | 565000 | 564,618 |
| 1 | Shareholding From | 580001 | To | 585000 | 582,911 |
| 1 | Shareholding From | 1085001 | To | 1090000 | 1,090,000 |
| 1 | Shareholding From | 2350001 | To | 2355000 | 2,353,015 |
| 1 | Shareholding From | 4960001 | To | 4965000 | 4,962,778 |
| 1 | Shareholding From | 5000001 | To | 5005000 | 5,004,500 |
| 1 | Shareholding From | 7760001 | To | 7765000 | 7,762,657 |
| 1 | Shareholding From | 61935001 | To | 61940000 | 61,938,455 |
| 4,820 | | | | | 98,236,669 |

DADABHOY CEMENT INDUSTRIES LIMITED

**INFORMATION AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE**

**AS ON June 30, 2009**

| Catagories of Shareholders | No. of Shareholders | Shares Held |
|---|---|---|
| **DIRECTORS** | | |
| Mr. Mohammad Hussain Dadabhoy | 1 | 1,568 |
| Mr. Mohammad Amin Dadabhoy | 1 | 1,042,092 |
| Mr. Fazal Karim Dadabhoy | 1 | 938,349 |
| Mrs. Yasmeen Dadabhoy | 1 | 244,314 |
| Mrs. Noor Bakht Dadabhoy | 1 | 1,568 |
| Mr.Nasimuddin | 1 | 1,232 |
| Syed Naseem Ahmed | 1 | 1,568 |
| Individuals | 4,730 | 15,573,472 |
| Others | 66 | 6,122,582 |
| Investment Companies | 1 | 116,250 |
| Insurance Companies | 5 | 104,200 |
| Joint Stock Companies | 2 | 71,069,815 |
| Banks, DFIS, NBFIS Etc. | 12 | 5,242,850 |
| Foreign Companies | 4 | 7,500 |

**C A T E G O R I E S  OF  S H A R E  H O L D E R S**

| Catagories of Shareholders | No. of Shareholders | Shares Held | Percentage % |
|---|---|---|---|
| Individuals | 4,730 | 15,573,472 | 15.85 |
| Others | 66 | 6,122,582 | 6.23 |
| Investment Companies | 1 | 116,250 | 0.12 |
| Insurance Companies | 5 | 104,200 | 0.11 |
| Joint Stock Companies | 2 | 71,069,815 | 72.35 |
| Financial Institutions/Banks/DFI | 12 | 5,242,850 | 5.33 |
| Foreign Companies | 4 | 7,500 | 0.01 |
| | 4,820 | 98,236,669 | 100.00 |

# DADABHOY CEMENT INDUSTRIES LIMITED
# CONSOLIDATED FINANCIAL STATEMENTS
# FOR THE YEAR ENDED
# JUNE 30, 2009

A.R.KHAN & COMPANY
CHARTERED ACCOUNTANTS

Phone Off: 32437244
7011755
Fax 32416679
e-mail arkcapk@yahoo.com

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Dadabhoy Cement Industries Ltd (the holding company) and its subsidiary** as at June 30, 2009 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also express separate opinion on the financial statements of Dadabhoy Cement Industries Limited and its subsidiary company, and 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, except as discussed in Para 2 below.

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 above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

1. During the year, the company continued the negotiation with the banks and has not yet reached to any agreement. The existing long term and short term liabilities are already overdue and is payable immediately as per bank letter No.Accounts/Bill/DCIL/2009 dated; June 26, 2009 (Management has reservation with loan amount and applied for recalculation as per letter dated: July 07, 2009). Moreover, production has been stopped since August 2008 due to unavailability of working capital. These events indicate a material uncertainty which cast significant doubt on the Company's ability to be continued as a going concern. The financial statements do not disclose this fact and have been prepared on going concern basis based on the favorable outcome of the proposals of management as given in note 16.2.3.

2. Despite various reminders we did not receive direct confirmations from various banks.

Continued Page 2

A.R.KHAN & COMPANY
CHARTERED ACCOUNTANTS

Phone Off: 32437244
7011755
Fax 32416679
e-mail arkcapk@yahoo.com



(i) Except for the matters discussed in paragraph 1 & 2 above in our opinion the consolidated financial statements examined by us present fairly the financial position of Dadabhoy Cement Industries Limited and its subsidiary company as at June 30, 2008 and the results of their operations for the year ended June 30,2008.

The Financial Statements of the company for the year ended 30.6.2008 were audited by another firm of Chartered Accountants. Without qualifying their opinion, they draw attention to note 2 and 18.2.3 to the financial statements, which fully describe the matters respectively.

1. The auditor draw the attention of the members towards company's ability to meet its current and long term liabilities and continuation of its operation which is contingent on the availability of continued financial support from its directors and others and successful implementation of the plans in note 2 to the financial statements.

2. The auditor also diverted the attention to the fact that 'should the settlement process with the National Bank of Pakistan abandoned, the entire liability before any adjustment, would become due for payments by the company.

Karachi
Dated

A.R.KHAN & COMPANY
CHARTERED ACCOUNTANT S
Engagement Partner: Maqsood Raza
FCA

Suite # 33-A 6th Floor Arkay Square (Ext) Shahra-e-Liaquat , Karachi

# DADABHOY CEMENT INDUSTRIES LIMITED
## CONSOLIDATED BALANCE SHEET
## AS AT JUNE 30, 2009

| | Note | 2009 | 2008 |
|---|---|---|---|
| **ASSETS** | | (Rupees in '000') | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 5 | 4,097,011 | 4,253,045 |
| Intangible assets | 6 | 54 | 352 |
| Long term investments | 7 | 2,597 | 3,108 |
| Long term loans and advances | 8 | 42 | 268 |
| Long term deposits | | 2,727 | 7,784 |
| Goodwill | | 7,562 | 9,453 |
| | | 4,109,993 | 4,274,010 |
| **Current Assets** | | | |
| Stores, spares parts and loose tools | 9 | 267,344 | 267,550 |
| Stock-in-trade | 10 | 44,221 | 56,076 |
| Trade debts | 11 | 861 | - |
| Loans and advances | 12 | 25,020 | 17,573 |
| Short term prepayments | | - | 74 |
| Other receivables | 13 | 4,257 | 4,694 |
| Bank balances | 14 | 2,143 | 9,298 |
| | | 343,846 | 355,265 |
| **Total Assets** | | 4,453,839 | 4,629,275 |
| **EQUITY AND LIABILITIES** | | | |
| Authorised Capital | | | |
| 150,000,000(2007: 150,000,000) Ordinary shares of Rs. 10 each | | 1,500,000 | 1,500,000 |
| Issued, subscribed and paid up capital | 15 | 982,366 | 982,366 |
| Accumulated losses | | (461,470) | (419,395) |
| Capital reserve | | 33,224 | 33,224 |
| | | 554,120 | 596,195 |
| Minority Interest | | 74,186 | 75,495 |
| | | 628,306 | 671,690 |
| **Surplus on revaluation of fixed assets** | 16 | 1,462,918 | 1,535,607 |
| **Non Current Liabilities** | | | |
| Long term financing | 17 | 740,703 | 740,703 |
| Long term morahaba | 18 | 1,259 | 4,031 |
| Liabilities against assets subject to finance lease | 19 | 1,369 | 6,160 |
| Deferred liabilities | 20 | 922,372 | 988,768 |
| | | 1,665,703 | 1,739,662 |
| **Current Liabilities** | | | |
| Trade and other payables | 21 | 609,622 | 591,324 |
| Short term borrowing-secured | 22 | 25,000 | 25,000 |
| Current portion of long term borrowings and deposits | 23 | 57,987 | 61,690 |
| Provision for income tax | 24 | 4,303 | 4,302 |
| | | 696,912 | 682,316 |
| **Contingency and Commitment** | 25 | - | - |
| | | 4,453,839 | 4,629,275 |

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

CHIEF EXECUTIVE

DIRECTOR

# DADABHOY CEMENT INDUSTRIES LIMITED
# CONSOLIDATED PROFIT AND LOSS ACCOUNT
# FOR THE YEAR ENDED JUNE 30, 2009

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |
| Sales - Net | 26 | 30,030 | 378,738 |
| Cost of sales | 27 | (66,737) | (405,354) |
| Gross profit | | (36,707) | (26,616) |
| Distribution costs | 28 | (1,828) | (15,313) |
| Administrative expenses | 29 | (75,984) | (140,440) |
| Other expenses | 30 | (1,033) | (1,210) |
| Other income | 31 | 33,249 | 7,745 |
| Share of (loss)/ profit of associate | 32 | (511) | (954) |
| | | (82,813) | (176,788) |
| Financial cost | 33 | (7,777) | (39,372) |
| Workers profit participation fund | | - | (350) |
| Amortization of Goodwill | | (1,891) | (5,607) |
| (loss)/ profit before taxation | | (92,481) | (222,117) |
| Income tax | 34 | 66,251 | (134,474) |
| **(Loss) / profit after taxation** | | (26,230) | (356,591) |
| Profit Attributable to: | | | |
| Holding Company | | (24,922) | (338,799) |
| Minority Interest | | (1,309) | (17,792) |
| | | (26,230) | (356,591) |
| (loss)/ earnings per share - Basic and diluted (Rupees) | 35 | (0.03) | (3.98) |

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

CHIEF EXECUTIVE

DIRECTOR

**DADABHOY CEMENT INDUSTRIES LIMITED**
**CONSOLIDATED CASH FLOW STATEMENT**
**FOR THE YEAR ENDED JUNE 30, 2009**

| | 2009 | 2008 |
|---|---|---|
| | (Rupees in '000') | |
| **Cash flows from operating activities** | | |
| (loss)/ profit before taxation | (92,481) | (222,117) |
| **Adjustments:** | | |
| Depreciation | 24,375 | 51,293 |
| Amortization of computer software | 298 | 2,081 |
| Liability no more payable written back | - | - |
| Other income | - | - |
| Gain on proceeds of motor vehicle | (8,579) | (1,766) |
| Share of loss/ (profit) of associate | 511 | 954 |
| Financial charges | 7,777 | 39,372 |
| Provision for staff gratuity | - | 4,969 |
| Goodwill Written off | 1,891 | 5,607 |
| Provision for WPPF | 1,034 | (350) |
| Prior year adjustment | (8,869) | - |
| **Operating cash flows before working capital changes** | (74,043) | (119,957) |
| **(Increase) / decrease in current assets** | | |
| Stores spares and loose tools | - | (72,964) |
| Stock in trade | 12,062 | 7,609 |
| Trade debts | (861) | 444 |
| Loans and advances | (23,014) | (3,247) |
| Short term prepayments | - | 2,258 |
| Other receivables | 38 | 741 |
| | (11,775) | (65,159) |
| **Increase / (decrease) in current liabilities** | | |
| Trade and other payable | 79,682 | 145,093 |
| Cash generated from operations | (6,136) | (40,023) |
| Taxes paid | - | (5,852) |
| Gratuity paid | (145) | (1,294) |
| Financial charges paid | (7,777) | (39,372) |
| | (14,059) | (86,541) |
| **Cash flows from investing activities** | | |
| Capital expenditure | - | (33,558) |
| Proceeds from sales of fixed assets | 13,105 | 2,110 |
| Investment | - | - |
| Long-term loans and advances | 7 | (80) |
| Long term deposits | 5,057 | 182 |
| Net cash used in investing activities | 18,169 | (31,346) |
| **Cash flows from financing activities** | | |
| Advance against issue of right shares | - | - |
| Proceeds from issue of share capital | - | 115,722 |
| Repayments of long term finance | - | (50,000) |
| Long-term loan obtained | - | 25,000 |
| Deposits from dealers | - | - |
| Due to related parties | - | 39,810 |
| Payments of long term morahaba | (11,266) | (4,290) |
| Payments lease finance installments | - | (4,116) |
| Net cash outflow from financing activities | (11,266) | 122,126 |
| Net increase/ (decrease) in cash and cash equivalents | (7,155) | 4,239 |
| Cash and cash equivalents at beginning of the year | 9,298 | 5,059 |
| Cash and cash equivalents at end of the year | 2,143 | 9,298 |

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

CHIEF EXECUTIVE

DIRECTOR

**DADABHOY CEMENT INDUSTRIES LIMITED**
**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED JUNE 30, 2009**

| | Share Capital | Capital Reserve | Accumulated losses | Total |
|---|---|---|---|---|
| | ← | Rupees '000 | | → |
| Balance at Jul 01, 2008 | 438,557 | 33,224 | (96,200) | 375,581 |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation | - | - | 15,505 | 15,505 |
| Share of associate's incremental depreciation | - | - | 99 | 99 |
| Loss after taxation for the year 2008 | - | - | (338,799) | (338,799) |
| Total loss recognised for the year | - | - | (323,195) | (323,195) |
| Issue of 54,380,944 shares of Rs.10 each | 543,809 | - | - | 543,809 |
| prior year adjustment | | | (21,120) | |
| **Balance at June 30, 2008** | 982,366 | 33,224 | (440,515) | 596,195 |
| **Change in equity for the year 2009** | | | | |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation | - | - | 3,966 | 3,966 |
| Share of associate's incremental depreciation | - | - | - | - |
| Loss after taxation for the year 2008 | - | - | (24,922) | (24,922) |
| Total loss recognised for the year | - | - | (20,956) | (20,956) |
| **Balance at June 30, 2009** | 982,366 | 33,224 | (461,470) | 575,239 |

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

**CHIEF EXECUTIVE** **DIRECTOR**

**DADABHOY CEMENT INDUSTRIES LIMITED**
**CONSOLIDATED NOTES TO THE ACCOUNTS**
**FOR THE YEAR ENDED JUNE 30, 2009**

## 1 STATUS AND NATURE OF BUSINESS

Dadabhoy Cement Industries Limited was incorporated on 09 August 1979 as a public limited company with its Registered Office situated at C-30/II, 24th Commercial Street, Phase 2 (Ext). D.H.A, Karachi and is listed on all the Stock Exchan

## 2 GOING CONCERN BASIS

The directors have taken several positive steps to boost production and sales, this includes successful negotiation

with the lender of long term finances (see note 18.2.3) and arrangement with other banks for financing export

sales. Consequently, the comp

Given the continuous upward trend in the cement industry, the company expects to achieve its full production

capacity (600,000 tons) within first year of operations and generate enough cash flows, mainly through export

sales and supplemented by a favorabl

## 3 BASIS OF CONSOLIDATION

The Consolidated Financial Statement conclude the financial statement of Dadabhoy Cement Industries Limited

and its Subsidiary Dadabhoy Energy Supply Company Limited. The Financial Statements of the parent and the

subsidiary companies are prepared up to t

All inter-company balances, transactions and resulting unrealized profits, if any, are eliminated .

Minority interest is calculated on the basis of their proportionate share 27.74 % in the net assets of the subsidiary company.

## 4 SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Statement of compliance

These Financial Statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan

### 4.2 Accounting standards, amendments and interpretations effective in 2009

Amendments to IAS 1 Presentations of Financial Statements - Capital Disclosures is mandatory for the company's accounting periods beginning on or after January 1, 2007. It introduces new disclosures relating to Company's objectives, policies and processes

The other new standards, amendments and interpretations are considered not relevant or
have any significant effect to the company's financial statements.

Following amendments to approved accounting standards and interpretations have been published that are mandatory for the company's accounting periods beginning on the dates
mentioned below:

| Standard or Interpretation | Effective date (accounting period beginning on or after) |
|---|---|
| IAS 1 - Presentation of Financial Statements (Revised) | January 1, 2009 |
| IAS 23 - Borrowing Cost (Revised) | January 1, 2009 |
| IAS 27 - Consolidated and separate Financial Statements (Revised) | January 1, 2009 |
| IFRS 3 - Business Combination (Revised) | January 1, 2009 |
| IFRS 7 - Financial Instruments : Disclosure | July 1, 2008 |
| IFRS 8 - Operating segments | January 1, 2009 |
| IFRIC 12 - Service Concession Arrangements | January 1, 2009 |
| IFRIC 14 - The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interactions | January 1, 2008 |

**4.3 Accounting Convention**

These financial statements have been prepared under the "historical cost convention" except for free hold land, building on free hold land, plant and machinery, quarry equipments and motor vehicles which are stated at revalued amounts and measurement of c

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make the judgment, estimates and assumptions that affect the application of policies and the reported amounts o

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 as is of making judgments about the carrying values of assets a

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 futu

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

**4.4 Staff retirement benefits ( Defined Benefit Plan)**

The company operates an approved defined gratuity fund for all of its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on actuarial recommendations. The most recent actu

**4.5 Taxation**

**Current:**

Provision for current taxation is base on taxable income at the current rates of taxation or based on turnover at the specified rates whichever is higher, after taking into account tax credits and rebates available and effect of tax on income falling unde

**Deferred:**

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losse

Deferred income tax assets and liabilities are measured at the rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet da

## 4.6 Property, Plant and Equipment

**Owned**

Fixed assets are stated at cost including exchange differences arising on acquisition or revalued amounts less accumulated depreciation and impairment loses if any except for freehold land and capital work-in-progress which are stated at revalued amount a

Depreciation on additions is charged from the month the assets is put to use while depreciation on disposals is charged up to the month of disposals.

The surplus on revaluation of fixed assets is reversed to the extent of incremental depreciation and is transferred to accumulated loss.

Gains and losses on sale of fixed assets are included in income currently ,except that is related to surplus on revaluation of fixed assets (net of deferred taxation ), is transferred directly to accumulated loss.

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

**Leased**

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets acquired on lease. The outstanding obligations under the lease less finance charges allocated to future periods are shown as l

**Capital work in progress:**

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

## 4.7 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized on a straight line basis over their estimated useful lives.

## 4.8 Amortization of good will

Goodwill is amortized on a straight line basis over five years.

## 4.9 Impairment

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. Impairment loss is recognized in Profit and

**4.10 Financial Instruments**

The particular recognition methods adopted by the company are disclosed in the individual policy statement associated with each item of financial instruments.

**Financial assets**

Financial assets are initially recognized at their cost which is the fair value of the consideration given for them at the time when the Company becomes a party to the contractual provisions of the instruments and subsequent to initial recognition, financ

A 'regular way' purchase or sale of financial asset is recognized using trade date accounting.

**Financial liabilities**

All financial liabilities are initially recognized at cost which is the fair value of consideration received at the time when the Company becomes a party to the contractual provisions of the instruments. After initial recognition, financial liabilities ar

**Off-setting financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when the Company has a legally enforceable right to set off the recognized amounts or intend either to settle on net basis or to realize the a

**De- recognition**

Financial assets are de-recognized when the Company looses control of the contractual rights that comprise the Financial liabilities are de-recognized when they are extinguished; that is, when the obligation specified in the contract is discharged, cancel

**Recognition of gains / (losses)**

Gains or losses, if any, on realization or settlement/ subsequent measurement and de recognition of financial assets and liabilities are included in net profit and loss in the period in which it arises.

**Impairment/ un-collectibility of financial assets**

An assessment is made at each balance sheet date to determine whether there is an evidence that the financial asset or the group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of the assets is determined and

**4.11 Investments**

**In Associates**

These represents investments in shares of companies that are directly or indirectly controlled by, or are under common control of DCIL or in which a substantive interest in the voting power is owned, directly or indirectly by the directors of DCIL.

Investment in associate is accounted for using the equity method whereby investment is carried in the balance sheet at cost as adjusted by the post-acquisition changes in the company's share of net assets of the associate less any impairment in the value

**4.12 Stores, spares and loose tools**

These are valued at moving average cost. Items in transit and in bonded warehouse are valued at cost comprising invoice value plus other charges paid thereon up to the date of balance sheet.

### 4.13 Stock-in-trade

Stock of raw materials, ecept for those in transit work-in-process and finished goods are value pricipally at the lower of average cost and net realisable value. Stock of packing material is valued principally at moving average cost. Cost of work in proce

Material in transit are stated at cost comprising invoice value plus other charges paid thereon.

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

### 4.14 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful receivable balances. Bad Debts are written off when identified.

### 4.15 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the value of the consideration to be paid in future for goods and services.

### 4.16 Borrowing costs

Borrowing costs are charged to profit and loss account in the year when they are incurred, except to the extent that they are directly attributable to the construction of a qualifying assets in which case they are capitalized as part of the cost of that a

### 4.17 Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the rates of exchange ruling on the date of transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the balance sheet date. Exchange diffe

### 4.18 Revenue recognition

**Sales** are recorded on dispatch of goods to customers.

**Dividend income** is accounted for when the right to receive the dividend is established.

**Return on term deposit** and saving accounts is accounted for on an accrual basis.

### 4.19 Provisions

Provisions are recognized when the company has a present obligation as a result of past event, which it is probable will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

### 4.20 Transactions with related parties

Transactions with related parties are based on the policy that all transactions between the Company and the related parties are carried out at arm's length. These prices are determined in accordance with the methods prescribed in the Companies Ordinance,

### 4.21 Cash and cash equivalents

Cash and Cash Equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash-in-hand, bonds, current and deposit accounts with banks / financial institutions net of running finance und

### 4.22 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the company's functional currency. All financial information is stated in Pak Rupees.

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |

## 5. PROPERTY, PLANT AND EQUIPMENT

| | Note | 2009 | 2008 |
|---|---|---|---|
| Tangible fixed assets | 5.1 | **4,086,371** | 4,242,405 |
| Capital work-in-progress | 5.2 | **10,640** | 10,640 |
| | | **4,097,011** | 4,253,045 |

### 5.1 Tangible fixed assets

TANGIBLE FIXED ASSETS (RS '000')

| PARTICULARS | COST 07/01/08 | Addition/ (Deletion) | Revaluation/ (Devaluation) | Addition/ | 30/06/09 | | DEPRECIATION 07/01/08 | Adjustment | Adjustment | For the year | 30/06/09 | Written Down Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Free hold land | 352,200 | - | | | 352,200 | | - | - | | - | | 352,200 |
| Building on free hold land | 398,275 | - | | | 398,275 | 2.50% | 25,912 | - | | 12,244 | 38,156 | 360,119 |
| Roads and pavement | 15,000 | - | | | 15,000 | 2.50% | 375 | - | | 375 | 750 | 14,250 |
| Plant and Machinary | 2,705,226 | - | | | 2,705,226 | Upm | 19,510 | 42,226 | | 2,971 | 64,707 | 2,640,519 |
| Query Equipment | 134,574 | - | | | 134,574 | Upm | 44,988 | 79,417 | | 169 | 124,574 | 10,000 |
| Generators | 751,192 | | | | 751,192 | | 62,465 | | | 688 | 63,153 | 688,039 |
| Electric Installations | 7,385 | | | | 7,385 | | 4,628 | | | 276 | 4,904 | 2,481 |
| Furniture & fixture | 11,578 | - | | | 11,578 | 10% | 8,494 | - | | 1,113 | 9,607 | 1,971 |
| Other equipment | 50,002 | - | | | 50,002 | 10% | 29,926 | - | | 4,978 | 34,904 | 15,098 |
| Computer & Accessories | 430 | - | | | 430 | | 262 | | | 55 | 317 | 113 |
| Motor vehicle | 36,159 | (3,721) | | 6,679 | 39,117 | 20% | 36,159 | (3,721) | 5,343 | 1,336 | 39,117 | - |
| | 4,462,020 | (3,721) | - | 6,679 | 4,464,978 | | 232,718 | 117,922 | 5,343 | 24,205 | 380,188 | 4,084,790 |
| Lease vehicle | 37,809 | (30,974) | | | 6,835 | 20% | 29,130 | (24,047) | | 171 | 5,254 | 1,581 |
| | 4,499,829 | (34,695) | - | 6,679 | 4,471,813 | | 261,848 | 93,875 | 5,343 | 24,376 | 385,442 | 4,086,371 |

**5.1.1** The carrying amount of owned motor vehicles include amount of Rs.0.831 million (2008: Rs. 1.038 million) and Rs. 8.332 million (2008: Rs. 16.483 million) in respect of motor vehicles held under long term morahaba arrangements with banks (also refer note 18)

**5.1.2** Depreciation for the year has been allocated in the ratio of 85:8:7 as follows:

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |
| Cost of sales | 27 | **3,140** | 43,599 |
| Mining and other related cost | 27 | **1,699** | 4,103 |
| Administrative expenses | 29 | **19,536** | 3,591 |
| | | **24,376** | 51,293 |

**5.1.3** The above balance represents the value of operating property, plant and equipment subsequent to revaluation carried out by independent valuers, on 29 August 1994, 01 May 2000, 29 September 2001 and 18 July 2007, as referred to in note 16, which has resulted in surplus of Rs. 487.688 million, Rs. 303.692 million, Rs. 1,091,451million and 496.667 million respectively and addition thereafter at cost. Consequently, the revaluation has resulted in an additional depreciation charge of Rs. ------ million (2008: Rs. 18.050 million) for the year.

Had there been no revaluation, the net book value of specific classes of Property, Plant and Equipment as at June 30, 2009 would have been as follows:

| | 2009 | 2008 |
|---|---|---|
| | ( Rupees in '000 ) | |
| Freehold lands | **3,198** | 3,198 |
| Factory building | **80,704** | 80,704 |
| Plant & Machinery | **825,418** | 825,418 |
| Quarry equipment | **69,025** | 69,025 |
| Vehicles | **2,772** | 2,772 |
| | **981,117** | 981,117 |

**5.1.4** All the fixed assets of the company have been hypothecated and /or mortgaged with the lender of long term finances

### 5.1.5 Details of operating assets sold

The details of operating assets sold during the year are as follows:

| Particulars | Cost | Accumulated depreciation | Book value | Sale proceeds | Mode of disposal | Particulars of Purchasers |
|---|---|---|---|---|---|---|
| | Rupees'000 | | | | | |
| Vehicle | 845 | 676 | 169 | 600 | Negotiation | Mr. Anwar Memon |
| " | 845 | 676 | 169 | 520 | " | " |
| " | 380 | 304 | 76 | 250 | " | " |
| " | 380 | 304 | 76 | 210 | " | " |
| " | 799 | 639 | 160 | 670 | " | " |
| " | 371 | 371 | 0 | 218 | " | " |
| " | 371 | 371 | 0 | 218 | " | " |
| " | 371 | 371 | 0 | 218 | " | Mr. Syed Sohail Ali |
| " | 371 | 371 | 0 | 245 | " | " |
| " | 371 | 371 | 0 | 218 | " | " |
| " | 371 | 371 | 0 | 218 | " | " |
| " | 504 | 403 | 101 | 350 | " | " |
| " | 504 | 403 | 101 | 425 | " | " |
| " | 618 | 618 | 0 | 350 | " | " |
| " | 678 | 678 | 0 | 170 | " | " |
| " | 1,995 | 1,197 | 798 | 1,400 | " | " |
| " | 225 | 225 | 0 | 160 | " | Mr. Saleem Khan |
| " | 469 | 469 | 0 | 200 | " | " |
| " | 469 | 469 | 0 | 220 | " | " |
| " | 469 | 469 | 0 | 200 | " | " |
| " | 469 | 469 | 0 | 200 | " | " |
| " | 785 | 785 | 0 | 525 | " | " |
| " | 235 | 235 | 0 | 170 | " | " |
| " | 600 | 600 | 0 | 250 | " | " |

## 5.2 CAPITAL WORK-IN-PROGRESS

| | Civil work & gas pipe lines | Machinery | Total |
|---|---|---|---|
| | Rupees'000 | | |
| Cost as at June 30, 2008 | 9,120 | 1,520 | 10,640 |
| Incurred during the year | - | - | - |
| Cost as at June 30, 2009 | 9,120 | 1,520 | 10,640 |

| | 2009 | 2008 |
|---|---|---|
| | (Rupees in '000') | |

## 6. INTANGIBLE ASSETS - ERP software

| | 2009 | 2008 |
|---|---|---|
| **Cost** | | |
| **As at June 30, 2007 and 2008** | 6,893 | 6,893 |
| **Amortisation** | | |
| As at July 01, 2007 | 4,162 | 2,081 |
| For the year 2008 | 2,081 | 2,081 |
| **As at June 30, 2008** | 6,541 | 4,162 |
| For the year 2009 | 298 | 2,379 |
| **As at June 30, 2009** | 6,839 | 6,541 |
| Net book value | | |
| **At June 30, 2009** | 54 | 352 |
| **At June 30, 2008** | 352 | 352 |

| | 2009 | 2008 |
|---|---|---|
| | (Rupees in '000') | |

**6.1 Amortization for the year has been been completely charged to Admin. Exenses:**

| | Note | 2009 | 2008 |
|---|---|---|---|
| Cost of sales | 27 | - | 2,022 |
| Mining and other related cost | 27 | - | 190 |
| Administrative expenses | 29 | **298** | 167 |
| | | **298** | 2,379 |

## 7 LONG-TERM INVESTMENTS

**Investments in associated company-**

i. **Equity method (Quoted)**

| **Dadabhoy Sack Limited** | 2009 | 2008 |
|---|---|---|
| Investment at July 01 | **3,108** | 3,963 |
| Share of (loss)/ profit | **(511)** | (954) |
| Share of incremental depreciation | - | 99 |
| Adjustment | - | - |
| | (511) | (855) |
| | 2,597 | 3,108 |

Fair value of investment in associate, based on quoted market price amounted to Rs. NIL ( 2008: Rs.7.176 million).

| **Summarised financial information of an associate** | 2009 | 2008 |
|---|---|---|
| | ( Rupees in '000 ) | |
| Total assets | **70,307** | 82,615 |
| Total Liabilities | **29,024** | 33,943 |
| Revenue | **3,750** | 40,948 |
| Net (loss) /profit for the year | **(7,390)** | (13,827) |

7.1

| Name of related party | Place of incorporation | Proportion of ownership interest | Proportion of voting power | Principal activity |
|---|---|---|---|---|
| i. Dadabhoy Sack Ltd. | Sindh, Pakistan | 6.9% | 6.9% | Manufacture of paper sacks for cement industry |

7.2 Dadabhoy Sack Limited has been presumed to be an associated company as the directors of the company are also members of the board of directors of Dadabhoy Sack Ltd. and also, material transactions are undertaken between the companies. The reporting date of Dadabhoy Sack Limited is also the same as of the company that is, year ended June 30, 2009.

| | Note | 2009 | 2008 |
|---|---|---|---|
| **8 LONG TERM LOANS AND ADVANCES** | | **(Rupees in '000')** | |
| **Loans to employees - considered good** | | | |
| Executives | | - | 67 |
| Employees | 8.1 | 72 | 219 |
| | | 72 | 286 |
| Less: Receivable within one year | | | |
| Executives | | - | (18) |
| Employees | 8.1 | (30) | - |
| | | (30) | (18) |
| | | 42 | 268 |

8.1 Represents interest-free loans to executives and employees given for personal reasons and for house building. These are granted in accordance with the service rules and recoverable in monthly installments over a period ranging between 5 to 100 months and are secured against their retirement benefits.

## 9 STORES, SPARES AND LOOSE TOOLS

| | Note | 2009 | 2008 |
|---|---|---|---|
| Stores, spares and loose tools | 9.1 | **292,289** | 292,495 |
| Provision against slow moving spares in hand | | **(24,945)** | (24,945) |
| | | **267,344** | 267,550 |

9.1 It was not practicable to bifurcate and distinguish separately stores, spares and loose tools.

| | | Note | 2009 | 2008 |
|---|---|---|---|---|
| | | | (Rupees in '000') | |
| **10** | **STOCK-IN-TRADE** | | | |
| | Raw materials | | **15,488** | 2,149 |
| | Packing materials | | **3,750** | 589 |
| | Furnace Oil | | **206** | - |
| | Work-in-process | | **23,415** | 53,338 |
| | Finished goods | | **1,362** | |
| | | | **44,221** | 56,076 |
| **11** | **TRADE DEBTS - unsecured** | | | |
| | Considered good | | **861** | - |
| **12** | **LOANS AND ADVANCES** | | | |
| | **Loans to employees - considered good** | | | |
| | Executives | | **30** | 18 |
| | Others | | | - |
| | | | **30** | 18 |
| | Prepayments | | **490** | - |
| | Advance income tax | | **7,539** | 7,451 |
| | Advance to suppliers | | | |
| | Advance to local suppliers | | **16,960** | 10,104 |
| | | | **16,960** | 10,104 |
| | | | **25,020** | 17,573 |
| **13** | **OTHER RECEIVABLES** | | | |
| | Excise duty | | **4,243** | 4,243 |
| | Export rebates | | **161** | 198 |
| | Others | | **1,181** | 1,581 |
| | | | **5,584** | 6,022 |
| | Provision for doubtful receivable | | **(1,328)** | (1,328) |
| | | | **4,257** | 4,694 |

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |

## 14 BANK BALANCES

| | | | |
|---|---|---|---|
| Current accounts | | **(506)** | 7,341 |
| Savings accounts | | **2** | 6 |
| Dividend accounts | | **683** | 683 |
| Collection accounts-Current | | **2,106** | 1,233 |
| Inter Bank Transaction | | **(142)** | 35 |
| | | **2,143** | 9,298 |
| | | **2,143** | 9,298 |

## 15 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| (Number of shares) | | | | |
|---|---|---|---|---|
| **2009** | **2008** | | | |
| Ordinary shares of Rs. 10 each | | | | |
| 98,236,624 | 43,855,680 | Fully paid up in cash | 982,366 | 438,557 |
| | 54,380,944 | Fully paid up in cash | - | 543,809 |
| **98,236,624** | **98,236,624** | | **982,366** | 982,366 |

## 16 SURPLUS ON REVALUATION OF FIXED ASSETS

| | | | |
|---|---|---|---|
| Balance at beginning of year | | **1,562,067** | 1,080,906 |
| Revaluation for the year | | **(121,643)** | 496,666 |
| | | **1,440,424** | 1,577,572 |
| Released to the extent of incremental depreciation for the year- | | | |
| Incremental depreciation | | **11,331** | 23,261 |
| Related deferred tax liability | | **(7,365)** | (7,756) |
| Net released to accumulated losses | | **3,966** | 15,505 |
| Balance at end of year | | **1,436,458** | 1,562,067 |

## 17 LONG TERM FINANCING - secured

| | | | |
|---|---|---|---|
| Loan from banking company- | | | |
| National Bank of Pakistan | 17.1 | **740,703** | **792,545** |
| Current maturity and overdue | | **-** | **(51,842)** |
| | | **740,703** | **740,703** |

17.1 National Bank of Pakistan -

| | | | |
|---|---|---|---|
| Long-term loan | 17.1.1 | **600,000** | 600,000 |
| Consortium loan | 17.1.2 | **-** | - |
| Long-term loan - Subsidiary | 17.3 | **140,703** | 192,545 |
| | | **740,703** | 792,545 |

| | | Note | 2009 | 2008 |
|---|---|---|---|---|
| 17.1.1 | **Long term Loan** | | (Rupees in '000') | |
| | Balance as at 01 July | | **600,000** | 775,898 |
| | Transferred from accrued interest | | - | - |
| | Repaid during the year | | - | (50,000) |
| | Paid against proposed settlement terms | | - | - |
| | Transferred to income | | - | - |
| | Transferred to deferred income | 17.2.3 | - | (125,898) |
| | Balance as at June 30 | | **600,000** | 600,000 |
| 17.1.2 | **Consortium loan** | | | |
| | Balance as at 01, July | | - | 12,413 |
| | Less: Transferred to income | | - | - |
| | Transferred to deferred income | 17.2.3 | - | (12,413) |
| | Balance as at 30, June | | - | - |

**17.2.1** The above represents the amount of loans settled/rescheduled/restructured by NBP pursuant to an agreement reached between the company and the bank as per the directives given by Honourable Supreme Court of Pakistan on review petition filed by the company praying for review of court's earlier order dated October 1, 2001. During the previous year the company and NBP revised the term of charging mark-up at the rate of 13% p.a by replacing with average 6 month KIBOR plus 2.5% per annum with a floor of 9.00% and cap of 12% per annum based on which NBP would revised repayment schedule on six monthly basis. In addition last five installment of Rs. 150 million each have been deleted to reduce the amount of total loan to Rs.1950.960 million payable in 30 quarterly installments with effect from October 01, 2005 till January 01, 2013. As per agreed repayment schedules in the compromise submitted to the court, total amount of respective loan inclusive of markup till the repayment of last installment is as under:

| | Installments amount | Repayment | Period of Repayment | No. of Installments | Rate of Interest |
|---|---|---|---|---|---|
| | Rs. In "000" | | | | |
| Consortium loan | 478 | Quarterly | Jul 01, 2003 - Jan 01, 2013 | 40 | 11% |
| Long term loan | 66,240<br>30,000 | Quarterly | Jan 01, 2006 - Jan 01, 2013 | 29<br>01 | 6 months KIBOR + 2.5% |

**17.2.2 Security**

The loan is secured by way of legal mortgage on the immovable properties of the company. Pledge of sponsor director's shares, equitable mortgage on mining leases of the company, pledge and hypothecation of machinery, and all the movable properties, including book debts and receivables of the company, ranking pari passu with other creditors and with charges already existing and personal guarantees of sponsoring directors.

**17.2.3** During the year, the company continued its negotiations with the bank for full and final settlement on softer terms and has submitted various proposals for settlement of Loan The proposals are under consideration of the bank and management expects a favourable outcome from these negociations.

| | | 2009 | 2008 |
|---|---|---|---|
| 17.3 | **Long-term Loan - Subsidiary** | | |
| | Balance as at 01, July | **192,545** | 201,740 |
| | Less: Payment during the year | **(51,842)** | (29,442) |
| | Balance as at 30, June | **140,703** | 172,298 |
| | From Directors - unsecured | - | 20,247 |
| | | **140,703** | 192,545 |

| | | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |

## 18 LONG TERM MORAHABA

| | | | |
|---|---|---|---|
| Balance at beginning of the year | | **9,886** | 9,762 |
| Obtained during the year | | | 1,331 |
| Adjustment | | **(4,580)** | 4,413 |
| Repaid during the year | | **(3,035)** | (5,620) |
| | | **2,271** | 9,886 |
| Less: Current maturity | 23 | **(1,012)** | (5,855) |
| | | **1,259** | 4,031 |

The Company has obtained car financing from commercial banks under long term morahaba arrangements. The aggregate cost price and purchase price amounted to Rs. NIL million (2008: Rs. 24.005 millions) and Rs. NIL million (2008:Rs. 31.021 millions) respectively .The Company accounts for cost of motor vehicles at the sales price which equals to fair value of vehicles; crediting corresponding morabaha liability.

The purchase prices are repayable by monthly equal installments over periods ranging from three to five years. Each installment contains a mark-up (difference between sale and purchase price) which is accounted for at the effective borrowing rate and charge to the income for the period. The average effective borrowing rate was 8.5% to 10% (2008: 8.5% to 10%). The finance is secured by hypothecation of the purchased motor vehicles and personal guarantees of the Company's Chief Executive.

| | | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |

## 19 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

| | | | |
|---|---|---|---|
| Opening balance | | **8,656** | 10,197 |
| Obtained during the year | | **-** | - |
| Adjustment | | **529** | 2,574 |
| Paid during the year | | **(4,180)** | (4,115) |
| | | **5,005** | 8,656 |
| Less: Current maturity | 23 | **(3,636)** | (2,496) |
| | | **1,369** | 6,160 |

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | **Minimum lease payment** | **Present value** | **Minimum lease payment** | **Present value** |
| Within one year | 3,303 | 2,496 | 3,303 | 2,496 |
| After one year but not more than five years | 6,644 | 6,160 | 6,644 | 6,160 |
| Total minimum lease payments | 9,947 | 8,656 | 9,947 | 8,656 |
| Less: Future finance charges | (1,291) | (3,651) | (1,291) | - |
| Present value of minimum lease payments | 8,656 | 5,005 | 8,656 | 8,656 |
| Less: Current portion | | (3,636) | | (2,496) |
| | | **1,369** | | **6,160** |

**19.1** These represent finance lease entered into with leasing companies for motor vehicles. Rates of finance charges ranges from 8.60% to 12.3% (2008: 8.60% to 12.3%) per annum and are used as discounting factors. The lease terms are of 3 to 5 years.

**19.2** The company intends to exercise the option to purchase the leased assets upon completion of lease periods.

**19.3** Liabilities are secured against demand promissory notes and security deposits.

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |

## 20 DEFERRED LIABILITIES

| | Note | 2009 | 2008 |
|---|---|---|---|
| Deferred tax | 21.1 | **826,512** | 892,763 |
| Staff retirement benefits - gratuity fund | 21.2 | **20,452** | 20,597 |
| Markup on Long Term Loan | | **75,408** | 75,408 |
| | | **922,372** | 988,768 |

**20.1** This comprise the tax effects of the following temporary differences:

| | 2009 | 2008 |
|---|---|---|
| Credit balances arising in respect of: | | |
| - accelerated tax depreciation allowances | **1,062,474** | 372,667 |
| - surplus on revaluation of fixed assets | **-** | 725,821 |
| | **1,062,474** | 1,098,488 |
| Deferred tax asset | | |
| - provision for minimum tax | **-** | - |
| - provision for gratuity | **(6,308)** | (7,209) |
| - unused tax losses | **(227,108)** | (192,354) |
| - provision for bad debts | **-** | - |
| - lease liability | **(479)** | (2,156) |
| - morahaba liability | **(441)** | (1,411) |
| - Current portion of morahaba and lease liabilities | **(1,627)** | (3,446) |
| | **(235,963)** | (206,576) |
| | **826,512** | 891,912 |

**Movement for the year**

| | 2009 | 2008 |
|---|---|---|
| Balance at 01 July | **892,763** | 760,780 |
| Charge to income for the year | **(66,251)** | 131,983 |
| Balance at 30 June | **826,512** | 892,763 |

### 20.2 Staff retirement benefits - gratuity fund

**Movement in asset / (liability)**

| | 2009 | 2008 |
|---|---|---|
| Balance as at July 1, 2008 | **20,597** | 17,470 |
| Charge for the year | **-** | 4,421 |
| Contributions made | **(145)** | (1,294) |
| Liability as at June 30, 2009 | **20,452** | 20,597 |

**Balance sheet reconciliation as at June 30**

| | 2009 | 2008 |
|---|---|---|
| Fair value of plan assets | **-** | - |
| Present value of obligations | **18,167** | 17,360 |
| Unrecognised actuarial gain | **2,285** | 3,237 |
| | **111** | 20,597 |

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |
| **Expense recognized** | | | |
| Current service cost | | - | 3,391 |
| Interest cost | | - | 1,175 |
| Expected return on plan assets | | - | - |
| Net actuarial gain recognized | | - | (145) |
| | | - | 4,421 |

**Key actuarial assumptions used are as follows:**

| | | |
|---|---|---|
| Expected rate of return on investments (%) | | 9 |
| Expected rate of increase in salaries (%) | | 10 |
| Discount factor used (%) | | 10 |

**Comparison for five years:**

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|
| | Rupees '000 | | | | | |
| **Funded gratuity plan** | | | | | | |
| Present value of defined benefit obligation | (14,930) | (14,930) | (16,411) | (13,415) | (18,105) | (16,014) |
| Fair value of plan assets | - | - | 3,546 | 3,224 | 2,934 | 2,949 |
| Deficit | (14,930) | (14,930) | (12,865) | (10,191) | (15,171) | (13,065) |

## 21 TRADE AND OTHER PAYABLE

| | Note | 2009 | 2008 |
|---|---|---|---|
| **Trade creditors** | | | |
| Local creditors | | **28,175** | 23,638 |
| From associated companies | | | |
| Dadabhoy Hydrocarbon Limited | | **30,992** | 24,581 |
| Dadabhoy Energy Supply Co Limited | | - | - |
| Dadabhoy Sack Limited | | **20,842** | 20,084 |
| | | **51,834** | 44,666 |
| | | 80,008 | 68,304 |
| **Due to Related Parties-Unsecured** | | | |
| Dadabhoy Construction Technology Limited | | **1,721** | 1,150 |
| Leo (Pvt) Limited | | **5,282** | 5,282 |
| Due to directors | | **65,957** | 51,127 |
| | | **72,960** | 57,559 |
| Accrued liabilities | | **59,255** | 54,527 |
| Advance from customers | | **61,104** | 47,619 |
| Unclaimed dividend | | **566** | 566 |
| Deferred income | 17.1 & 17.2 | **138,311** | 138,311 |
| **Other liabilities** | | | |
| Royalty | | **4,962** | 4,962 |
| Sales tax | | **1,508** | 2,058 |
| Provident fund | | **1,633** | 1,633 |
| Workers' profit participation fund | 21.1 | **14,408** | 13,374 |
| Liability no more Contingency | | **8,561** | - |
| Gratuity Payable | | **1,680** | - |
| Excise duty payable | | **138,713** | 130,844 |
| Special excise duty payable | | **254** | 254 |
| Tax deducted at source | | **21,292** | 20,833 |
| Book overdraft | | **2,206** | 2,206 |
| Others | | **2,201** | 1,971 |
| | | 197,418 | 178,135 |
| | | **609,622** | 545,020 |

The maximum aggregate amount due to related parties at the end of any month was Rs. 20.221 million (2008: Rs. 89.092) million.

| | | Note | 2009 | 2008 |
|---|---|---|---|---|
| **21.1** | **Workers' Profit Participation Fund** | | **(Rupees in '000')** | |
| | Balance at 01, July | | **13,374** | 24,998 |
| | Add: Allocation for the year | | **1,034** | - |
| | Less: Payments made during the year | | - | (13,770) |
| | Interest thereon | | - | 1,796 |
| | Balance at 30, June | | **14,408** | 13,024 |

## 22 SHORT TERM BORROWING-Secured

| | | |
|---|---|---|
| Packing credit from a bank | **25,000** | 25,000 |

The above facility was obtained from a a bank on a mark-up basis at the rate of 6 month KIBOR + 3 ( minimum 14% ).
The facility is secured by a Hypothecation of stock of cement to the extent of 34.0 million and equitable mortgage of factory land building and machinery of an associate company and personal guarantees of all directors.

## 23 CURRENT PORTION OF LONG TERM BORROWINGS

| | Note | 2009 | 2008 |
|---|---|---|---|
| Liabilities against assets subject to finance lease | 19 | **3,636** | 2,496 |
| Long term morahaba | 18 | **1,012** | 5,855 |
| Long term deposits | | **1,497** | 1,497 |
| Current maturity and overdue of long term loan | | **51,842** | 51,842 |
| | | **57,987** | 61,690 |

## 24 PROVISION FOR TAXATION

| | Note | 2009 | 2008 |
|---|---|---|---|
| As at 01, July | | **10,157** | 7,663 |
| Provided for the year | 34 | - | 2,491 |
| Adjusted against advance tax | | **(5,854)** | (5,852) |
| | | **4,303** | 4,302 |

## 25 CONTINGENCY AND COMMITMENT

**Contingencies**

**25.1** The company has filed a constitutional petition in the High Court of Sindh, Karachi against the demand of Rs 20.303 million on account of Central Excise Duty raised by Superintendent of Excise Nooriabad Circle on stock of clinker in hand as at 03 August, 1991. The company used the stock subsequently in cement produced and paid the duty on finished product. It paid an amount of Rs. 4.243 million against the demand under protest. Provision has been made in this respect in the financial statements of Rs. 1.328 million as a matter of prudence.

## 26 SALES - NET

| | 2009 | 2008 |
|---|---|---|
| Local sales | **44,403** | 521,715 |
| Export sales | - | 20,848 |
| | **44,403** | 542,562 |
| Less: Sales tax | **6,083** | 64,894 |
| Excise duty | **8,289** | 98,930 |
| | **14,373** | (163,824) |
| | **30,030** | 378,738 |

## 27 COST OF SALES

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | (Rupees in '000') | |
| **Opening stock** | | | |
| Raw material | | 2,149 | 2,267 |
| Packing Material | | 589 | 1,641 |
| | | 2,738 | 3,908 |
| Purchases | | 19,238 | 56,406 |
| | | 21,976 | 60,314 |
| **Closing stock** | | | |
| Raw material | | (15,488) | (2,149) |
| Packing Material | | (3,750) | (589) |
| | | (19,238) | (2,738) |
| Raw and packing material consumed | | 2,738 | 57,576 |
| Mining and other related costs | | 1,699 | 8,642 |
| Stores and spares consumed | | 889 | 9,389 |
| Fuel and power | | 26,217 | 241,859 |
| Salaries, wages and other benefits | 27.1 | 1,366 | 20,936 |
| Contract labour | | 25 | 10,018 |
| Rent, rates and taxes | | - | 236 |
| Security and protection | | 1,275 | 19 |
| Inspection & testing | | 5 | 57 |
| Fees and subscription | | 277 | 496 |
| Repairs and maintenance | | 324 | 1,383 |
| Depreciation/amortization | 4.1.3 & 5.1 | 3,140 | 45,621 |
| Traveling and conveyance | | 2 | 273 |
| Insurance | | - | - |
| Telephone and telex | | 16 | 107 |
| Vehicle running expenses | | 4 | 332 |
| Printing and stationery | | - | 230 |
| Entertainment | | 6 | 160 |
| Cleaning | | - | 1,321 |
| Others | | 193 | 260 |
| Manufacturing costs incurred during the year | | 38,176 | 398,915 |
| Work-in-process | | | |
| Opening | | 53,338 | 57,025 |
| Closing | | (23,415) | (53,338) |
| | | 29,923 | 3,687 |
| Cost of goods manufactured | | 68,099 | 402,602 |
| Finished goods | | | |
| Opening | | - | 2,752 |
| Closing | | (1,362) | - |
| | | (1,362) | 2,752 |
| | | 66,737 | 405,354 |

**27.1** Included herein in a sum of Rs. NIL million (2008: Rs. 0.897) million charged in respect of staff retirement benefits.

| 28 | DISTRIBUTION COSTS | Note | 2009 (Rupees in '000') | 2008 |
|---|---|---|---|---|
| | Salaries and other benefits | 28.1 | 1,044 | 5,877 |
| | Traveling and conveyance | | 40 | 284 |
| | Entertainment | | - | - |
| | Printing and stationery | | - | 25 |
| | Advertisement and publicity | | 14 | 252 |
| | Freight and cartage | | 15 | 7,069 |
| | Vehicle running expenses | | 187 | 745 |
| | Sales promotion | | 529 | 854 |
| | Telephone & telex | | - | 7 |
| | Others | | - | 200 |
| | | | 1,828 | 15,313 |

**28.1** Included herein is a sum of Rs NIL million (2008: Rs.0.252 million) charged in respect of staff retirement benefits.

## 29 ADMINISTRATIVE EXPENSES

| | Note | 2009 | 2008 |
|---|---|---|---|
| Salaries, wages and other benefits | | 22,149 | 54,359 |
| Directors remuneration | | 4,176 | 40,088 |
| Traveling and conveyance | | 359 | 5,005 |
| Rent, rates and taxes | | 4,722 | 960 |
| Printing and stationery | | 173 | 574 |
| Entertainment | | 169 | 518 |
| Utilities | | 3,175 | 5,240 |
| Telephone and telex | | 1,119 | 1,165 |
| Postage and telegram | | 75 | 424 |
| Repairs and maintenance | | 1,375 | 8,289 |
| Security and protection | | 663 | 127 |
| Legal and professional | | 5,017 | 2,239 |
| Depreciation/amortization | 4.1.3 & 5.1 | 19,834 | 3,757 |
| Insurance | | 177 | 367 |
| Fees and subscription | | 704 | 4,457 |
| Others | | 2,349 | 3,374 |
| Liability no more Contingency | | 8,561 | - |
| Fines and penalties | | 8 | - |
| Lease rentals | | - | 3,812 |
| Vehicle running expenses | | 1,178 | 5,685 |
| | | 75,984 | 140,440 |

**29.1** Included herein is a sum of Rs. NIL million (2008: Rs. 2.066 million) charged in respect of staff retirement benefits.

| | | | 2009 | 2008 |
|---|---|---|---|---|
| **30** | **OTHER EXPENSES** | **Note** | **(Rupees in '000')** | |
| | Auditors' remuneration | 30.1 | 1,032 | 1,007 |
| | Donations | 30.2 | 1 | 203 |
| | Workers profit participation fund | | - | |
| | Trade debts written off | | - | - |
| | Other receivable written off | | - | - |
| | Provision against excise duty | | - | - |
| | | | 1,033 | 1,210 |

**30.1 Auditors' remuneration**

| | 2009 | 2008 |
|---|---|---|
| Audit fee | 710 | 710 |
| Half yearly review | 150 | 150 |
| Certificate on Code of Corporate Governance | 50 | 50 |
| Out of pocket expenses | 122 | 97 |
| | 1,032 | 1,007 |

**30.2** None of the directors or their spouses have any interest in any donee's fund to which donations were made.

## 31 OTHER INCOME

| | 2009 | 2008 |
|---|---|---|
| Return on bank deposits | - | 31 |
| Scrap sales | 21,882 | 42 |
| Site rent | - | - |
| Gain on sale of fixed assets | 8,579 | 1,766 |
| Others | 2,788 | 5,906 |
| | 33,249 | 7,745 |

## 32 SHARE OF (LOSS)/ PROFIT OF ASSOCIATE

| | 2009 | 2008 |
|---|---|---|
| Share of net (loss)/ profit for the year | 511 | (954) |
| Adjustment | - | - |
| | 511 | (954) |

## 33 FINANCE COST

| | 2009 | 2008 |
|---|---|---|
| Interest on short term borrowing | 6,365 | 18,491 |
| Amortization charges of deferred markup | | 16,056 |
| Interest on WPPF | 1,034 | 1,796 |
| Interest on finance lease liability | 264 | 1,757 |
| Bank charges | 114 | 1,272 |
| | 7,777 | 39,372 |

| | | Note | | 2008 |
|---|---|---|---|---|
| | | | (Rupees in '000') | |
| **34** | **INCOME TAX** | | | |
| | **Current** | 34.1 | | 2,491 |
| | **Deferred** | 20.1 | (66,251) | 131,983 |
| | | | (66,251) | 134,474 |

**34.1** Current Income tax charge represents minimum tax @ 0.5% of turnover for the year computed under Section 113 of the Income Tax Ordinance, 2001 due to taxable loss and tax deducted on export sales proceeds @ 1.0% being final tax liability.

## 35 (LOSS)/ EARNINGS PER SHARE - BASIC AND DILUTED

| | | |
|---|---|---|
| (Loss)/ profit after taxation | **(26,230)** | (356,591,000) |
| Weighted average number of outstanding ordinary shares | **982,366** | 89,530,213 |
| (Loss)/ earning per share - Basic | **(0.03)** | (3.98) |

There was no dilative effect on earnings per share in 2009 and 2008.

## 36 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged for the year are as follows :

| | Chief Executive | | Directors | | Executives | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | Rupees'000 | | | | | |
| Managerial remuneration | - | - | - | 22,654 | - | 8,803 |
| Conveyance and utilities | - | - | **4,176** | 5,161 | - | 2,515 |
| Medical expenses | - | - | - | - | - | 1,258 |
| | - | - | **4,176** | 27,815 | - | 12,576 |
| Numbers of person(s) | - | - | 7 | 7 | 4 | 24 |

**36.1** Working Directors and certain Executives are also provided with free use of Company's owned and maintained cars. They are also entitled for leave fare assistance, free medical cover for self and family and other benefits as per company's rules.

| | | 2009 | 2008 |
|---|---|---|---|
| **37** | **CAPACITY - Cement all kind** | M. Tonnes | |
| | Installed capacity | **598,000** | 598,000 |
| | Production | **8,800** | 134,215 |
| | | **1%** | 22% |

**37.1** Due to frequent closure of plant for repair and raw material problem, the production during the year decreased significantly.

## 38 TRANSACTIONS WITH RELATED PARTIES

| | ( Rupees.'000') Associated company | | ( Rupees.'000') Other related parties | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Purchase of electricity | - | - | - | - |
| Purchase of goods | 3,750 | 47,500 | - | 162,155 |
| Payment against purchases | - | 39,322 | 1,720 | 134,482 |
| Payments on behalf | - | 4,618 | - | 5,175 |
| Investment in share capital | - | - | - | 12,000 |
| Issue right shares | - | - | - | 439,997 |
| Funds received | - | - | 377 | 39,627 |

38.1 The transactions with associated and subsidiary companies are made at arm's length value under normal commercial terms and conditions.

38.2 There are no transactions with key management personnel other than under the term of employment.

38.3 Outstanding balances with related parties as at year end have been included in their respective notes to the financial statements.

## 39 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, the following table indicate their effective interest / mark-up rates at the balance sheet date.

| Description | Rate of markup | 2009 Interest / Mark-up bearing | | | Non Interest / Mark-up bearing | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | Maturity up to one year | Maturity after one year | Sub Total | Maturity up to one year | Maturity after one year | Sub Total | |
| **Financial Assets** | | | | | | | | |
| Long-term investments | | - | - | - | - | 2,597 | 2,597 | 2,597 |
| Long term deposits | | - | - | - | - | 7,562 | 7,562 | 7,562 |
| Loans and advances | | - | - | - | 30 | 42 | 72 | 72 |
| Bank balances | 4.75% | 2 | - | 2 | 2,411 | - | 2,411 | 2,413 |
| | | 2 | - | 2 | 2,441 | 10,201 | 12,642 | 12,644 |
| **Financial Liabilities** | | | | | | | | |
| Long-term finance | 6 month KIBOR + 2.5% | - | 740,703 | 740,703 | - | - | - | 740,703 |
| Long-term morahaba | 11% | - | 1,259 | 1,259 | - | - | - | 1,259 |
| Liabilities against assets subject to finance lease | 8.60% to 12.30% | - | 1,369 | 1,369 | - | - | - | 1,369 |
| Long-term deposits | | - | - | - | - | - | - | - |
| Trade and other payables | | - | - | - | 179,788 | - | 179,788 | 179,788 |
| Short term borrowing | 6 month KIBOR + 3% (minimum 14%) | 25,000 | - | 25,000 | - | - | - | 25,000 |
| | | 25,000 | 743,331 | 768,331 | 179,788 | - | 179,788 | 948,119 |
| Balance sheet gap | | (24,998) | - | (768,329) | (177,347) | 10,201 | (167,146) | (935,475) |

| Description | Rate of markup | 2008 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Interest / Mark-up bearing | | | Non Interest / Mark-up bearing | | | Total |
| | | Maturity up to one year | Maturity after one | Sub Total | Maturity up to one year | Maturity after one | Sub Total | |
| **Financial Assets** | | | | | | | | |
| Long-term investments | | - | - | - | - | 3,108 | 3,108 | 3,108 |
| Long term deposits | | - | - | - | - | 9,453 | 9,453 | 9,453 |
| Trade debts | | - | - | - | - | - | - | - |
| Loans and advances | | - | - | - | 18 | 268 | 286 | 286 |
| Bank balances | 4.75% | 6 | - | 6 | 9,292 | - | 9,292 | 9,298 |
| | | 6 | - | 6 | 9,310 | 12,829 | 22,139 | 22,145 |
| **Financial Liabilities** | | | | | | | | |
| Long-term finance | 6 month KIBOR + 2.5% 11% | - | 740,703 | 740,703 | - | - | - | 740,703 |
| Long-term morahaba | | - | 4,031 | 4,031 | - | - | - | 4,031 |
| Liabilities against assets subject to finance lease | 8.60% to 12.30% | - | 6,160 | 6,160 | - | - | - | 6,160 |
| Long-term deposits | | - | - | - | 135,724 | - | 135,724 | 135,724 |
| Trade and other paybles | | - | | | | | | |
| Short term borrowing | 6 month KIBOR + 3% (minimum 14%) | 25,000 | - | 25,000 | - | - | - | 25,000 |
| | | 25,000 | 750,893 | 775,894 | 135,724 | - | 135,724 | 911,618 |
| Balance sheet gap | | (24,994) | (750,893) | (775,888) | (126,414) | 12,829 | (113,585) | (889,473) |

## 39.1 Financial risk management objectives

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk. Taken as a whole, risk arising from the company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

### 39.1.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter party fails completely to perform as contracted without taking into account the fair value of any collateral. To manage exposure of credit risk, the company applies credit limits to its customers and ensures that sale of products are made to customer with appropriate credit history.

Concentration of credit risk arise when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political and other conditions. Concentration or credit risk indicate the relative sensivity of the company's performance to developments affecting a particular industry.

All the financial assets of the company are exposed to credit risk. The company believes that it is not exposed to major concentration of credit risk. The company seeks to minimize the credit risk exposure through having exposure only to customers considered credit worthy, obtaining securities where applicable and make provision against those balances considered doubtful of recovery.

### 39.1.2 Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and contracting floor and cap of interest rates as referred to in note 17.

#### 39.1.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The company, where considered necessary, uses forward contracts and foreign currency options against payables exposed to foreign currency risks.

#### 39.1.4 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

### 39.2 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities reflected in the financial statements approximates their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

### 39.3 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratio, strong credit rating and optimal capital structures in order to ensure ample availability of finance for existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The company manages its capital structure and make adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return the capital to shareholders or issue new shares. No changes were made in the objectives, policy or processes during the year ended June 30, 2009.

The company monitors capital using a gearing ratio, which is net debt dividend by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debts.

During the year, the company's strategy was to minimize leveraged gearing. The gearing ratios as at June 30, 2008 and 2007 were as follows:

| | 2009 | 2008 |
|---|---|---|
| | (Rupees in '000') | |
| Long term financing | 740,703 | 740,703 |
| Trade and other payables | 609,622 | 545,020 |
| Long term Morahaba | 1,259 | 4,031 |
| Liabilities against assets subject to finance lease | 1,369 | 6,160 |
| Current portion of long term finance | 57,987 | 61,690 |
| Current portion of long term Morahaba | - | 5,855 |
| Liabilities against assets subject to finance lease | - | 2,496 |
| Accrued markup | - | 46,304 |
| Short term borrowing-Packing facility | 25,000 | 25,000 |
| Total debt | 1,435,940 | 1,437,259 |
| Cash and bank balances | 2,143 | 9,298 |
| Net debt | 1,433,797 | 1,427,961 |
| Share capital | 982,366 | 982,366 |
| Reserves | (427,528) | (386,171) |
| **Equity** | 554,838 | 596,195 |
| **Capital** | 1,988,635 | 2,024,156 |
| **Gearing Ratio** | 72% | 71% |

The company finances its expansion projects through equity, borrowing and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimze risk. A significant decline in the gearing ratio during 2008 resulted primarily from the issue of right shares (note 13) with a view to finance the company's long term investment strategy for sustaining competitive advantage.

## 40 ACCOUNTING ESTIMATES AND JUDGMENTS

### 40.1 Staff Retirement Benefits

Certain actuarial assumptions have been adopted as disclosed in Note 2.4 to the financial statement for valuation of present value of defined obligations and fair value of plan assets any changes in these assumptions in future years might effect gains and and losses in those years.

### 40.2 Property, Plant and Equipment

The company's management estimates useful life and related depreciation charge for its plant and equipment. The company 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 amount of the respective items of the property, plant and equipment with a corresponding effect on the depreciation charged and impairment.

### 40.3 Classification of investments

The management has utilized its judgments in respect of classification of investment as disclosed in note 2.10 of the financial statements. Any change in such judgment might materially affect the accounting policy applied in respect of such investments.

### 40.4 Income Taxes

In making the estimates for income taxes currently payable by the company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

## 41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors in the meeting held on _________________..

## 42 GENERAL

- Figures have been rounded off to the nearest thousand of rupees unless stated otherwise.

## 43 CORRESPONDING FIGURES

- Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison.

| | |
|---|---|
| CHIEF EXECUTIVE | DIRECTOR |

# DADABHOY CEMENT INDUSTRIES LIMITED

**TWENTY NINETH ANNUAL GENERAL MEETING 2009**

**FORM OF PROXY**

I / We ______________________________________________________________

Of______________________________________________________________being

A member of DADABHOY CEMENT INDUSTRIES LIMITED and holder of
_________ Ordinary Shares as per registered Folio No. ______________________
Hereby appoint ______________________________________________________
Of ________________________________________________________________
Or failing him ______________________________________________________
Of ________________________________________________________________
Vide Registered Folio No. ______________________________________________

As my / our proxy to vote for me/us and on my/our behalf at the Twenty Nineth Annual General Meeting of the Company to be held on 30th October, 2009 and at any adjournment thereof.

Signed my me/us this __________________ day of ____________ 2009

Signed by the Shareholder

________________

**Important** :

This form of Proxy duly complete must be deposited at the Company's

Registered Office, C-30/II, 24th Commercial Street, Phase 2 (Ext). D.H.A, Karachi not later than 48 hours before the time of
holding the meeting.
A proxy should also be a shareholder of the Company.

Five Rupees
Revenue Stamps

For Office use