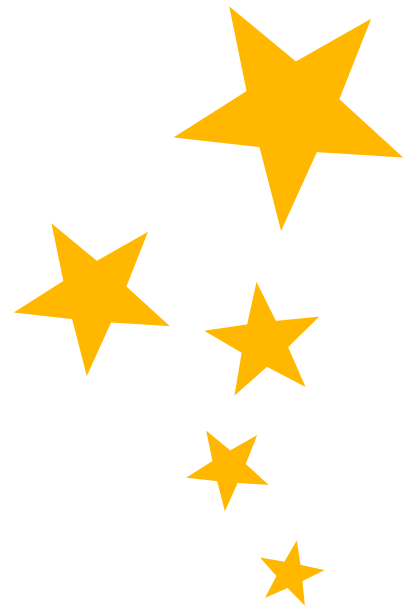


50
years
1959-2009

ANNUAL REPORT 2009 **DADEX**



Celebrating
Five Decades of
Sustained Growth
50th ANNUAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009

DADEX



To be the most valued company for all stakeholders, renowned for customer focus, innovation, quality, reliability and ethical practices.





● We shall provide unparalleled service and best value to our customers through a responsive and cost effective supply chain.

● We are committed to provide quality products by strict adherence to international standards and best practices through technical collaboration with leading global companies in this business.

● We are committed to follow business ethics, comply with SH&E standards and enhance our contribution to society.

● We shall strive to maximize our shareholders value through sustained profitable growth.

● We shall enhance existing employee productivity, hire, retain and develop best talent and provide them a competitive environment to excel and grow.

● We will aggressively focus on increasing our penetration in the piping systems market by exploring new channels.

● We shall continue to set new trends through innovative marketing and manufacturing.



MISSION STATEMENT



Building Blocks of Dadex Values

The guiding vision of Dadex encompasses the intrinsic values of Dadex. These values – referred to as the “Building Blocks of Dadex Values” - reflect the true spirit of the company and its employees and are now the foundation of all business practices.



Customer Focus

Superior Customer Support - Magnified Focus



Innovation

Boundless Thinking. Timeless Innovation



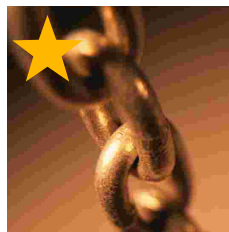
Quality

Quality Assured is Quality Delivered.



Reliability

Reliability and Trust - A Secure Balance.



Ethical Practices

Solid Links to Strong Principles.

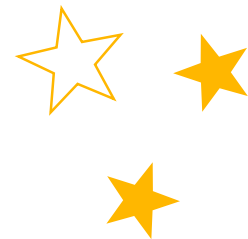


Our Philosophy

Our forte has been and continues to be, to manufacture and market innovative customer-oriented products. Focusing on superiority, reliability and durability – we believe that these characteristics must embody not just our products but also our business practices. We believe in transparency; integrity, sound business practices and in presenting the best products and services to customers at all times.

At Dadex, our aim is to continue to be an organization renowned for its principled approach in all spheres of work. Be it the production of piping systems or roofing material or customer service - integrity is a force we believe in. And reliability is the foundation of all that we do.

50 years of existence has only strengthened our commitment. Excelling in piping systems, roofing materials, building products, irrigation systems and customer service - today, we stand poised to offer you the fundamentals upon which to build your future.



Founder Chairman

Kassim Dada was an individual of principles. An astute businessman, a philanthropist, an avid traveler and a man committed to basic values -Kassim Dada's individuality influenced many to add meaning and significance to their lives.

Following the simple principle of fairness, clarity and sincere application to all things in life - he worked to make Dadex a company that would not only be recognized for its quality of work and products but a company with integrity. As he wrote in his book A Ramble Through Life, "The conduct towards others must be based on kindness, service, fairness, charity, justice, honesty and the sanctity of promise, pledge or agreement."

The Dadex Vision launched in 2003 signifies all those qualities that were an intrinsic part of existence for Kassim Dada. The strength and longevity of any successful company does not lie in merely the superiority of products - but in fact, in how it conducts business.

Dadex has evolved into a company that upholds authenticity as a crucial factor in its business practices. Be it in serving customers, product quality, relationship with clients - the underlying aim is the collective convergence of all values under the principle rule of truthfulness.

The new vision signifies Kassim Dada's legacy of fundamental righteousness in business and in personal life.



KASSIM DADA

(1919-2001)

CHAIRMAN

Brooke Bond Pakistan Ltd.
Berger Paints Pakistan Ltd.
Dada Agencies Ltd.
Dadex Eternit Limited
Pakistan Welding Electrodes Ltd.
Sikander (Pvt) Ltd.
Smith Kline & French of Pakistan Ltd.
J&N Pakistan Ltd.

DIRECTOR

Adamjee Industries Ltd.
Adamjee Sugar Mills Ltd.
Adamjee Insurance Company Ltd.
Central Chemical's (Pvt) Ltd.
Dada (Pvt) Ltd.
First International Investment Bank Ltd.
First International Investment Fund Ltd.
Habib Insurance Company Ltd.
Mehran Jute Mills Ltd.
Metropolitan Bank Ltd.
State Bank of Pakistan

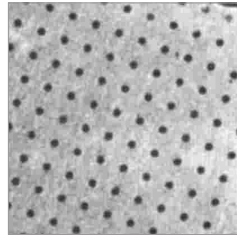
Dadex History

1959-1969



1959

Opening of Asbestos Cement Industries Limited first plant at Hyderabad, L-R: Late Mr. Kasim Dada, Mr. Abdul Kasem Khan, Minister of Industries, Works, Irrigation and Power



1959

FC Decorative sheets & FC corrugated sheets



1962

Collaboration with Eternit Group of Belgium

1964

FC Building Pipes

1965

Second plant* in Chittagong, East Pakistan, Bangladesh



1966

Opening of ACIL plant at Karachi by Mr. Ghulam Faruque, Commerce Minister (17th November) And Mr. Kasim Dada(Left).



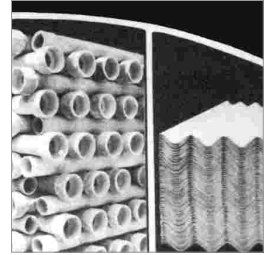
1967

ACIL logo creation

* Plant lost in 1971 with the loss of East Pakistan.

★ Dadex History 1969-1989

1981
ACIL Asbestos Cement
Products



1984
ACIL cottage at an
international exhibition
made by ACIL products



1987
First Pakistan Standard
License for FC
Corrugated Sheets was
received from the
Pakistan Standards
Institute



1989
Mr. Sikander Dada was
appointed Chief
Executive and Managing
Director of ACIL.



Dadex History

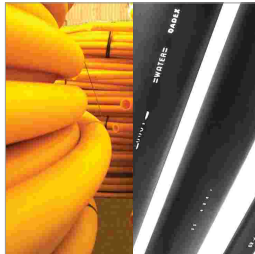
1989-1999



1990
New name, new logo



1991
Dadex entered into a technical know-how agreement with Wavin overseas B.V. of the Netherlands for the production of thermoplastic pipe systems in Pakistan, starting with PVC-U pressure pipes



1993
PE pipes: PE for gas & PE for water.



1997
PVC-U pipes systems for soil, waste and vent



1998
ISO 9002 certification



1999
PPR Hot & Cold water system

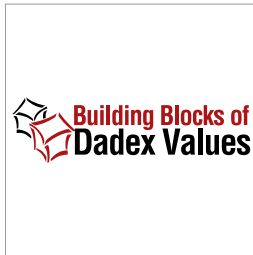
★ Dadex History 1999-2009

2001
Dadex House
[Shahra-e-Faisal, Karachi]



2002
PE cable duct system
and PVC-U electrical
conduits

2003
Dadex values, vision and
mission statement



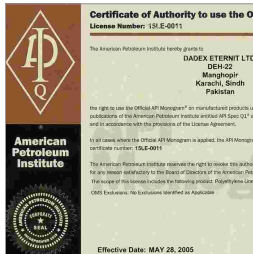
2004
High efficiency
irrigation systems

2005
Dadex certified and
recognized as an
Investor in People (IIP)
Company on meeting
the best H.R. practices
standards



2005
Aluminium Composite
Panels

2005
The American Petroleum
Institute certified Dadex
to use their official monogram
on manufactured product
(PE gas pipes). Dadex is the
only company outside the
US to achieve this distinction



2006
PVC-U Tubewell casing and
screen pipe system

2006
Complete underground
PVC-U sewer system



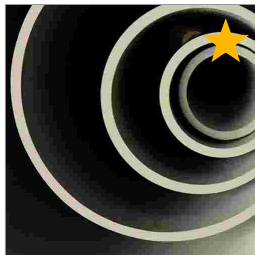
2006
Dadex embraces state-of-the
art SAP solutions

2007
Sunder factory – Lahore



2008
Speciality piping systems

Dadex Products



Over the years, Dadex has expanded its product portfolio to cater to a wide variety of needs and multiple industrial applications. The focus has been and continues to remain on quality and performance of each product – where efficiency, durability and reliability serve as core factors.

1. Hot & Cold Water Supply:

Polydex: This PPR system can be used for distribution systems in housing, administration, community buildings as well as for industrial installations.

Hep20: An innovative, flexible push-fit plumbing system that is particularly suitable for domestic and cold water supply, including potable water.

2. Water Supply (Infrastructure)

T-Flex: These are designed for multiple pressure and non-pressure applications such as distribution of water, compressed air, industrial effluents, hazardous wastes, house and service connections, mining, agriculture, cable ducting and various other applications.

PVC-U Pressure Pipe System: These pipes serve as a permanent solution for the main potable water supply pipeline.

3. Soil, Waste & Vent:

Nikasi: A popular complete SWV system used for domestic and industrial discharge systems.

Wavin AS: This is a unique low noise SWV system and is the plastic alternative to cast iron. Wavin AS features an outstanding sound insulation due to its special molecular structure.

Hepworth: Manufactured to provide an efficient means of drainage of waste water and foul discharge from appliances in single and multi-storey buildings.

Dadex Products

4. Sewerage:

Wavin X-Stream: A complete range of structural wall plastic pipes and fittings for main sewer/drainage of foul water and rainwater.

5. Drainage:

Flowline: An ideal solution for underground drain and sewer applications in homes, commercial plazas and community buildings.

6. Utilities:

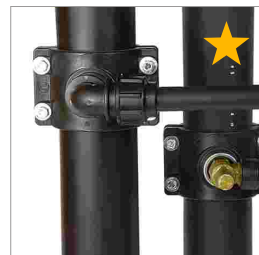
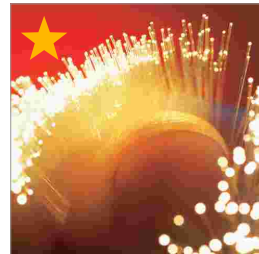
Cable Duct Systems for Fibre Optics: This product can be used for guiding and protecting cables used for various telecommunications, data and energy networks such as long haul networks, city rings and inter-city network.

Electrical Conduits: These are manufactured for the safe use of electricity.

Electro Duct: The first PVC-U electrical conduit system in Pakistan manufactured as per the latest international standards, Electro Duct is used for various applications such as electric cables, computer networking, CCTV and telecommunications.

Tubewell Casing & Screen Pipes System: Dadex is the pioneer in introducing state-of-the-art technology for development of PVC-U casing and screen pipes.

T-flex for Gas Pipes: Gas pipes require systems that deliver high quality, high performance and are maintenance-free. This makes T-flex the ideal pipe system for gas solutions. Our specially produced T-flex gas pipes have been successfully installed throughout Pakistan for the supply and distribution of gas.



Dadex Products



7. Special Applications

Chilled Water Supply

SuperFlo: Durapipe SuperFlo offers tremendous advantages for chilled water/air conditioning and cold water services in buildings.

Chemical Drainage

Vulcathene: Vulcathene offers a complete system, ideal for laboratory applications in schools, universities, hospitals and industrial facilities.

Fuel Transfer

P-LX Fuel Systems: Internationally approved Durapipe P-LX fuel systems are designed to safely convey petrol, diesel and fuel oil in below ground applications while ensuring harmful emissions of volatile organic compounds cannot escape into the environment.

Drip Irrigation / Sprinkle Irrigation System

Zarkaasht: Netafim high efficiency irrigation systems are developed to provide efficient way of irrigation and to achieve high crop field. The system is used to save the precious farming inputs such as fertilizers and water, while exponentially increasing crop productivity and yield.

Wall Cladding (Interior & Exterior)

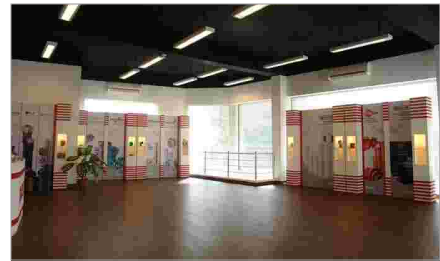
Aluminum Cladding: Dadex ACP (Aluminum Composite Panel) is a modern and new-generation building material providing a huge range of possibilities to architects and designers. It is the perfect solution for interior and exterior building cladding and signage.

Display Center



Dadex opened a Display Center in January 2010 at Khayban-e-Ittehad, DHA, Karachi. The building fascia features one of the company's latest addition to building products – Aluminum Composite Panels which clad the building in the corporate red colour.

The Display Center showcases all mainstream Dadex products with staff available to offer on the spot consultation about product usage, benefits and applications.



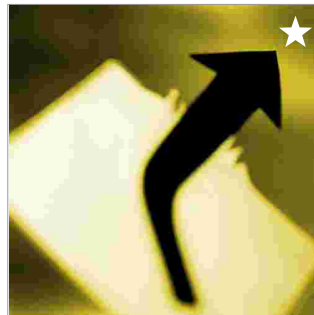


Aiming for prosperity

At Dadex we believe in nurturing the future by conserving the present. Valuing what we have, protecting it and ensuring the sustenance of all that it provides – the goal is to consistently cultivate a brighter future for generations to come.

Our awareness and attentiveness for the future comes through our practices – where we believe in manufacturing durable and resilient piping systems; where we believe in innovation to cater to customer-specific needs; where we believe in supporting water conservation by manufacturing water-efficient irrigation systems; where we believe in a conscientious existence.

Let's collectively invest in the present to ensure a prosperous future.



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Company Information



Board Of Directors

Abu Talib H.K. Dada - Chairman
Maqbool H.H. Rahimtoola
Qazi Sajid Ali
Zulfiqar Ali Lakhani
Shahzad M. Husain
Samad Dada
Rasheed Y. Chinoy
Jahangir Siddiqui
Mohammad Suleman Kanjiani
Mohsin Ashfaque
(Alternate: Kamal Afsar)

Chief Executive Officer

Sikander Dada

Chief Financial Officer

Salman Saeed Shaikh

Company Secretary

Amber Saeed

Board Audit Committee

Qazi Sajid Ali - Chairman
Mohammad Suleman Kanjiani
Samad Dada

Management Team

Sikander Dada - CEO
Rizwan Amjed - Director (Operations)
Suhail Nadeem - Director (Marketing & Sales)
Tanveer Saleem - Director (Technical Services & Quality Assurance)
Salman Saeed Shaikh - Chief Financial Officer
Amber Saeed - Company Secretary

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Bankers

Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
Oman International Bank S.A.O.G.
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Legal Advisor

Beg & Hussain
Advocates & Solicitors

Registered Office

Dadex House, 34-A/1, Block 6, P.E.C.H.S.,
Shahrah-e-Faisal,
Karachi- 75400
Tel: (92-21) 111 000 789
Fax: (92-21) 34315716, 34315725
Email: info@dadex.com.pk

Share Registrars

Gangjees Registrar Services (Pvt) Ltd
516, Clifton Centre, Khayaban-e-Roomi,
Kehkashan, Block-5, Clifton, Karachi-75600
Tel: (92-21) 35836920, 35375714, 35377045
Fax: (92-21) 35837956, 35810289
Email: gangjees@super.net.pk

Web Site

www.dadex.com



Notice of Annual General Meeting

Notice is hereby given that the 50th Annual General Meeting of the Dadex Eternit Ltd. will be held on Thursday, May 20, 2010 at 11:00 a.m. at Dadex House, 34-A/1, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi to transact the following business:

A. ORDINARY BUSINESS

1. To receive, consider and adopt the following:
 - a) Financial statements for the year ended 30 June, 2009 and the Auditors' Report thereon; and
 - b) The Report of the Board of Directors for the year ended 30 June, 2009.
 2. To appoint auditors of the Company for the year ending 30 June, 2010, and authorise the Directors to fix their remuneration. The present auditors, M/s. Ernst & Young Ford Rhodes Sidat Hyder, being eligible have offered themselves for reappointment.
- B.** Statement under section 160 of the Companies Ordinance, 1984 pertaining to the status of previous approval of investment in a proposed investee is being sent to the Members.

By Order of the Board

(AMBER SAEED)
Company Secretary

Karachi, April 15, 2010

C. NOTES:

1. The Register of Members and the Share Transfer Books of the Company shall remain closed from May 13, 2010 to May 20, 2010 (both days inclusive). Transfers received in order at the office of our Share Registrar, M/s. Gangjees Registrar Services (Pvt.) Ltd, 516, Clifton Centre, Khayaban-e-Roomi, Block 5, Clifton, Karachi-75600 by the close of business hours on May 12, 2010 will be treated in time for incorporating the change in the Register of Members as at May 13, 2010.
2. Entitlement to attend, participate and vote at the 50th Annual General Meeting will be according to the Register of Members as at May 13, 2010.
3. A member of the Company entitled to attend and vote may appoint another member as his/her proxy to attend, speak and vote for him/her. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must, to be valid, be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
4. An instrument of proxy applicable for the Meeting, in which a Member can direct the proxy how he/she wishes the proxy to vote, is being provided with the notice sent to Members. Further copies of the instrument of proxy may be obtained from the Registered Office of the Company during normal office hours.
5. Members are requested to submit declaration for Zakat on the required format and to notify immediately changes, if any, in their registered addresses to our Share Registrar as mentioned above.
6. Members who have not yet submitted photocopy of their Computerized National Identity Cards are requested to send the same to our Share Registrar as mentioned above at the earliest.
7. CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

a) For Attending the Meeting:

- i. In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

b) For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
 - ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his original CNIC or original passport at the time of the meeting.
 - v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
8. Transport will be available for members at 10:00 a.m. sharp outside the premises of the Karachi Stock Exchange Building to take them to the venue of the meeting.

Statement under section 160(1) (b) of the Companies Ordinance, 1984 in compliance with the SRO 865 (I) / 2000 dated December 06, 2000.

The Company in its prior General Meeting held on October 27, 2008, through a special resolution has sought approval for establishing a limited liability company in Sultanate of Oman to undertake the activities similar to the Company and subscribe for 70% of its share capital i.e. 105,000 shares with a nominal value of Riyal Omani 1 per share. The approval for overseas investment was granted by State Bank of Pakistan on September 30, 2008. However by the time approval was granted the international economic situation were not suitable for making the investment. Therefore the investment has not been made so far.



Report of Board of Directors

The Directors of Dadex Eternit Limited (Company) are pleased to present the Fiftieth Annual Report along with the Audited Financial Statements for the year ended June 30, 2009.

This report has been delayed for reasons beyond our control as explained under point IV of the report.

I. NATIONAL ECONOMY

The year under review witnessed GDP growth of 2%, which is lowest of the previous six years. The economic scenario was marred with uncertainties and volatility causing a slow down in the construction sector. The challenges the company faced were as a result of major cuts in the infrastructure development projects, slowdown in the construction sector, massive devaluation of rupee against US dollar and uncertainty on the political front. Global recessionary pressures also added to the difficulties. High borrowing costs added to the negative impact on the revenue targets and margins of the Company.

II. BUSINESS

Sales and profitability

The challenging economic scenario had severe pressure on sales. Further the situation explained under point IV also affected the performance especially the last quarter of the year. In spite of the challenging situation sales revenue growth of 8% was achieved, although margins were under pressure.

To cope up with the persistent sluggish demand in the construction industry your Company is focusing on broadening its customer base by exploring new segments and specialised applications and diversifying its product portfolio.

Gross margin reduced due to a decline in volumes and inflationary pressures. However financial charges including exchange loss had a very adverse impact on the operational results. During the year the management team continued to focus on tighter working capital management, stricter controls on credit, cut back on investments and cost controls. Without these efforts, the Company could not have achieved a profit during this year. The profit after tax for the year is 74% lower over previous year with an earning per share of Rs.1.77 (June 30, 2008: Rs.6.73)

Operations

The current year was the first full year of operations at the newly set up manufacturing facilities at Sunder. The challenges in terms of infrastructural problems such as encroachments, the poor quality of road access and drainage and security concerns for the manufacturing facilities at Karachi further aggravated matters and warrant the attention of the Government and local authorities. The Energy Conservation Project launched in November 2008 resulted in 9% of saving in energy consumption and proved to be a shock absorber compensating for the rising cost of power and fuel which was 27% as compared to last year.

Another PVC extrusion line has been acquired during the end of the year to support the product diversification. During the year the optimised operation of machines could not be achieved primarily due to frequent stoppages of supply of gas for self power generation for more than two months. This was further compounded due to limited availability of power from the utility company. Overall capacity utilisation was 5% lower over last year.

III. DIVIDENDS AND APPROPRIATIONS

Summary of profits available for appropriations is as follows:

	(Rupees in '000)
Unappropriated profit as at 01 July, 2008	74,126
Final dividend per share of Rs. 4.00 (2007:Rs.3.00) for the year ended 30 June, 2008	(43,056)
Transfer to general reserves for the year ended 30 June, 2008	(25,000)
Profit after taxation for the year ended 30 June, 2009	19,066
Unappropriated profit as at 30 June, 2009	25,136
Subsequent Effects	
Proposed final dividend per share of Rs. NIL	-
Transfer to general reserves for the year ended June 30, 2009	25,000
Unappropriated profit as at July 01, 2009	136
	25,136

Break-up value per share as at June 30, 2009 is Rs.46.94 (2008:Rs.49.46)

IV. BOARD OF DIRECTORS AND ITS COMMITTEES

- A.** The terms of office of present Directors will expire on 12 July, 2011.

During the year under review, seven meetings of the Board of Directors were held. Attendance by the Chairman, Chief Executive and each Director is annexed with this report.

As at June 30, 2009 and till the date of issuance of this report Mahvash & Jahangir Siddiqui Foundation, Jahangir Siddiqui Securities Services Limited, Jahangir Siddiqui & Co. Ltd., Jahangir Siddiqui & Sons Limited, Jahangir Siddiqui and Ali Jahangir Siddiqui are the shareholders of the 38.50% shareholding.

- B.** In February, 2009 four Directors namely Mr. Jahangir Siddiqui, Mr. Rasheed Y. Chinoy, Mr. Kamal Afsar (Alternate to Mr. Mohsin Ashfaq) and Mr. Mohammad Suleman Kanjiani, representing 38.50% shareholding of the Company filed a suit in the Honourable High Court of Sindh (Court) against the Company, its management. In addition, the said 38.50% shareholders filed several Applications including those relating to the grant of a temporary injunction for the appointment of an inspector and forensic auditors, as well as an interim injunction application for restraining the Company from incurring further capital expenditure. The Company was restrained from incurring capital expenditure through an interim order of the Court dated March 27, 2009. However this order was dismissed by the Court subsequently on July 10, 2009 and the Company was allowed to incur capital expenditure. The remaining Applications are pending before the Court for hearing.
- C.** In May, 2009, members representing 30.65% shareholding in the Company filed a petition in Court against the 38.50% shareholders on account of violation of Listed Companies (Substantial Acquisition of Voting Shares and takeovers) Ordinance, 2002 by the abovementioned 38.50% shareholders and the ineligibility of some of them to become Directors under section 187(j) of the Companies Ordinance, 1984. Thereafter members holding 23.61% shares from the shareholding owned by the said 38.50% shareholders also filed a petition in the Court against the Chief Executive and all Directors except the four Directors representing the said 38.50% shareholders alleging violation of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002. The Court issued orders in both the Petitions whereby the members of the Board were restrained from attending the meetings of the Board as Directors or its various committees. Therefore during the year and subsequent to the year ended June 30, 2009, for a period of approximately eight months (from May 19, 2009 to January 25, 2010) the Board could not function.



Report of Board of Directors

In view of such restraint over which the Company had no control, the powers to be exercised by the Board, as required under law, were non-functional. During that period the Chief Executive Officer (CEO) of the Company continued to act in his capacity as CEO based on the powers incidental to his appointment as a CEO under the Companies Ordinance, 1984 and the Power of Attorney executed in his name dated 30 March 1989. Further, the Company applied to the Securities and Exchange Commission of Pakistan (SECP) for an extension in the period for holding the Annual General Meeting for the year ended June 30, 2009, which was duly granted for a period of thirty days and this position was also intimated by the Company to the Karachi Stock Exchange. Subsequently, the above restraint placed on the Board was removed by the Court on January 25, 2010, whereby the Board became functional again and steps were taken to comply with all the requisite corporate and legal formalities, to convene the Annual General Meeting at the earliest. However the Petitions are pending before the Court for hearing.

The Company was not made a party to the Petitions, referred to above. Therefore, the Company filed applications for becoming a party to the Petitions and restraining the members who are parties to the Petitions from the sale and purchase of shares. These applications are pending before the Court at the time of issuance of this report. The SECP is a party to the suit, applications and petitions, referred to above.

- D.** Since the last report, Mr. Danish Dada who is the son of the CEO Mr. Sikander Dada, has resigned from the Board with effect from March 17th, 2010. He has also resigned from his position as General Manager Business Development of the Company with effect from March 17, 2010.

We appreciate the valuable contribution of the outgoing Director. We welcome to the Board Mr. Zulfiqar Ali Lakhani who joined the Board in place of the resigning Director with effect from March 31, 2010, for the remainder of the term.

- E.** The outgoing Director, Mr. Danish Dada was serving the Company as General Manager Business Development since May 06, 2008. There is an adequate disclosure in this respect, as it has been reflected in the Company information on page no. 1 of the Annual Report 2008. The remuneration paid to Mr. Danish Dada was included in note no. 33 related to disclosure of the amounts charged for remuneration and benefits of the Chief Executive, Director and Executives, to the Financial Statements for the year ended June 30, 2008, which were unanimously approved at the meeting of the Board of Directors held on September 11, 2008. Mr. Danish Dada was also elected as a Director at the election of Directors held at the Extraordinary General Meeting on July 10, 2008. After his election as a Director, the monthly remuneration being paid to him as an employee remained unchanged and such remuneration has been included in note 32 to the Financial Statements for the year ended June 30, 2009, which have been approved by the Board.

- F.** Mr. Danish Dada did not accept or hold any office of profit, after being elected as a Director except the one which he was holding at the time of election as Director. As regards disclosure of interest as required under section 218 of the Companies Ordinance, 1984, it was well within the knowledge of all concerned that Mr. Sikander Dada is the father of Mr. Danish Dada and thus had constructive notice about the interest of Mr. Danish Dada in the appointment of Mr. Sikander Dada as the CEO of the Company.

The directors representing 38.5% shareholding referred to in paragraph A above filed an application under Suit No. 166 of 2009 in the Court for restraining the Company "from approving the accounts for the year ending 30.06.09" at "the Board meeting on 15.04.10 or thereafter and/or the general body meeting". The Court was pleased to issue the following Order dated 14.04.2010 on the said application:

"2. Counsel for the plaintiff states that on 15.04.2010, the accounts are being submitted to the Board for approval wherein inter alia three items i.e., remuneration of Chief Executive, Remuneration to Director Mr. Danish Dada and authorization of Chief Executive on the basis of Power of Attorney, may be ordered not to be approved as their approval would be unlawful.

In so far as the objections as to the remuneration of the Chief Executive and his power of attorney are concerned any interim order at this stage may hamper the smooth running of the company, therefore no interim orders can be passed at this stage unless the other side is also heard. As regards objection to the remuneration of son of Chief Executive is concerned, it is hereby directed that accounts relating to his remuneration shall not be approved till the next date of hearing. Issue notice for 23.04.2010. Office to fix all pending applications on the said date."

- G.** The above matters have been adequately disclosed in notes to the Financial Statements and reference maybe made to notes no.3.1.5, 22.1, 32.1 and 38.2 to the Financial Statements. Notes 32.1 and 38.2 have also been emphasised by the Auditors in their report to the Members.
- H.** The Board's Audit Committee formed after election of Directors on July 12, 2008 comprised of three members, of whom two were non-executive Directors including the Chairman of the Board Audit Committee. The Board Audit Committee comprised of Mr. Mohammad Suleman Kanjiani as the Chairman of the Board Audit Committee, Mr. Qazi Sajid Ali and Mr. Danish Dada as members.

The Board Audit Committee was reconstituted with effect from April 27, 2009 comprising of three members all of whom are non executive Directors. The reconstituted Board Audit Committee comprises of Mr. Qazi Sajid Ali as the Chairman of the Board Audit Committee, Mohammad Suleman Kanjiani and Mr. Samad Dada as members.

V. INFORMATION COMMUNICATION TECHNOLOGY

The current year has been the year of consolidation after the successful implementation of SAP last year. To further streamline the Management Information System evaluation of Business Objects, which is a reporting tool of SAP, is under process.

In addition there are plans to further enhance the network security by evaluating the latest available security tools

VI. CONTRIBUTION TO THE NATIONAL ECONOMY

During the year under review, the Company has contributed over Rs.518 million (2008: Rs.405 million) in the shape of duties, taxes and levies to the Government exchequer.

VII. HEALTH, SAFETY, ENVIRONMENT (HSE) AND QUALITY

Various measures have been initiated in manufacturing operations for achieving higher standards in HSE with a target of achieving levels prescribed under OHSA 18001: 2007 standard. A review and implementation of the measures initiated is planned in a manner to achieve compliance with the standard by December 2010. As a part of the implementation program all manufacturing locations have been declared as No Smoking Sites'.

House keeping has been reorganized under the banner of 5S of House Keeping through the participation of the work force and motivating them by means of healthy internal competition and recognition in the shape of awards.

During the year, development and implementation of Quality Management System (QMS) for the manufacturing facilities at Sunder was completed leading to certification of ISO-9001:2000 for Sunder. Similarly, 2nd Surveillance Audit of QMS by SGS at KF and SF was successfully conducted. Renewal of certifications for products Marking Licenses from Pakistan Standards and Quality Control authority (PSQCA) was also successfully completed.

VIII. HUMAN RESOURCES

Taking care of Human Capital is one of the core values of your Company. Your Company is committed to nurture this capital by investing in an appropriate selection of human resources followed by the retention and training of such resources. The process of ongoing development and training of human resource to enhance productivity and skills has continued during the year.

An agreement with CBA of Karachi factory has been signed. Our employees and unions are motivated enough to play their role to handle the challenges and opportunities related to the business.



Report of Board of Directors

IX. COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

A) Your Board of Directors is pleased to confirm:

- 1) That your Company has applied the principles contained in the Code of Corporate Governance and relevant listing regulations, as narrated in the "Statement of Compliance with Code of Corporate Governance" for the year ended 30 June 2009 annexed with this report.
- 2) That your company while complying with the applicable regulations has applied the principles contained in the Code of Corporate Governance relating to "Related Party Transaction" covered under new sub regulation no 37(xiii) which has been added vide Karachi Stock Exchange's letter no KSE/N-269 dated 19th January, 2009.
- 3) That the Board has adopted the "Statement of Business Ethics and Practices" and measures have been taken to ensure that all employees within the organisation effectively observe these rules of conduct.
- 4) The following statements which External Auditors have also certified in their report to the members:
 - a. The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
 - b. Proper books of account of the company have been maintained.
 - c. Appropriate accounting policies have been consistently applied in preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment.
 - d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- 5) The External Auditors have emphasised certain matters in their report to the members, which have been adequately explained in point IV of our report and in notes to the financial statements.
- 6) The system of internal control and other such procedures, which are in place, are being continuously reviewed by the Board's Audit Committee. The Internal Audit function has been outsourced and is being performed by one of the top five audit firms i.e. KPMG Taseer Hadi & Co., whose term expired on June 30, 2009. The term of the Internal Audit firm could not be renewed and their report for the fourth quarter ended June 30, 2009 could not be considered due to restraint on meetings of Audit Committee since May 19, 2009 as explained in point IV above. However KPMG Taseer Hadi & Co. has been reappointed as the Internal Auditor with effect from May 1, 2010.
- 7) There are no significant doubts upon the company's ability to continue as a going concern.
- 8) There has been no material departure from the best practices of corporate governance, as detailed in the applicable listing regulations.

B) Following is the further information in accordance with Corporate and Financial Reporting Framework laid down in the Code of Corporate Governance:

- 1) The summary of the key operating and financial data of the Company spanning the last ten years is annexed with this report.
- 2) Taxes and levies are as disclosed in the notes to the accounts.
- 3) The following is the value of investments held by the Provident Fund based on the latest audited accounts as at June 30:

	2009	2008	
----- (Rupees in '000)-----			
150,949		154,181	

- 4) The statement, showing pattern of shareholding of the Company as at June 30, 2009 is annexed with this report.
- 5) The Directors, CFO and Company Secretary and their spouses and minor children did not carry out any trade in the shares of the Company during the year, except those disclosed in the pattern of shareholding.

X. AUDITORS

The present auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire at the conclusion of the Fiftieth Annual General Meeting. Being eligible, they have offered themselves for re-appointment. As required by the Code of Corporate Governance, Board Audit Committee has recommended their re-appointment, by the Company's shareholders, as auditors of the Company for the financial year ending 30 June 2010, and the Board agrees to the recommendation of the Board Audit Committee.

Auditors recommended for appointment hold satisfactory rating under the "Quality Control Review Programme" of the Institute of Chartered Accountants of Pakistan.

XI. MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments, affecting the financial position of the Company have occurred between the end of the financial year of the Company to which the balance sheet relates and the date of this report.

The Company in its prior General Meeting held on October 27, 2008, through a special resolution has sought approval for establishing a limited liability company in Sultanate of Oman to undertake the activities similar to the Company and subscribe for 70% of its share capital i.e. 105,000 shares with a nominal value of Riyal Omani 1 per share. The approval for overseas investment was granted by State Bank of Pakistan on September 30, 2008. However by the time approval was granted the international economic situation were not suitable for making the investment. Therefore the investment has not been made so far.

XII. FUTURE PROSPECTS AND CHALLENGES

The period ahead is challenging, development expenditure of the Government is expected to remain under pressure due to deficits in revenue collection targets. Construction activity in general will take time to pick up. The competition in the market will be stiff mainly due to lack of quality consciousness. However there are various promising signs. Exports are increasing and our efforts to increase geographical and product diversification are beginning to show positive results.

In addition to the above, your Company has embarked on various cost rationalization measures along with improving efficiencies, which will assist in improving profitability.

The effects of various litigations against the Company's management by the abovementioned 38.50% shareholders, as explained in note IV has also put a dent in the smooth operations and affected the profitability. However, various applications filed by the said 38.50% shareholders have been dismissed by the Court due to lack of evidence and the Company is hopeful that these matters will be resolved.

We are confident that the strategies set by the Management are going to yield results in the near future.

XIII. ACKNOWLEDGEMENTS

We would like to take this opportunity to thank our customers for their support and patronage, which is the key element behind our existence and growth.

We would also like to thank all other stakeholders including our vendors, bankers and financial institutions, insurers, Government and our shareholders for their cooperation, support and reposing confidence on us.

We would like to thank all our employees for their zeal, enthusiasm, commitment, dedication, hard work and team spirit without which our journey towards making our vision of becoming the most valued company a reality, will remain incomplete.

On behalf of the Board of Directors

(ABU TALIB H.K. DADA)
Chairman

Karachi: April 15, 2010



Attendance at Board Meeting for the year ended 30 June, 2009

Name of Director	Total No. of Board Meetings	No. of Meetings Attended
ABU TALIB H.K. DADA - CHAIRMAN	7	7
QAZI SAJID ALI	7	7
MAQBOOL H.H. RAHIMTOOLA	7	7
SHAHZAD M. HUSAIN	7	7
SAMAD DADA	7	7
DANISH DADA	7	7
JAHANGIR SIDDIQUI	7	7
RASHEED Y. CHINOY	7	7
MOHAMMAD SULEMAN KANJIANI	7	7
MOHSIN AFSAQUE (Alternate: KAMAL AFSAR)	7	6
SIKANDER DADA - CEO	7	7

Leave of absence was granted to Directors who could not attend some of the Board meetings.

Statement of Compliance with the Code of Corporate Governance for the Year Ended June 30, 2009



This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation No. 35 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. During the year ended June 30, 2009, there was one elected executive director on the Board.
2. All the directors, except one mentioned in paragraph 4 below, have confirmed that:
 - a. none of them is serving as a director in ten other listed companies;
 - b. they are registered taxpayers; and
 - c. none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI. None of the directors is a member in any Stock Exchange.
3. No casual vacancy occurred in the Board during the year ended June 30, 2009.
4. The Company has prepared a "Statement of Ethics and Business Practices", which has been prepared and signed by all directors [except Kamal Afsar, the alternate director to Mr. Mohsin Ashfaq, to whom a request for complying the above requirement has already been sent] and employees of the Company.
5. The Board of Directors has developed a vision/mission statement, overall corporate strategy and significant policies of the company. Any amendments in significant policies, if material, are approved by the Board and a complete record of amendments in such policies along with the dates on which they were approved has been maintained.
6. Election of Directors was held on July 10, 2008, in an extra-ordinary general meeting, in which ten directors were elected for a term of next three years.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration of the CEO. The meetings of the Board were presided over by the Chairman. Seven meetings of the Board were held during the year. Written notices of the Board meetings, along with agenda were circulated at least seven days before the meeting, except in one meeting held on February 18, 2009, when notice and agenda were sent five days before the meeting. The minutes of the meeting were appropriately recorded and circulated except as disclosed above.

During the year and subsequent to the year ended June 30, 2009, for a period of approximately eight months (from May 19, 2009 to January 25, 2010), the members of the Board of Directors (the Board) were restrained from attending the meetings of the Board as directors or its various committees as a consequence of the Orders issued by the Honorable High Court of Sindh (Court) in the petitions referred in note 22.1 to the financial statements. In view of such restraint, over which the Company had no control, the powers which had to be exercised by the Board, as required, were not possible. During that period the Chief Executive Officer (CEO) continued to act in his capacity as CEO based on the powers incidental to his appointment as a CEO under the Companies Ordinance, 1984 and the Power of Attorney executed in his name dated March 30, 1989. Further, the Company applied to SECP for extension in period for holding Annual General Meeting for the year ended June 30, 2009, which was duly granted for a period of thirty days and was also intimated by the Company to Karachi Stock Exchange. Subsequently, the above restraint placed on the Board was removed by the Court on January 25, 2010, whereby the Board became functional again and steps were taken to comply with all the requisite corporate and legal formalities to convene the Annual General Meeting at the earliest.

8. Directors are well conversant with the listing regulations and legal requirements and as such are fully aware of their duties and responsibilities.
9. The transactions with related parties are carried out on arm's length basis and approved by the Audit Committee and by the Board of Directors except for the matter noted in paragraph 13 below. A complete party-wise record of related party transactions has been maintained by the Company.



Statement of Compliance with the Code of Corporate Governance for the Year Ended June 30, 2009

10. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by CEO and acting CFO before approval of the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
13. The Company has complied with the corporate and financial reporting requirements of the Code except as disclosed below:

Mr. Danish Dada was an employee since May 06, 2008 and then was elected as a director at the election of directors held at the Extraordinary General Meeting on July 10, 2008. After his election as a director, the monthly remuneration being paid to him as an employee remained unchanged. As regards non-compliance with section 218 of the Ordinance relating to disclosure of interest, the legal counsel states, "it was well within the knowledge of all concerned that Mr. Sikander Dada is the father of Mr. Danish Dada and thus had constructive notice about the interest of Mr. Danish Dada in the appointment of Mr. Sikander Dada as the Chief Executive of the Company. This para may be read in conjunction with paragraph IV (F) of the Report of the Board of Directors.

14. The Board has formed its Audit Committee. After election of Directors, the Audit Committee was formed on July 12, 2008 and comprises of three members. Two members of the Audit Committee including the chairman of Audit Committee were non-executive directors. The Audit Committee was reconstituted with effect from April 27, 2009, it comprises three members and all are non executive directors.
15. The meetings of the audit committee were held at least once every quarter of the financial year ended June 30, 2009 prior to approval of interim and final results of the Company and as required by the Code. The members of the Board of Directors were restrained from attending the meetings of the Board as directors or as member of its various committees as explained in point no. 7 above. Therefore, no meeting of the Audit Committee could be held after May 19, 2009 for the approval of results of the Company for the year ended June 30, 2009, for the quarter ended September 30, 2009 and for the six months ended December 31, 2009. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The Board has set-up an effective internal audit function. The Internal Audit function has been outsourced and is being performed by KPMG Taseer Hadi & Co., whose term expired on June 30, 2009. The term of the Internal Audit firm could not be renewed and their report for the fourth quarter ended June 30, 2009 could not be considered due to the restraint as discussed in paragraphs 7 and 15 above. However, effective, on May 1, 2010 KPMG Taseer Hadi & Co. has been reappointed as the Internal Auditor for a term upto June 30, 2011, as approved in meeting of Audit Committee held on April 12, 2010.
17. The statutory auditors of the Company have confirmed that:
 - a. they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan;
 - b. they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company; and
 - c. the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
18. 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.
19. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

SIKANDER DADA
Chief Executive

Karachi: April 15, 2010

Auditors' Review Report on Statement of Compliance



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 (the Code) for the year ended 30 June 2009 prepared by the Board of Directors (the Board) of Dadex Eternit Limited (the Company) to comply with the Listing Regulation No. 35(Chapter X) of the 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 reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub-Regulation (xiii) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Karachi: April 15, 2010

Chartered Accountants



Auditor's Report to the Members

We have audited the annexed balance sheet of Dadex Eternit Limited (the Company) as at 30 June 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.

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.29 to the accompanying financial statements with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of Company's business; and
 - (iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2009 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion, we draw attention:

- (i) as fully explained in note 32.1 to the financial statements, the Honorable High Court of Sindh in its order dated 14 April 2010 ordered that the remuneration relating to the son of Chief Executive Officer shall not be approved till the next date of hearing. These financial statements have been approved by the directors at their meeting held on 15 April 2010 with the exception of his remuneration charged in these financial statements. Further, the matter relating to compliance with requirements of section 188(1)(c)(i) of the Companies Ordinance, 1984 is also pending decision by the Honorable High Court of Sindh; and
- (ii) to notes 32.1 and 38.2 to the financial statements, wherein it has been stated that during the year and subsequent to the year end, for a period of approximately eight months (from 19 May 2009 to 25 January 2010), members of the Board of Directors (the Board) were restrained by the Honorable High Court of Sindh from attending meetings of the Board or its various committees. Accordingly, in such period the Chief Executive Officer (CEO) continued to act in his capacity as CEO as stated in the above referred note.

Karachi: April 15, 2010

Audit Engagement Partner: Shariq Ali Zaidi
CHARTERED ACCOUNTANTS



Financial
Pages



Balance Sheet as at June 30, 2009

	Note	2009	2008
----- (Rupees in '000) -----			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	401,105	442,997
Intangible assets	4	12,553	13,587
Investment property	5	16,206	17,721
Long-term investment	6	-	876
Long-term loans	7	4,090	4,307
Long-term deposits	8	4,222	4,150
		<u>438,176</u>	<u>483,638</u>
CURRENT ASSETS			
Stores, spare parts and loose tools	9	56,834	77,044
Stock-in-trade	10	875,203	776,309
Trade debts	11	113,998	125,929
Loans and advances	12	40,540	41,875
Trade deposits and short-term prepayments	13	16,220	20,950
Accrued interest and other receivables		990	15,785
Short-term investments		-	100,247
Sales tax and excise duty refundable - net		-	4,582
Taxation - net		34,337	15,302
Cash and bank balances	14	850	46,615
		<u>1,138,972</u>	<u>1,224,638</u>
TOTAL ASSETS		<u><u>1,577,148</u></u>	<u><u>1,708,276</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	107,640	107,640
Reserves	16	397,661	424,781
		<u>505,301</u>	<u>532,421</u>
NON-CURRENT LIABILITIES			
Long-term financing	17	60,000	120,000
Deferred taxation	18	19,520	26,658
		<u>79,520</u>	<u>146,658</u>
CURRENT LIABILITIES			
Trade and other payables	19	412,464	619,866
Accrued mark-up		20,518	10,937
Short-term borrowings	20	472,169	341,557
Current portion of long-term financing	17	60,000	30,000
Sales tax payable		4,516	-
Derivatives	21	22,660	26,837
		<u>992,327</u>	<u>1,029,197</u>
CONTINGENCIES AND COMMITMENTS	22		
TOTAL EQUITY AND LIABILITIES		<u><u>1,577,148</u></u>	<u><u>1,708,276</u></u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

SIKANDER DADA
Chief Executive

ABU TALIB H.K. DADA
Director

SALMAN SAEED SHAIKH
Chief Financial Officer

Profit and Loss Account for the Year Ended June 30, 2009



	Note	2009	2008
----- (Rupees in '000)-----			
Turnover - net	23	2,189,890	2,017,194
Cost of sales	24	(1,675,323)	(1,496,621)
Gross profit		<u>514,567</u>	<u>520,573</u>
Distribution cost	25	(274,197)	(268,109)
Administrative expenses	26	(106,205)	(88,564)
Other operating expenses	27	(37,994)	(84,953)
Other operating income	28	29,709	41,765
Operating profit		<u>125,880</u>	<u>120,712</u>
Finance cost	29	(104,766)	(40,749)
Share of (loss) / profit on investment in an associate	6	(876)	42
Profit before taxation		<u>20,238</u>	<u>80,005</u>
Taxation	30	(1,172)	(7,575)
Profit after taxation		<u><u>19,066</u></u>	<u><u>72,430</u></u>
(Rupees)			
Earnings per share - Basic and diluted	31	1.77	6.73

The annexed notes from 1 to 40 form an integral part of these financial statements.

SIKANDER DADA
Chief Executive

ABU TALIB H.K. DADA
Director

SALMAN SAEED SHAIKH
Chief Financial Officer



Cash Flow Statement for the Year Ended June 30, 2009

	Note	2009	2008
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	35	(40,546)	333,396
Income tax paid		(29,021)	(9,696)
Long-term loans - net		217	(1,365)
Long-term deposits - net		(72)	(91)
Net cash (used in) / generated from operating activities		<u>(69,422)</u>	<u>322,244</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(36,784)	(136,354)
Investment made		(820)	-
Investments encashed		1,082	275
Proceeds from disposal of property, plant and equipment		6,042	25,682
Interest received		488	56
Net cash used in investing activities		<u>(29,992)</u>	<u>(110,341)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing		(30,000)	150,000
Short-term borrowings - net		130,612	(150,326)
Finance lease rentals paid		-	(9,568)
Interest / mark-up paid		(95,185)	(33,396)
Payments for derivative financial instruments - cross currency swap		(8,711)	-
Payment for cash flow hedge - interest rate swap		(516)	-
Dividend paid		(42,551)	(31,937)
Net cash used in financing activities		<u>(46,351)</u>	<u>(75,227)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(145,765)</u>	<u>136,676</u>
Cash and cash equivalents at the beginning of the year		146,615	9,939
Cash and cash equivalents at the end of the year		<u><u>850</u></u>	<u><u>146,615</u></u>
Cash and cash equivalents comprises of:			
Short-term investment		-	100,000
Cash and bank balances	14	<u>850</u>	<u>46,615</u>
		<u><u>850</u></u>	<u><u>146,615</u></u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

SIKANDER DADA
Chief Executive

ABU TALIB H.K. DADA
Director

SALMAN SAEED SHAIKH
Chief Financial Officer

Statement of Changes in Equity for the Year Ended June 30, 2009



	Reserves					Total	Grand Total
	Issued, Subscribed and Paid-Up Capital	Capital Reserves - Share Premium	Revenue Reserves		Other		
		General Reserves	Unappropriated Profit				
----- (Rupees in '000) -----							
Balance as at July 01, 2007	107,640	5,655	334,583	44,405	-	384,643	492,283
Transfer to general reserve for the year ended June 30, 2007	-	-	10,417	(10,417)	-	-	-
Final dividend for the year ended June 30, 2007 @ Rs.3 per share	-	-	-	(32,292)	-	(32,292)	(32,292)
Profit after taxation for the year ended June 30, 2008	-	-	-	72,430	-	72,430	72,430
Balance as at June 30, 2008	<u>107,640</u>	<u>5,655</u>	<u>345,000</u>	<u>74,126</u>	<u>-</u>	<u>424,781</u>	<u>532,421</u>
Final dividend for the year ended June 30, 2008 @ Rs.4 per share	-	-	-	(43,056)	-	(43,056)	(43,056)
Transfer to general reserve for the year ended June 30, 2008	-	-	25,000	(25,000)	-	-	-
Profit after taxation for the year ended June 30, 2009	-	-	-	19,066	-	19,066	19,066
Fair value of cash flow hedge (note 21)	-	-	-	-	(3,043)	(3,043)	(3,043)
Deferred tax	-	-	-	-	942	942	942
Fair value of cash flow hedge - net	-	-	-	-	(2,101)	(2,101)	(2,101)
Net loss in cash flow hedge for the year	-	-	-	-	(1,029)	(1,029)	(1,029)
Balance as at June 30, 2009	<u>107,640</u>	<u>5,655</u>	<u>370,000</u>	<u>25,136</u>	<u>(3,130)</u>	<u>397,661</u>	<u>505,301</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

SIKANDER DADA
Chief Executive

ABU TALIB H.K. DADA
Director

SALMAN SAEED SHAIKH
Chief Financial Officer



Notes to the Financial Statements for the Year Ended June 30, 2009

1. NATURE AND STATUS OF BUSINESS

Dadex Eternit Limited (the Company) is a limited liability company incorporated in Pakistan on April 13, 1959 as a public limited company under the Companies Ordinance, 1984 and is quoted on Karachi Stock Exchange. The registered office of the Company is situated at Dadex House, 34-A/1, Block 6, P.E.C.H.S, Sharah-e-Faisal, Karachi. The principal business of the Company is manufacture and sale of construction material, which mainly includes piping system and other allied products manufactured from chrysotile cement, rubber and plastics and merchandising of imported fittings, accessories and other building products. The Company is also engaged in providing irrigation solution for agriculture and landscape.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Significant accounting judgements and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgements which are significant to these financial statements:

- (a) Determining the impairment, residual values, useful lives and pattern of flow of economic benefits of property, plant and equipment and investment property (notes 2.4, 2.6, 3 & 5);
- (b) Provision against stores, spare parts and loose tools and stock-in-trade / adjustment of stores, spare parts and loose tools and stock-in-trade to their Net Realizable Value (notes 2.9, 2.10, 9 & 10);
- (c) Provision and impairment of financial assets (notes 2.7, 11 - 13);
- (d) Recognition of taxation and deferred tax (notes 2.18, 18 & 30); and
- (e) Derivative financial instruments (notes 2.21 & 21).

Other areas where estimates and judgments involved are disclosed in respective notes to these financial statements.

2.3 Basis of preparation

These financial statements have been prepared under the historical cost convention except for the derivative financial instruments which are measured at fair value in accordance with the requirements of International Accounting Standard (IAS) - 39 "Financial Instruments: Recognition and Measurement" as referred to in notes 2.21 and 21.

2.4 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost less accumulated depreciation or impairment, if any, except freehold land which is stated at cost.

Notes to the Financial Statements for the Year Ended June 30, 2009



Depreciation is charged to profit and loss account using the straight-line method at the rates disclosed in note 3.1 to these financial statements, whereby the cost of an asset less residual value is written-off over its estimated useful life. A full month's depreciation is charged for assets in the month of purchase and no depreciation is charged in the month of disposal. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements, if any, are capitalized.

Gains and losses on disposals of property, plant and equipment are determined by comparing sale proceeds with the carrying amount of the relevant assets. These are included in the profit and loss account.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment, if any, and consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their acquisition, erection, construction and installation. The assets are transferred to relevant category of operating fixed assets when they are available for use.

Assets subject to finance lease

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of leased items are capitalized at the inception of lease. Assets subject to finance lease are stated at the lower of the present value of minimum lease payments under the lease agreements and their fair value. Depreciation is charged using the same basis and rates used for similar owned assets whereby the cost of assets less residual value is written off over their estimated useful lives. Income arising from sale and lease back transactions, if any, is deferred and is amortized equally over the lease period.

2.5 Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably.

Generally, costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefit exceeding the cost beyond one year, are recognized as intangible asset. Direct costs include the purchase cost of software and related overhead cost.

These are stated at cost less accumulated amortization and impairment, if any.

Amortization is charged to profit and loss account using the straight-line method at the rate disclosed in note 4 to these financial statements. A full month's amortization is charged for assets in the month of purchase and no amortization is charged in the month of disposal.

2.6 Investment property

These are assets held for capital appreciation and for rental earnings and are measured under the cost model. These are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged to profit and loss account using the straight-line method at the rates disclosed in note 5 to these financial statements, whereby the cost of an asset less residual value is written-off over its estimated useful life. A full month's depreciation is charged for assets in the month of purchase and no depreciation is charged in the month of disposal. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements, if any, are capitalized.

2.7 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. If any such indication exists, the recoverable amounts are estimated and impairment losses or reversal of impairment losses are recognized in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.



Notes to the Financial Statements for the Year Ended June 30, 2009

2.8 Investments

2.8.1 Investment in an associate

The Company's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortized. The profit and loss accounts reflect the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

2.8.2 Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Company has positive intention and ability to hold till maturity. After initial measurement held to maturity investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for repayment. This calculation includes all the fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transactions cost and all other premium and discounts. Gain and losses are recognized in the profit and loss account when the investments are derecognized or impaired, as well as through the amortized process.

2.9 Stores, spare parts and loose tools

These are valued at lower of cost and net realizable value. Cost is determined on weighted average cost less provision for obsolete and slow moving items except for items in transit which are stated at invoice values plus other charges incurred thereon.

Net realizable value is the estimated selling price in the ordinary course of business less estimated cost necessary to make the sale which is generally equivalent to the estimated replacement cost.

The Company reviews the carrying amount of stores, spare parts and loose tools on an annual basis and provision is made for obsolescence.

2.10 Stock-in-trade

2.10.1 Raw materials

Raw materials are valued at the lower of weighted average cost and net realizable value.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

2.10.2 Work-in-process

Work-in-process is valued at average cost comprising prime cost and an appropriate portion of manufacturing overheads.

Notes to the Financial Statements for the Year Ended June 30, 2009



2.10.3 Finished goods

Finished goods are valued at lower of weighted average cost and net realizable value. Cost in case of manufactured finished goods includes prime cost and an appropriate portion of manufacturing overheads. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

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

2.11 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.12 Cash and cash equivalents

Cash and bank balances are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprises cash in hand and bank balances and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

2.13 Provisions

Provisions are recognized when:

- a) the Company has a present obligation (legal or constructive) as a result of past events;
- b) it is probable that an outflow of resources will be required to settle the obligation; and
- c) a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.14 Liabilities against assets subject to finance lease

Liabilities against assets subject to finance lease are accounted for at net present value of minimum payments under the lease arrangements. Lease payments are apportioned between the finance charges and reduction of lease liability so as to achieve a constant rate of financial cost on the remaining balance of the liability. Financial costs are charged directly to profit and loss account.

2.15 Revenue recognition

- a) Revenue from sales of goods is recognized when significant risk and rewards of ownership of goods have passed to the buyers, usually on delivery of goods.
- b) Dividend income is recognized when the right to receive the dividend is established.
- c) Rental and interest income is recorded on accrual basis.
- d) Service income is recognized when related services are rendered.
- e) Sales of scrap goods are recorded net of cost on receipt basis.

2.16 Retirement benefits

The Company operates an approved contributory provident fund for all permanent employees for which employer's contribution is charged to profit and loss account for the year.

2.17 Compensated absences

The Company provides for its estimated liability towards leaves accumulated by employees on an accrual basis using current salary levels.



Notes to the Financial Statements for the Year Ended June 30, 2009

2.18 Taxation

Current

Provision for taxation is computed on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, in accordance with the provision of the Income Tax Ordinance, 2001. It also includes any adjustment to tax payable in respect of prior years.

Deferred

Deferred tax is provided in full using the liability method on all temporary differences arising at the Balance Sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, while deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be recognized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is recognized or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

2.19 Foreign currency translations

Foreign currency transactions are translated into Pak Rupees at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak Rupee at the rates of exchange prevailing at the balance sheet date. Any resulting gain or loss arising from changes in exchange rates is taken to profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.20 Financial instruments

Financial instruments carried on the balance sheet include investments, loans, deposits, receivables, cash and bank balances, trade and other payables, borrowings and financing.

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and are derecognized in case of assets, when the contractual rights under the instrument expire, are realised or surrendered and in case of liability, when the obligation expires, is discharged or cancelled.

2.21 Derivative financial instruments

The Company uses derivative financial instruments such as cross currency swaps and interest rate swaps to hedge its foreign market risks and interest rate risks respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives that do not qualify for hedge accounting are recognized in the balance sheet at fair value with corresponding effect to profit and loss account.

Notes to the Financial Statements for the Year Ended June 30, 2009



The fair values of the cross currency swap and interest rate swap represent the discounted value of the future cash flows estimated based on relevant economic assumptions for the period till the maturity of the swap contracts.

The fair value of the forward currency contracts is calculated with reference to current forward exchange rates for contracts with similar maturity terms.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedge risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. During the year, the Company has entered into an interest rate swap contract with a commercial bank designated as a cash flow hedge.

Cash Flow Hedges

Cash flow hedges are when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with an recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit and loss account.

On an ongoing basis, the Company assesses whether each derivative continues to be highly effective in offsetting changes in the cash flows of hedged items. If and when a derivative is no longer expected to be highly effective, hedge accounting is discontinued.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account. The fair values of derivative instruments (Interest rate swaps) used for hedging purposes are disclosed in note 21.2 to these financial statements. Movements on the hedging reserve are shown in statement of changes in equity.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

2.22 Offsetting

A financial asset and financial liability is offset and the net amount is reported in the balance sheet when there is a legal enforceable right to set-off the transactions is available and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.23 Borrowing costs

Borrowing and other related costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

2.24 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.



Notes to the Financial Statements for the Year Ended June 30, 2009

2.25 Transaction 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 basis.

2.26 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those allocated on a reasonable basis. Unallocated items mainly comprise investment and related income, loans and borrowings and related expenses, corporate assets and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets.

2.28 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations:

Standard or interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 - Borrowings Costs (Revised)	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements (Amended)	July 01, 2009
IAS 32 - Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments	January 01, 2009
IAS 39 - Financial Instruments: Recognition and measurement - Amendments regarding Eligible Hedge Items	July 01, 2009
IFRS 2 - Share Based Payment - Amendments regarding Vesting Conditions and Cancellations	January 01, 2009
IFRS 3 - Business Combinations (Revised)	July 01, 2009
IFRS 7 - Improving disclosures about Financial Instruments (Amended)	January 01, 2009
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17 - Distributions of Non-cash Assets to owners	July 01, 2009
IFRIC 18 - Transfers of Assets from Customers	July 01, 2009

Notes to the Financial Statements for the Year Ended June 30, 2009



The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application other than to the extent of certain changes and / or enhancements in the presentation and disclosures in the financial statements resulting from the application of International Accounting Standard (IAS) 1 (Revised). The revised IAS 1 was issued on September 2007 and becomes effective for financial years beginning on or after January 01, 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income; it presents all items of recognized income and expense, either in one single statement, or in two linked statements. Accordingly, the Company will appropriately implement the above requirements.

In addition to the above, amendments (2008 Annual improvements to IFRS) to various accounting standards have also been issued by IASB as a result of its annual improvement project. Such amendments are generally effective for accounting periods beginning on or after January 1, 2009. The management is currently evaluating the impact of such amendments on the Company's financial statements for the ensuing periods.

2.29 Changes in accounting policies

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended June 30, 2008 except for certain additional disclosures resulting from the adoption of the following accounting standards as described below:

IFRS 7 "Financial Instruments - Disclosures" requires disclosures related to financial instruments that enable users of the financial statement to evaluate their significance for the Company and the nature and extent of risks arising from such financial instruments. The new disclosures are included in the relevant notes in these financial statements.

IFRS 8 "Operating Segments" - The Company has early adopted this standard as of July 01, 2008 and policy and disclosures in respect thereof are shown in notes 2.27 and 37 respectively, including the related comparative information.

3. Property, Plant And Equipment

	Note	2009	2008
----- (Rupees in '000) -----			
Operating assets	3.1	392,244	435,810
Capital work-in-progress	3.2	8,861	7,187
		<u>401,105</u>	<u>442,997</u>



Notes to the Financial Statements for the Year Ended June 30, 2009

3.1 Operating assets

2009	Cost			Accumulated Depreciation			Book Value As at June 30, 2009	Depreciation Rate Per Annum %
	As at July 1, 2008	Additions / (Disposals)/ transfer (note 3.1.5)	As at June 30, 2009	As at July 1, 2008	For the Year / (on Disposals)/ transfer	As at June 30, 2009		
----- (Rupees in '000) -----								
OWNED								
Freehold land	23,264	1,947	25,211	-	-	-	25,211	-
Leasehold land	3,596	-	3,596	1,476	50	1,526	2,070	1-2.5
Factory buildings on freehold and leasehold land (note 3.1.2)	183,674	2,279	185,953	44,065	15,896	59,961	125,992	10
Buildings on freehold land other than factory	2,301	1,411	3,712	1,590	157	1,747	1,965	5
Buildings on leasehold land other than factory	43,555	554	44,109	21,960	1,896	23,856	20,253	5
Plant and machinery (note 3.1.3)	742,109	12,681	754,790	541,890	37,068	578,958	175,832	10
Furniture and fittings	9,501	384	9,885	3,837	884	4,721	5,164	10
Vehicles and transportation equipment	50,660	8,293 (8,080)	50,873	21,618	8,717 (3,552)	26,783	24,090	20
Office and factory equipment	28,191	2,047 (148)	30,090	14,605	3,848 (30)	18,423	11,667	10-33.3
	<u>1,086,851</u>	<u>29,596</u> <u>(8,228)</u>	<u>1,108,219</u>	<u>651,041</u>	<u>68,516</u> <u>(3,582)</u>	<u>715,975</u>	<u>392,244</u>	

Notes to the Financial Statements for the Year Ended June 30, 2009

2008

	Cost		Accumulated Depreciation			Book Value As at June 30, 2008	Depreciation Rate Per Annum %	
	As at July 1, 2007	Additions / (Disposals) / transfer	As at June 30, 2008	As at July 1, 2007	For the Year / (on Disposals) / transfer			As at June 30, 2008
----- (Rupees in '000) -----								
OWNED								
Freehold land	27,894	98 (4,252) (476)	23,264	-	-	23,264	-	
Leasehold land	5,292	3,300 (4,996)	3,596	1,765	71 (360)	1,476	1-2.5	
Factory buildings on freehold and leasehold land (note 31.2)	51,316	27,404 ***104,478 476	183,674	37,439	6,626	44,065	139,609	10
Buildings on freehold land other than factory	2,301	-	2,301	1,454	136	1,590	711	5
Buildings on leasehold land other than factory	73,755	886 (778) *(30,308)	43,555	31,591	1,836 (409) *(11,058)	21,960	21,595	5
Plant and machinery (note 31.3)	556,943	72,181 ** 85,388 *** 27,597	742,109	455,942	39,822 ** 46,126	541,890	200,219	10
Furniture and fittings	8,542	959	9,501	3,045	792	3,837	5,664	10
Vehicles and transportation equipment	43,903	18,646 (15,340) ** 2,751 *** 700	50,660	22,001	8,301 ** 2,123 (10,807)	21,618	29,042	20
Office and factory equipment	24,079	5,612 (1,500)	28,191	11,639	4,451 (1,485)	14,605	13,586	10-33.3
	794,025	129,086 (26,866) *(30,308) ** 88,139 *** 132,775	1,086,851	564,876	62,035 (13,061) *(11,058) ** 48,249	651,041	435,810	
ASSETS SUBJECT TO FINANCE LEASE								
Plant and machinery	85,388	** (85,388)	-	37,704	8,422 ** (46,126)	-	-	10
Vehicles and transportation equipment	2,751	** (2,751)	-	1,929	194 ** (2,123)	-	-	20
	88,139	** (88,139)	-	39,633	8,616 ** (48,249)	-	-	
	882,164	129,086 (26,866) *(30,308) *** 132,775	1,086,851	604,509	70,651 (13,061) *(11,058)	651,041	435,810	

- * Represents transfer to investment property (note 5).
- ** Represents transfers from assets subject to finance lease on completion of lease period.
- *** Represents transfers from capital work in progress on completion of work.

Notes to the Financial Statements for the Year Ended June 30, 2009

3.1.1 The depreciation charge for the year has been allocated as follows:

	Note	2009	2008
----- (Rupees in '000)-----			
Cost of sales	24	55,004	55,644
Distribution cost	25	4,613	4,376
Administrative expenses	26	8,899	10,631
		<u>68,516</u>	<u>70,651</u>

3.1.2 Represents cost of factory building Rs.131.536 (2008: Rs.131.536) million and Rs.54.417 (2008: Rs.52.138) million and written down value of Rs.113.839 (2008: Rs.127.229) million and Rs.12.153 (2008: Rs.12.380) million on freehold and leasehold land respectively.

3.1.3 Plant and machinery includes items such as fusion machine and related equipments having written down value of Rs.0.508 (2008: Rs.0.768) million which are in possession of customers for use on a temporary basis.

3.1.4 The cost of fully depreciated assets as at June 30, 2009 is Rs.438.594 (2008: Rs.355.155) million.

3.1.5 The Company was restrained from incurring capital expenditure through an order of Honorable High Court of Sindh dated March 27, 2009 (see note 22.1). However, this order was dismissed by the Court subsequently on July 10, 2009 and the Company was allowed to incur capital expenditure subject to prior approval of the Board of Directors. During the period from March 27, 2009 to June 30, 2009 the Company incurred capital expenditure for property, plant and equipment and intangible assets amounting to Rs.10.180 million and Rs.5.415 million respectively, in respect of which purchase orders/advances were given prior to the date of Court's order i.e. March 27, 2009.

3.2 Capital work-in-progress

	Note	2009	2008
----- (Rupees in '000)-----			
Plant and machinery		13,979	13,979
Less: Impairment loss on plant and machinery	3.2.1	<u>(6,891)</u>	<u>(6,792)</u>
		7,088	7,187
Advance against purchase of operating assets	3	<u>1,773</u>	-
		<u>8,861</u>	<u>7,187</u>

3.2.1 Impairment loss on plant and machinery

	Note	2009	2008
----- (Rupees in '000)-----			
Opening balance		6,792	5,987
Charge for the year	27	<u>99</u>	<u>805</u>
Closing balance		<u>6,891</u>	<u>6,792</u>

3.2.2 Impairment loss has been recognized on the abovementioned plant and machinery which has been determined using fair value (re-export value) as per the valuation by an independent valuer and part of the cost of services, i.e. agronomic support, the labor and logistics, which remained un-availed by the Company as of the balance sheet date and the supplier of abovementioned plant and machinery has committed to provide the aforesaid services to the Company or any of its customers.

Notes to the Financial Statements for the Year Ended June 30, 2009

3.3 The following operating assets were disposed off during the year:

	Cost	Accumulated depreciation	Written down value	Sale proceeds / Insurance claim	Gain / (loss)	Mode of disposal	Particulars of buyer
----- (Rupees in '000) -----							
VEHICLE AND TRANSPORTATION EQUIPMENT							
Suzuki Mehran	366	212	154	328	174	Negotiation	Mr. Hassan Majeed, Karachi
Honda Civic	1,084	587	497	596	99	As per Company's policy	Awais Bin Naseem - Ex-Employee, Karachi
Suzuki Cultus	605	91	514	637	123	Negotiation	Mr. Malik Abdul Khaliq, Karachi
Suzuki Mehran	366	240	126	180	54	As per Company's policy	Mr. Ziauddin Ahmed - Employee, Karachi
Suzuki Mehran	366	233	133	186	53	As per Company's policy	Mr. Naveed Mushtaq - Employee, Karachi
Suzuki Cultus	590	320	270	342	72	Insurance Claim	EFU General Insurance, a related party
Suzuki Cultus	678	599	79	245	166	As per Company's policy	Mr. Khawaja Muntajibuddin - Ex-Employee, Karachi
Suzuki Bolan	396	396	-	280	280	Negotiation	Mr. Malik Abdul Khaliq Zeeshan, Karachi
Honda City	949	152	797	827	30	Negotiation	Mr. Suhail Nadeem - Employee, Karachi
Suzuki Mehran	394	26	368	378	10	Insurance Claim	EFU General Insurance, a related party
Suzuki Cultus	689	138	551	717	166	Negotiation	Mr. Owais Gazvi, Karachi
Suzuki Mehran	350	117	233	308	75	Negotiation	Mr. Taufeeq Afzal, Karachi
Suzuki Mehran	353	79	274	284	10	As per Company's policy	Mr. Abdul Ghaffar Ravda - Ex-Employee, Karachi
Suzuki Cultus	616	175	441	468	27	As per Company's policy	Mr. Shahzaib Khan - Ex-Employee, Karachi
Others	278	187	91	112	21	Negotiation	Various
OFFICE AND FACTORY EQUIPMENT							
MAC Note book	148	30	118	154	36	Insurance Claim	EFU General Insurance, a related party
	<u>8,228</u>	<u>3,582</u>	<u>4,646</u>	<u>6,042</u>	<u>1,396</u>		

Notes to the Financial Statements for the Year Ended June 30, 2009

4. INTANGIBLE ASSET

	Cost			Accumulated Amortization			Written down value	Amortization rate %
	As at July 1, 2008	Additions / transfer* (note 3.1.5)	As at June 30, 2009	As at July 1, 2008	For the Year	As at June 30, 2009	As at June 30, 2009	
(Rupees in '000)								
SAP software and licenses	15,285	5,415	20,700	1,698	6,449	8,147	12,553	33.33
	<u>15,285</u>	<u>5,415</u>	<u>20,700</u>	<u>1,698</u>	<u>6,449</u>	<u>8,147</u>	<u>12,553</u>	
	Cost			Accumulated Amortization			Written down value	Amortization rate %
	As at July 1, 2007	Additions / transfer*	As at June 30, 2008	As at July 1, 2007	For the Year	As at June 30, 2008	As at June 30, 2008	
(Rupees in '000)								
SAP software and licenses	-	3,300 * 11,985	15,285	-	1,698	1,698	13,587	33.33
	<u>-</u>	<u>3,300</u> <u>* 11,985</u>	<u>15,285</u>	<u>-</u>	<u>1,698</u>	<u>1,698</u>	<u>13,587</u>	

* Represents transfer from capital work in progress upon completion of project.

4.1 The amortization charge for the year has been allocated to Administrative expenses (note 26).

Notes to the Financial Statements for the Year Ended June 30, 2009

5. INVESTMENT PROPERTY

	Cost			Accumulated Depreciation				
	As at July 1, 2008	Transfer* (note 5.1)	As at June 30, 2009	As at July 1, 2008	For the year / *Transfer (note 5.1)	As at June 30, 2009		Written down value as at June 30, 2009
2009	----- (Rupees in '000) -----							
Investment property	30,308	-	30,308	12,587	1,515	14,102	16,206	5
	<u>30,308</u>	<u>-</u>	<u>30,308</u>	<u>12,587</u>	<u>1,515</u>	<u>14,102</u>	<u>16,206</u>	

	Cost			Accumulated Depreciation				
	As at July 1, 2007	Transfer* (note 5.1)	As at June 30, 2008	As at July 1, 2007	For the year / *Transfer (note 5.1)	As at June 30, 2008		Written down value as at June 30, 2008
2008	----- (Rupees in '000) -----							
Investment property	-	* 30,308	30,308	-	1,529 *11,058	12,587	17,721	5
	<u>-</u>	<u>* 30,308</u>	<u>30,308</u>	<u>-</u>	<u>1,529</u> <u>*11,058</u>	<u>12,587</u>	<u>17,721</u>	

* Represents transfer from operating assets.

- 5.1** During the year, the Company has reconsidered the current and expected future use of the part of the building on leasehold land, keeping in view business needs and requirements and based on such reassessment, the Company has decided to reclassify a portion of building from operating fixed assets as "Investment Property", in accordance with the requirements of International Accounting Standard 40 "Investment Property", accordingly, comparative information has also been reclassified in order to provide better understanding of the financial statements. However, there is no impact of above change on the profit and loss account.
- 5.2** During the year, a valuation in respect of abovementioned property was carried out by Iqbal A.Nanjee & Co. (Private) Limited, an independent professional valuer, using present market value method as at June 30, 2009. Accordingly, the fair value thereof was determined to be Rs.302.32 million.
- 5.3** The depreciation charge for the year has been allocated to administrative expenses (note 26).

Notes to the Financial Statements for the Year Ended June 30, 2009

6. LONG-TERM INVESTMENT - Equity method

The Company has 48.04 (2008: 48.04) percent shareholding [i.e. 625,000 (2008: 625,000) ordinary shares of Rs.10/- each] in Berdex Construction Chemicals (Private) Limited (Berdex). Berdex is engaged in marketing and distribution of construction chemicals in Pakistan.

	Note	2009	2008
----- (Rupees in '000)-----			
Movement of investment in an associate			
Balance at beginning of the year		876	834
Share of (loss) / profit - current year	6.1	(609)	42
Adjustment for last year's loss based on audited financial statements		(267)	-
		(876)	42
Balance at end of the year		-	876

6.1 Represents share of loss in Berdex to the extent of carrying value of the Company's investment in Berdex. During the year, Berdex has incurred losses of Rs.3.99 million, however, the Company has discontinued recognizing its share of further loss of Rs.1.309 million as it exceeds its interest in the associate.

6.2 The summarized financial information of the associate of the Company, based on the audited financial statements for the year ended June 30, 2009 is as follows.

	Note	2009	2008
----- (Rupees in '000)-----			
Total Assets		12,378	26,027
Total Liabilities		15,102	24,758
Revenue		41,377	79,816
Loss after tax		3,993	468

7. LONG-TERM LOANS - secured

	Note	2009	2008
----- (Rupees in '000)-----			
Loans, considered good to:			
Executives	7.1	645	894
Employees		5,366	5,002
	7.2	6,011	5,896
Current portion	12	(1,921)	(1,589)
		4,090	4,307

Notes to the Financial Statements for the Year Ended June 30, 2009



7.1 Reconciliation of carrying amount of loans to executives

	Note	2009	2008
----- (Rupees in '000)-----			
Balance at beginning of the year		894	-
Disbursements		-	1,000
Repayments		(249)	(106)
Balance at end of the year		<u>645</u>	<u>894</u>

7.2 This represents interest free loans given for purchase of vehicles. These loans are repayable over periods ranging between four months to five years. All loans are granted in accordance with the terms of employment and are secured by way of registration of vehicles purchased in the name of the Company.

7.3 The maximum aggregate amount of advances due from executives at the end of any month during the year was Rs.0.873 (2008: Rs.0.894) million.

8. LONG-TERM DEPOSITS

	Note	2009	2008
----- (Rupees in '000)-----			
Deposits against service and supplies	8.1	<u>4,222</u>	<u>4,150</u>

8.1 This includes deposit with Sikander (Private) Limited - a related party amounting to Rs.0.100 (2008: Rs.0.100) million.

9. STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2009	2008
----- (Rupees in '000)-----			
Stores		7,331	7,313
Spare parts		58,458	70,810
Consumable accessories		11,417	15,024
Loose tools		2,184	2,606
Items in transit		102	3,443
	24.1	<u>79,492</u>	<u>99,196</u>
Provision for slow moving and obsolete stores, spare parts and loose tools	9.1	<u>(22,658)</u>	<u>(22,152)</u>
		<u>56,834</u>	<u>77,044</u>

9.1 Provision for slow moving and obsolete stores, spares parts and loose tools

	Note	2009	2008
----- (Rupees in '000)-----			
Opening balance		22,152	16,239
Provision for the year	24	506	5,913
Closing balance		<u>22,658</u>	<u>22,152</u>

Notes to the Financial Statements for the Year Ended June 30, 2009

10. STOCK-IN-TRADE

	Note	2009	2008
----- (Rupees in '000) -----			
Raw materials			
- in hand		283,726	389,789
- in transit		92,743	69,399
	24	<u>376,469</u>	<u>459,188</u>
Work-in-process		89,449	48,985
Finished goods			
- Manufactured	10.1 & 24	214,078	150,721
- Trading [including in transit Rs.Nil (2008: Rs.3.702 million)]	10.2 & 24	195,207	117,415
		<u>409,285</u>	<u>268,136</u>
		<u>875,203</u>	<u>776,309</u>

10.1 Includes products costing Rs.14.14 (2008: Rs.12.92) million which are carried at net realizable value of Rs.10.70 (2008: Rs.6.47) million.

10.2 Includes products costing Rs.1.44 (2008: Rs.3.26) million which are carried at net realizable value of Rs.1.01 (2008: Rs.1.09) million.

11. TRADE DEBTS - unsecured

	Note	2009			2008		
		Turnkey	Other than Turnkey	Total	Turnkey	Other than Turnkey	Total
----- (Rupees in '000) -----							
Considered good		-	113,998	113,998	-	125,929	125,929
Considered doubtful		21,041	94,949	115,990	21,041	96,486	117,527
		<u>21,041</u>	<u>208,947</u>	<u>229,988</u>	<u>21,041</u>	<u>222,415</u>	<u>243,456</u>
Less: Provision for doubtful debts	11.1	(21,041)	(94,949)	(115,990)	(21,041)	(96,486)	(117,527)
	11.3	<u>-</u>	<u>113,998</u>	<u>113,998</u>	<u>-</u>	<u>125,929</u>	<u>125,929</u>

11.1 Provision for doubtful debts

Opening balance	21,041	96,486	117,527	21,041	72,051	93,092
Charge for the year	-	15,830	15,830	-	40,665	40,665
Written back	-	(17,367)	(17,367)	-	(16,147)	(16,147)
Write off	-	-	-	-	(83)	(83)
	-	(1,537)	(1,537)	-	24,435	24,435
Closing balance	<u>21,041</u>	<u>94,949</u>	<u>115,990</u>	<u>21,041</u>	<u>96,486</u>	<u>117,527</u>

11.2 Provision for doubtful debts against turnkey projects represents estimate of the loss expected to be incurred on pipes supplied but not installed / certified to date on various projects.

11.3 Includes amount due from related parties, Berger Paints Pakistan Limited and Crescent Textile Mills Limited, amounting to Rs.0.053 (2008: Rs.0.095) million and Rs.0.031 (2008: Rs.0.031) million respectively.

11.4 The provision for doubtful debts includes an amount of Rs.13.820 (2008: Rs.16.663) million recoverable from an ex-employee who had reportedly collected the amount from customers and did not surrender the same to the Company. A law suit has been filed against the ex-employee to recover the above amount.

Notes to the Financial Statements for the Year Ended June 30, 2009



11.5 As at June 30, 2009, the ageing analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			> 1 day upto 90 days	> 90 days upto 180 days	> 180 days upto 360 days
----- (Rupees in '000) -----					
2009	113,998	30,589	63,961	8,038	11,410
2008	125,929	20,244	72,051	25,200	8,434

These are non-interest bearing and generally on 15 to 45 days terms.

12. LOANS AND ADVANCES

	Note	2009	2008
----- (Rupees in '000) -----			
Loans - secured, considered good			
Current portion of long-term loans	7	1,921	1,589
Others		10	5
		1,931	1,594
Advances - unsecured, considered good			
Employees		2,851	882
Suppliers / contractors		35,618	39,240
others		140	159
		38,609	40,281
Advances - considered doubtful			
Suppliers / contractors		500	500
Provision for doubtful advances		(500)	(500)
		-	-
		40,540	41,875

13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2009	2008
----- (Rupees in '000) -----			
Trade Deposits		14,182	22,720
Provision for doubtful trade deposits	13.1	(4,221)	(4,221)
		9,961	18,499
Other deposits		3,200	700
Prepayments			
Rent		2,929	481
Others		130	1,270
		16,220	20,950

Notes to the Financial Statements for the Year Ended June 30, 2009

13.1 Provision for doubtful trade deposits

	Note	2009	2008
----- (Rupees in '000) -----			
Opening balance		4,221	5,800
Charge for the year		-	522
Written back		-	(2,101)
Closing balance		<u>4,221</u>	<u>4,221</u>

14. CASH AND BANK BALANCES

	Note	2009	2008
----- (Rupees in '000) -----			
Cash in hand		187	1,420
Cash at banks in:			
Current accounts			
- Foreign currency		14	11
- Local currency		644	45,139
		658	45,150
PLS saving accounts	14.1	5	45
		<u>850</u>	<u>46,615</u>

14.1 The mark-up rates on PLS saving accounts range from 3.75 to 7.00 (2008: 2.5 to 6) percent per annum at year end.

15. SHARE CAPITAL

15.1 Authorised capital

2009	2008		2009	2008
----- (Number of shares) -----			----- (Rupees in '000) -----	
12,000,000	12,000,000	Ordinary shares of Rs. 10/- each	120,000	120,000
8,000,000	8,000,000	'B' class ordinary shares of Rs. 10/- each	80,000	80,000
<u>20,000,000</u>	<u>20,000,000</u>		<u>200,000</u>	<u>200,000</u>

15.2 Issued, subscribed and paid-up capital (note 15.3)

2009	2008		2009	2008
----- (Number of shares) -----			----- (Rupees in '000) -----	
1,714,264	1,714,264	Ordinary shares of Rs.10/- each: fully paid in cash	17,143	17,143
476,386	476,386	issued as fully paid for consideration other than cash	4,764	4,764
<u>8,573,309</u>	<u>8,573,309</u>	issued as fully paid bonus shares	85,733	85,733
<u>10,763,959</u>	<u>10,763,959</u>		<u>107,640</u>	<u>107,640</u>

Notes to the Financial Statements for the Year Ended June 30, 2009



- 15.3** Ordinary shares include 4,090,536 shares of B class of Rs.10/- each converted into and deemed to be ordinary shares on disposal by a foreign shareholder, in a prior year, in accordance with the Articles of Association of the Company.

16. RESERVES

	Note	2009	2008
----- (Rupees in '000)-----			
Capital reserve - share premium		5,655	5,655
Revenue reserves			
- General reserve		370,000	345,000
- Unappropriated profit		25,136	74,126
		395,136	419,126
Other reserves	21.2	(3,130)	-
		<u>397,661</u>	<u>424,781</u>

17. LONG-TERM FINANCING - secured

	Note	2009	2008
----- (Rupees in '000)-----			
Long-term finance	17.1	120,000	150,000
Current portion of long-term financing		(60,000)	(30,000)
		<u>60,000</u>	<u>120,000</u>

- 17.1** Represents loan obtained from a commercial bank carrying mark up at the rate of 6 months KIBOR plus 1 percent with sales price of Rs.150 million and purchase price of Rs.210.016 million. The loan is repayable in 5 equal semi-annual installments commencing one year after the date of disbursement of loan i.e. April 16, 2009. The loan is secured by creating first pari-passu charge by way of hypothecation over all present and future plant and machinery of the Company amounting to Rs.200 million.

18. DEFERRED TAXATION

	Note	2009	2008
----- (Rupees in '000)-----			
Deferred tax liabilities on taxable temporary difference:			
- Accelerated tax depreciation on owned assets		56,809	63,681
Deferred tax assets on deductible temporary differences:			
- Provision for slow moving and obsolete stores, spare parts and loose tools		7,018	6,610
- Taxable loss		17,935	17,281
- Derivatives	18.2	7,018	7,421
- Other deductible temporary differences		5,318	5,711
		37,289	37,023
		<u>19,520</u>	<u>26,658</u>

- 18.1** Deferred tax asset has not been recognized on the carrying amount of provision for doubtful debts and advances, deposits and prepayments amounting to Rs.37.386 (2008: Rs.41.135) million as the management is of the view that it may not be allowed by the Income Tax authorities. In case such amount is allowed by the Income Tax authorities, the related deferred tax amount is a contingent asset.

Notes to the Financial Statements for the Year Ended June 30, 2009

18.2 It includes Rs.0.942 million (2008: Nil) in respect of interest rate swap - cash flow hedge (note 21.2), directly charged to equity.

19. TRADE AND OTHER PAYABLES

	Note	2009	2008
----- (Rupees in '000)-----			
Creditors	19.1	41,341	53,202
Bills payable		59,699	220,446
Accrued liabilities		78,551	110,824
Accrual for compensated absences		29,890	22,062
Payable to Collector of Customs		51,266	-
Advances from customers		112,797	167,716
Distributors security deposits		20,295	12,688
Advance from tenant		3,376	14,247
Workers' Profits Participation Fund	19.2	1,484	4,487
Workers' Welfare Fund		456	2,619
Unclaimed dividend		8,983	8,478
Others		4,326	3,097
		412,464	619,866

19.1 This includes amount due to related parties - Berger Paints Pakistan Limited amounting to Rs.0.313 (2008: Rs.0.162) million, and Optimus Limited amounting to Rs.Nil (2008: Rs.0.056 million) as at the balance sheet date.

19.2 Workers' Profits Participation Fund

	Note	2009	2008
----- (Rupees in '000)-----			
Balance as at July 01		4,487	2,800
Allocation for the year	27	1,252	4,303
		5,739	7,103
Interest on funds utilized in the Company's business	29	458	179
Amounts paid on behalf of the fund		(4,713)	(2,795)
Balance as at June 30		1,484	4,487

20. SHORT-TERM BORROWINGS - secured

	Note	2009	2008
----- (Rupees in '000)-----			
Running finances utilized under mark-up arrangements	20.1 & 20.2	376,895	260,590
Foreign currency term finances		-	68,197
Local currency term finances	20.1 & 20.3	22,274	-
Export refinance	20.1 & 20.4	13,000	12,770
Money market loan	20.1 & 20.5	60,000	-
		472,169	341,557

20.1 These finance facilities have been obtained from various commercial banks aggregating to Rs.890 (2008: Rs.1,130) million out of which Rs.417.831 (2008: Rs.788.443) million remains unutilized as at the balance sheet date. These facilities are secured by creation of first pari-passu charge against hypothecation of the Company's stock-in-trade and trade debts.

Notes to the Financial Statements for the Year Ended June 30, 2009



- 20.2** These facilities carry mark-up at the rate 14.02 to 16.61 (2008: 10.09 to 14.63) percent per annum.
- 20.3** These facilities carry mark-up of 6 months KIBOR plus spread at the rate of 1.25 (2008: 0.5 to 3) percent per annum.
- 20.4** This facility carries mark-up at the rate of 7.5 (2008: 7.5) percent per annum.
- 20.5** This facility carries mark-up of 1 month KIBOR plus spread at the rate of 1 percent (2008: Nil) per annum.

21 DERIVATIVES

	Note	2009	2008
----- (Rupees in '000)-----			
Cross currency swap	21.1	19,617	24,867
Interest rate swap	21.2	3,043	-
Forward exchange contracts		-	1,970
		22,660	26,837

- 21.1** The Company has executed a PKR to USD Cross Currency Swap with a commercial bank for a period of three years at a notional amount of Rs.100 million, commencing from November 28, 2007 and maturing on November 29, 2010. The outstanding balance of this arrangement is Rs.50 million at the balance sheet date. Under the swap arrangement the principal payable amount of Rs.100 million at 10.00% p.a. is swapped with USD component at Rs.61.18 per USD making the loan amount to USD 1.635 million carrying interest rate 6.10% p.a. which will be exchanged at the maturity of the respective swap arrangement. The amount will be settled semi-annually. As at the balance sheet date, the net fair value of the Cross Currency Swap was Rs.19.617 million against the Company. This swap arrangement has exposed the Company with foreign currency risk on the USD value converted at the agreement date of the notional principal amount of the loan.
- 21.2** As of the balance sheet date, the Company has interest rate swap contract with a commercial bank designated as hedge for future cash flows arising out of interest payments in respect of long term financing obtained by the Company. There was no significant element of hedge ineffectiveness requiring recognition in the profit and loss account for the year, accordingly, the effective portion recognized in the equity under other reserves is Rs.1.029 million (2008: Nil). The critical terms of the interest rate swap contract have been negotiated to match the terms of the aforementioned financing, as stated below:

Notional Amount	PKR 150,000,000
Interest payment	15.55%
Interest receipt	6 months KIBOR
Maturity	April 18, 2011

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

A suit has been filed by some of the directors of the Company (Plaintiffs) in the Honorable High Court of Sindh (the Court), praying for certain reliefs wherein the Company including some directors / employees have been made defendants. In addition, the Plaintiffs had filed several Applications including those relating to the grant of a temporary injunction for the appointment of an inspector and forensic auditors, as well as, an interim injunction application for restraining the Company from incurring further capital expenditure (for restraint on incurrence of capital expenditure see note 3.1.5). The Court in its Order dated July 10, 2009 dismissed the Plaintiffs' Applications with respect to restraining the Company from incurring capital expenditure (subject to prior approval of the Board of Directors) and for appointment of forensic auditors. However, except for the above, the remaining Applications are pending before the Court for a hearing.



Notes to the Financial Statements for the Year Ended June 30, 2009

Some members of the Company have filed Petitions in the Court mainly alleging the violation of Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002 (Takeovers Ordinance), wherein Securities and Exchange Commission of Pakistan (SECP) is also a party. The Petitioners have also referred to the proceedings by SECP on the matter in their respective Petitions. The Company is not a party in the said Petitions. SECP by its Order dated July 28, 2009 has held that the Takeovers Ordinance has not been violated. However, this aspect of the matter is still pending in the Court.

Subsequent to the balance sheet date, Company has filed Applications for becoming a party to the Petitions and restraining the members who are parties to the Petitions from sale and purchase of shares which Applications are pending before the Court, till the issuance of these financial statements.

As per legal counsel of the Company, the above Suit, Petitions and Applications would have no financial exposure to the Company.

22.2 COMMITMENTS

Commitments are as follows:

Note	2009			2008	
	Capital expenditure	Others	Total	Total	
----- (Rupees in '000) -----					
Letters of guarantee issued by banks	22.2.1	-	106,855	106,855	91,307
Letters of credit		-	75,485	75,485	78,460
Import contracts		-	4,185	4,185	48,869
Local purchase contracts		136	7,405	7,541	40,871
		<u>136</u>	<u>193,930</u>	<u>194,066</u>	<u>259,507</u>

22.2.1 These are secured by first pari-passu hypothecation charge as disclosed in note 20.1.

23. TURNOVER - net

Note	2009	2008
----- (Rupees in '000) -----		
Local		
- manufactured	2,238,305	1,993,638
- trading	242,374	298,178
- others	17,328	14,769
	<u>2,498,007</u>	<u>2,306,585</u>
Export	57,385	26,282
	<u>2,555,392</u>	<u>2,332,867</u>
Less:		
Returns	7,640	6,667
Special excise duty	19,373	17,324
Sales tax	338,489	291,682
	<u>365,502</u>	<u>315,673</u>
	<u>2,189,890</u>	<u>2,017,194</u>

Notes to the Financial Statements for the Year Ended June 30, 2009



24. COST OF SALES

	Note	2009	2008
----- (Rupees in '000) -----			
Manufactured			
Raw materials consumed			
Opening stock	10	459,188	407,909
Purchases		1,186,389	1,088,003
Closing stock	10	(376,469)	(459,188)
		<u>1,269,108</u>	<u>1,036,724</u>
Export Rebate			
- Duties		(1,115)	(1,064)
- Federal Excise Duty		-	(197)
		<u>(1,115)</u>	<u>(1,261)</u>
		<u>1,267,993</u>	<u>1,035,463</u>
Stores, spare parts and loose tools consumed	24.1.1	72,960	65,697
Salaries, wages and other benefits [includes Rs.2.920 (2008: Rs.4.209) million in respect of bonus to workers]	24.2	117,000	110,163
Procured services		30,218	29,054
Fuel, water and power		75,953	49,065
Insurance		6,111	4,749
Traveling		884	2,205
Communication		866	540
Depreciation	3.1.1	55,004	55,644
Rent, rates and taxes		2,978	3,828
Repairs and maintenance		22,367	18,216
Technical assistance fee		10,203	7,427
Printing and stationery		654	697
Provision for slow moving and obsolete stores, spare parts and loose tools	9.1	506	5,913
Other expenses		1,172	1,518
Opening stock of work-in-process		48,985	37,616
Closing stock of work-in-process		(89,449)	(48,985)
Cost of goods manufactured		<u>1,624,405</u>	<u>1,378,810</u>
Opening stock of finished goods	10	150,721	134,076
Closing stock of finished goods	10	(214,078)	(150,721)
		<u>1,561,048</u>	<u>1,362,165</u>
Trading			
Opening stock	10	117,415	155,281
Purchases		206,159	100,695
		<u>323,574</u>	<u>255,976</u>
Closing stock	10	(195,207)	(117,415)
		<u>128,367</u>	<u>138,561</u>
Sale of scrap		(14,092)	(4,105)
		<u>1,675,323</u>	<u>1,496,621</u>

24.1. Store, spare parts and loose tools consumed

Opening stock	9	99,196	85,697
Purchases		58,445	79,196
Closing stock	9	(79,492)	(99,196)
	24.1.1	<u>78,149</u>	<u>65,697</u>

24.1.1 This represents Rs.72.960 million (2008: Nil), Rs.5.086 million (2008: Nil) and Rs.0.103 million (2008: Nil) allocated to cost of sales, administrative expenses and distribution cost respectively.

24.2 Staff retirement benefits

Salaries, wages and other benefits include Rs.4.373 (2008: Rs.3.706) million in respect of staff retirement benefits (Provident fund contribution).



Notes to the Financial Statements for the Year Ended June 30, 2009

25. DISTRIBUTION COST

	Note	2009	2008
----- (Rupees in '000) -----			
Transportation and other charges on local sales		115,130	106,075
Transportation and other charges on export sales		10,468	7,352
Freight subsidy on exports		-	(199)
		10,468	7,153
		<u>125,598</u>	<u>113,228</u>
Salaries and other benefits	25.1	67,587	58,672
Repairs and maintenance		11,299	6,468
Depreciation	3.1.1	4,613	4,376
Advertising and sales promotion		12,754	5,492
Commission expense		24,918	47,586
Communication		2,252	7,446
Traveling		13,054	9,778
Professional charges		817	5,319
Printing, stationery and subscription		1,290	2,749
Rent, rates and taxes		5,628	3,618
Fuel, water and power		994	919
Insurance		680	646
Procured services		1,476	835
Others		1,237	977
		<u>274,197</u>	<u>268,109</u>

25.1 Staff Retirement Benefits

Salaries and other benefits include Rs.3.225 (2008: Rs.2.596) million in respect of staff retirement benefits (Provident fund contribution).

26. ADMINISTRATIVE EXPENSES

	Note	2009	2008
----- (Rupees in '000) -----			
Salaries and other benefits	26.1	40,355	34,464
Rent, rates and taxes		284	245
- investment property			
- others	26.2	808	631
Procured services		3,768	3,763
Insurance		2,365	1,776
Depreciation		8,899	10,631
- operating assets	3.1.1		
- investment property	5	1,515	1,529
Amortization	4	6,449	1,698
Repairs and maintenance		10,500	8,236
Printing, stationery and subscription		3,652	2,535
Communication		8,914	6,717
Traveling		5,873	6,648
Fuel, water and power		2,594	2,340
Auditors' remuneration	26.3	1,338	1,132
Legal and professional		7,007	4,672
Others		1,884	1,547
		<u>106,205</u>	<u>88,564</u>

26.1 Staff Retirement Benefits

Salaries and other benefits include Rs.2.154 (2008: Rs.1.523) million in respect of staff retirement benefits (Provident fund contribution).

Notes to the Financial Statements for the Year Ended June 30, 2009



26.2 Other rent, rates and taxes include rent amounting to Rs.0.240 (2008: Rs.0.150) million paid to Sikander (Private) Limited - a related party.

26.3 Auditors' Remuneration

Note	2009	2008
	----- (Rupees in '000) -----	
Audit fee	550	275
Fee for half yearly review	200	150
Fee for review of compliance with Code of Corporate Governance	75	75
Special certifications and other advisory services	395	532
Out of pocket expenses	118	100
	<u>1,338</u>	<u>1,132</u>

27. OTHER OPERATING EXPENSES

Note	2009	2008
	----- (Rupees in '000) -----	
Directors' fee	760	170
Audit Committee fee	100	50
Workers' Profits Participation Fund	1,252	4,303
Workers' Welfare Fund	456	1,600
Impairment loss on plant and machinery	99	805
Donations	505	25
Zakat	5	10
Loss on fair value of cross currency swap	3,461	24,867
Exchange losses - net of exchange gains of Rs.50.417 (2008: Rs.38.440) million	31,356	28,214
Net unrealized loss on revaluation of forward contracts	-	1,970
Provision for doubtful debts and trade deposits	-	22,939
	<u>37,994</u>	<u>84,953</u>

27.1 Recipients of donations do not include any donee in which a director or his spouse had any interest.

28. OTHER OPERATING INCOME

Note	2009	2008
	----- (Rupees in '000) -----	
Income from financial assets		
Income from investments	29	32
Income from bank deposits	275	278
	<u>304</u>	<u>310</u>
Income from non-financial assets		
Gain on disposal of operating assets	1,396	11,877
Rental income - investment property	24,353	26,989
Others		
Net income from services	2,119	2,439
Reversal of provision against doubtful debts	1,537	-
Others	-	150
	<u>29,709</u>	<u>41,765</u>

28.1 Expenses in respect of investment property have been allocated to administrative expenses (note 26).

Notes to the Financial Statements for the Year Ended June 30, 2009

28.2 Net income from services

Nature of services	2009			2008		
	Revenue	Expenses	Income	Revenue	Expenses	Income
	----- (Rupees in '000) -----					
Jointing	2,545	426	2,119	1,259	155	1,104
Aluminum cladding	-	-	-	1,335	-	1,335
	<u>2,545</u>	<u>426</u>	<u>2,119</u>	<u>2,594</u>	<u>155</u>	<u>2,439</u>

29. FINANCE COSTS

	Note	2009	2008
		----- (Rupees in '000) -----	
Mark-up on long-term financing		19,227	3,561
Mark-up on short-term borrowings		81,216	34,186
Interest on Workers' Profits Participation Fund	19.2	458	179
Financial charges on assets subject to finance leases		-	155
Bank charges		3,583	2,573
Others		282	95
		<u>104,766</u>	<u>40,749</u>

30. TAXATION

	Note	2009	2008
		----- (Rupees in '000) -----	
Current - for the year		7,191	10,000
- prior year	30.1	177	1,063
		<u>7,368</u>	<u>11,063</u>
Deferred		(6,196)	(3,488)
		<u>1,172</u>	<u>7,575</u>

30.1 Represents prior year's charge of Rs.2.796 million net of prior year's reversal of Rs.2.619 million.

30.2 Relationship between Tax Expense and Accounting Profit

	Note	2009	2008
		----- (Rupees in '000) -----	
Accounting profit before tax		<u>20,238</u>	<u>80,005</u>
Tax rate		<u>35%</u>	<u>35%</u>
Tax on accounting profit		7,083	28,002
Tax effect of:			
- Expenses that are not deductible in determining taxable profits		1,215	1,117
- Income exempt from tax		(10)	(2,522)
- Effect of lower tax rate on certain income / FTR		(7,293)	(29,944)
- Prior years adjustment		177	1,063
- Minimum tax		-	9,859
Tax expense for the current year		<u>1,172</u>	<u>7,575</u>
Effective tax rate		<u>5.79%</u>	<u>9.47%</u>

Notes to the Financial Statements for the Year Ended June 30, 2009



31. EARNINGS PER SHARE - Basic and Diluted

	Note	2009	2008
----- (Rupees in '000)-----			
Net profit for the year after taxation		<u>19,066</u>	<u>72,430</u>
----- (Number of shares)-----			
Weighted average ordinary shares in issue during the year		<u>10,763,959</u>	<u>10,763,959</u>
----- (Rupees)-----			
Earnings per share – basic and diluted		<u>1.77</u>	<u>6.73</u>

There is no dilutive effect on basic earnings per share of the Company.

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

The aggregate amounts charged in these financial statements for the year for remuneration and benefits to the chief executive, director and executives of the Company were as follows:

	Chief Executive		Director		Executives	
	2009	2008	2009	2008	2009	2008
----- (Rupees in '000)-----						
Managerial remuneration	4,664	1,936	(note 32.1) 3,322	-	24,909	20,211
Housing						
- Rent	270	270	270	-	5,353	4,239
- Utilities	904	394	332	-	2,485	2,012
- Other items	856	735	-	-	291	54
Medical	-	-	-	-	414	184
Retirement benefits	513	213	239	-	2,697	2,057
Compensated absences	1,050	233	-	-	842	619
Insurance	940	742	-	-	-	-
Others	-	-	-	-	-	212
	<u>9,197</u>	<u>4,523</u>	<u>4,163</u>	<u>-</u>	<u>36,991</u>	<u>29,588</u>
Number of person(s)	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>18</u>	<u>16</u>

32.1 Mr. Danish Dada was an employee since May 06, 2008 and then was elected as a director at the election of directors held at the Extraordinary General Meeting on July 10, 2008. After his election as a director, the monthly remuneration being paid to him as an employee remained unchanged. As regards to non-compliance with section 218 of the Ordinance relating to disclosure of interest, the legal counsel states, "it was well within the knowledge of all concerned that Mr. Sikander Dada is the father of Mr. Danish Dada and thus had constructive notice about the interest of Mr. Danish Dada in the appointment of Mr. Sikander Dada as the Chief Executive of the Company."

Subsequent to the Balance Sheet date, the directors representing 38.5% shareholding (as at June 30, 2009 and till the date of issuance of these financial statements, Mahvash & Jahangir Siddiqui Foundation, Jahangir Siddiqui Securities Services Limited, Jahangir Siddiqui & Co. Ltd., Jahangir Siddiqui & Sons Limited, Jahangir Siddiqui and Ali Jahangir Siddiqui are the shareholders of the 38.5% shareholding) filed an application under Suit No. 166 of 2009 in the Court for restraining the Company "from approving the accounts for the year ending 30.06.09" at "the Board meeting on 15.04.10 or thereafter and/or the general body meeting". The Court was pleased to issue the following Order dated 14.04.2010 on the said application:

"2. Counsel for the plaintiff states that on 15.04.2010, the accounts are being submitted to the Board for approval wherein inter alia three items i.e., remuneration of Chief Executive, Remuneration to Director Mr. Danish Dada and authorization of Chief Executive on the basis of Power of Attorney, may be ordered not to be approved as their approval would be unlawful.



Notes to the Financial Statements for the Year Ended June 30, 2009

In so far as the objections as to the remuneration of the Chief Executive and his power of attorney are concerned any interim order at this stage may hamper the smooth running of the company, therefore no interim orders can be passed at this stage unless the other side is also heard. As regards objection to the remuneration of son of Chief Executive is concerned, it is hereby directed that accounts relating to his remuneration shall not be approved till the next date of hearing. Issue notice for 23.04.2010. Office to fix all pending applications on the said date."

- 32.2** In addition to above, the chief executive, director and executives are provided with Company maintained cars. Further, Rs.0.121 (2008: Rs.0.097) million was paid for a director on account of security services and communication expenses.
- 32.3** Aggregate amount charged in these financial statements with respect to directors' fee including audit committee fee for the year was Rs.0.860 (2008: Rs.0.220) million.

33. CAPACITY AND PRODUCTION

The production capacities of the plants depend on product mix. The name plate capacities are determined on a certain product mix whereas actual product mix is different and varies from year to year depending upon the orders from customers. Capacity is also influenced by the timing of the orders. Therefore production is subject to annual variations and actual capacity of the plant is undeterminable.

34. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise of associated companies, staff retirement funds, Chief Executive, directors and key management personnel. Transactions with related parties and associated undertakings during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	Note	2009	2008
----- (Rupees in '000)-----			
Related parties	Nature of transaction		
Transactions with associated companies due to common directorship:			
Berger Paints Pakistan Limited	Purchase of goods	1,783	984
	Sale of goods	46	184
Sikander (Private) Limited	Rent paid	240	150
EFU General Insurance Limited	General Insurance	10,216	-
Trakker (Private) Limited	Expenditures on services	-	28
Crescent Textile Mills Limited	Sale of goods	-	313
Muznash (Private) Limited	Professional charges	-	5,319
Optimus Limited	Car rent payable / paid	-	96
		-	96
Staff retirement benefits:			
Dadex Eternit Limited - Provident Fund	Employer contribution	9,752	7,825
		9,752	7,825

35. CASH (USED IN) / GENERATED FROM OPERATIONS

	Note	2009	2008
----- (Rupees in '000)-----			
Profit before taxation		20,238	80,005
Adjustments for non cash and other items:			
Depreciation		70,031	72,180
Amortization		6,449	1,698
Gain on disposal of property, plant and equipment		(1,396)	(11,877)
Interest income		(304)	(310)
Share of loss / (profit) on investment in associate		876	(42)
Impairment loss on plant and machinery		99	805
Interest / mark-up		104,766	38,081
Net unrealized loss on revaluation of forward contracts		-	1,970
Loss on fair value of cross currency swap		3,461	24,867
Working capital changes	35.1	(244,766)	126,019
		(40,546)	333,396

Notes to the Financial Statements for the Year Ended June 30, 2009



35.1 Working capital changes

Note	2009	2008
	----- (Rupees in '000) -----	
(Increase) / Decrease in current assets		
Stores, spare parts and loose tools	20,210	(7,586)
Stock-in-trade	(98,894)	(41,427)
Trade debts	11,931	(120)
Loans and advances	1,335	(25,447)
Trade deposits and short-term prepayments	4,730	(2,890)
Other receivables	14,582	(15,023)
	<u>(46,106)</u>	<u>(92,493)</u>
(Decrease) / Increase in current liabilities		
Trade and other payables	(198,660)	218,512
	<u>(244,766)</u>	<u>126,019</u>

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the Company is exposed to market risk (including interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The Company's principal financial liabilities other than derivatives comprise bank loans, short-term borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finance for Company's operations. The Company has various financial assets such as loans, advances, deposits, trade and other receivables and cash and bank balances, which are directly related to its operations.

The Company's finance and treasury departments oversee the management of these risks and provide assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and risk appetite. The policies for managing each of these risks are summarized below:

36.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk. Financial instruments susceptible to market risk include loans, borrowings and derivative financial instruments. The sensitivity analysis in the following sections relate to the position as at June 30, 2009 and 2008.

36.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Company enters into various types of long-term loans and running finance arrangements for financing its capital expenditure and to meet working capital requirements at variable rates. The Company has hedged its interest rate risk on long-term financing through interest rate swap, as stated in notes 21.2 and 36.5 to these financial statements.

Notes to the Financial Statements for the Year Ended June 30, 2009

36.1.2 Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Company's profit before tax (through impact on floating rate borrowings). This analysis excludes the impact of movement in market variables on non-financial assets and liabilities of the Company. Further, interest rate sensitivity does not have an asymmetric impact on the Company's result.

	Increase / decrease in basis points	Effect on profit before tax	Effect on equity
		----- (Rupees in '000)-----	
2009			
Pak Rupee	+ 50	(2,833)	15
Pak Rupee	- 50	2,833	(15)
2008			
Pak Rupee	+ 50	(2,459)	-
Pak Rupee	- 50	2,459	-

36.1.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities and derivative financial instruments.

The Company manages its foreign currency risk by hedge transactions, currently Company has entered in cross currency swap to manage its foreign currency risk related to the United States Dollar (USD).

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rate. As at June 30, 2009, if Pakistani Rupee (PKR) had weakened / strengthened by 5% against the USD, with all other variables held constant, the effect on the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and equity (due to change in fair value of Company's swap contract) at June 30, 2009 and 2008 is as follows:

	Increase / decrease in US Dollars to Pak Rupee	Effect on profit before tax (Rs. in '000)
2009		
	+ 5%	(3,703)
	- 5%	3,703
2008		
	+ 5%	(11,022)
	- 5%	11,022

Notes to the Financial Statements for the Year Ended June 30, 2009



36.1.4 Other price risk

Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future values of investment securities. As at the balance sheet date, the Company is not materially exposed to other price risk.

36.2 Credit risk

36.2.1 Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Out of the total financial assets of Rs.174.46 (2008: Rs.255.74) million, the financial assets which are subject to credit risk amounted to Rs.161.23 (2008: Rs.244.65) million. The Company's credit risk is primarily attributable to its trade debts, trade deposits, loans, accrued interest and other receivables, and bank balances. The Company manages its credit risk in respect of trade debts by obtaining advances from customers.

The credit quality of financial assets that are neither past due nor impaired is disclosed in note 11.5 to these financial statements. As at balance sheet date, there are no financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

36.2.2 The Company monitors the credit policy of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

	2009	2008
	----- (Rupees in '000) -----	
Long-term loans	4,090	4,317
Long-term deposits	4,222	4,150
Trade debts	30,589	20,244
Loans and advances	40,540	41,875
Trade deposits	9,961	18,499
Accrued interest and other receivables	990	15,785
Bank balances	663	45,195
	91,055	150,065

36.2.3 The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Bank Balances by short-term rating category	(Rupees in '000)
A1+	42
A1	119
P-1	498
A2	4
	663

Notes to the Financial Statements for the Year Ended June 30, 2009

36.3 Liquidity risk

Liquidity risk represents the risk that a Company will encounter difficulties in meeting obligations with the financial liabilities. The Company monitors its risk to shortage of funds by maintaining a balance between continuity of funding and flexibility through the use of short-term borrowings and long-term financing.

The table below summarizes the maturity profile of the Company's financial liabilities at June 30, 2009 and 2008 based on contractual undiscounted payment dates:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
----- (Rupees in '000) -----						
June 30, 2009						
Long-term financing	-	-	60,000	60,000	-	120,000
Trade and other payables	60,249	301,574	50,641	-	-	412,464
Accrued mark-up	-	20,518	-	-	-	20,518
Short-term borrowings	13,000	72,143	387,026	-	-	472,169
	<u>73,249</u>	<u>394,235</u>	<u>497,667</u>	<u>60,000</u>	<u>-</u>	<u>1,025,151</u>
----- (Rupees in '000) -----						
June 30, 2008						
Long-term financing	-	-	30,000	120,000	-	150,000
Trade and other payables	8,478	574,019	37,369	-	-	619,866
Accrued mark-up	-	10,937	-	-	-	10,937
Short-term borrowings	12,770	68,197	260,590	-	-	341,557
	<u>21,248</u>	<u>653,153</u>	<u>327,959</u>	<u>120,000</u>	<u>-</u>	<u>1,122,360</u>

36.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. The carrying amounts of all the financial instruments reflected in these financial statements approximate to their fair value.

36.5 Hedging activities and derivatives

Financial instruments not designated as hedge

The Company has entered into a cross-currency swap to manage some of its transactions exposures. However, the management has not designated the aforesaid currency swap as cash flow hedge.

Cash flow Hedge

As at June 30, 2009, the Company held an interest rate swap with a commercial bank, designated as cash flow hedge of expected future interest payments in accordance with the policy stated in note 2.21 to these financial statements. This interest rate swap is being used to hedge the interest rate risk in respect of long-term financing as stated in note 17 to these financial statements.

	Note	2009	2008
----- (Rupees in '000) -----			
Interest rate swap			
Fair value		<u>3,043</u>	<u>-</u>

The critical terms of the interest rate swap contract have been negotiated to match the terms of the aforesaid longterm financing (see note 21.2).

Notes to the Financial Statements for the Year Ended June 30, 2009



36.6 Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business sustain future development of the business and maximize shareholders value.

The Company monitors capital using a debt equity ratio, which is net debt divided by total capital plus net debt. Equity comprises of share capital, revenue and other reserves. The gearing ratios as at June 30, 2009 and 2008 were as follows:

	2009	2008
	----- (Rupees in '000)-----	
Long-term financing including current portion	120,000	150,000
Trade and other payables	412,464	619,866
Accrued interest / markup	20,518	10,937
Short-term borrowings	472,169	341,557
Total debt	<u>1,025,151</u>	<u>1,122,360</u>
Cash and cash equivalents	(850)	(146,615)
Net debt	<u>1,024,301</u>	<u>975,745</u>
Total capital	505,301	532,421
Total capital and debt	<u><u>1,529,602</u></u>	<u><u>1,508,166</u></u>
Gearing Ratio	<u>66.97%</u>	<u>64.70%</u>

The Company finances its expansions projects through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

37. INFORMATION ABOUT OPERATING SEGMENTS

For management purposes, the activities of the company are organized into business units based on their products and has two reportable operating segments as follows:

- The 'Chrysotile Cement' segment relates to manufacturing and supply of corrugated sheets and pipes, and manufacturing and supply of rubber rings.
- 'Plastic' products segment includes PVC, Polydex and Polyethylene pipes, and products relating to 'Agriculture and Irrigation'.
- All other segments include merchandising of imported other building's products and services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on certain key performance indicators, including business volume, gross profit and reduction in operating cost.

Notes to the Financial Statements for the Year Ended June 30, 2009

	Chrysotile Cement	Plastic	Other	Total
	----- (Rupees in '000)-----			
2009				
TURNOVER - net	<u>1,001,821</u>	<u>1,165,441</u>	<u>22,628</u>	<u>2,189,890</u>
RESULT				
Segment result	<u>81,931</u>	<u>19,189</u>	<u>3,107</u>	104,227
Unallocated expense				
Other operating expenses				(5,937)
Other operating income				27,590
Finance cost				(104,766)
Share of loss on investment in an associate				(876)
Taxation				(1,172)
Profit for the year				<u>19,066</u>
OTHER INFORMATION				
Capital expenditure	<u>2,061</u>	<u>17,144</u>	<u>-</u>	19,205
Unallocated corporate capital expenditure				17,579
Total capital expenditure				<u>36,784</u>
Depreciation	<u>3,160</u>	<u>42,543</u>	<u>-</u>	45,703
Unallocated corporate depreciation and amortization				30,777
Total depreciation and amortization				<u>76,480</u>
ASSETS AND LIABILITIES				
Segment assets	<u>430,514</u>	<u>950,399</u>	<u>14,926</u>	1,395,839
Unallocated corporate assets				181,309
Total assets				<u>1,577,148</u>
Segment liabilities	<u>136,149</u>	<u>162,282</u>	<u>752</u>	299,183
Unallocated corporate liabilities				772,664
Total liabilities				<u>1,071,847</u>
2008				
TURNOVER - net	<u>963,151</u>	<u>1,035,037</u>	<u>19,006</u>	<u>2,017,194</u>
RESULT				
Segment result	<u>119,557</u>	<u>6,580</u>	<u>4,772</u>	130,909
Unallocated expense				
Other operating expenses				(50,909)
Other operating income				40,712
Finance cost				(40,749)
Share of profit on investment in an associate				42
Taxation				(7,575)
Profit for the year				<u>72,430</u>
OTHER INFORMATION				
Capital expenditure	<u>9,596</u>	<u>93,108</u>	<u>-</u>	102,704
Unallocated corporate capital expenditure				33,650
Total capital expenditure				<u>136,354</u>
Depreciation	<u>14,223</u>	<u>29,329</u>	<u>-</u>	43,552
Unallocated corporate depreciation and amortization				30,326
Total depreciation and amortization				<u>73,878</u>
ASSETS AND LIABILITIES				
Segment assets	<u>355,448</u>	<u>981,910</u>	<u>12,854</u>	1,350,212
Unallocated corporate assets				358,064
Total assets				<u>1,708,276</u>
Segment liabilities	<u>192,659</u>	<u>256,342</u>	<u>2,522</u>	451,523
Unallocated corporate liabilities				724,332
Total liabilities				<u>1,175,855</u>

Notes to the Financial Statements for the Year Ended June 30, 2009



37.1 Geographical information

Turnover

The geographical information for turnover is given in note 23.

	2009	2008
	----- (Rupees in '000)-----	
Non-Current assets		
Pakistan	<u>438,176</u>	<u>483,638</u>

Non-Current assets for this purpose consist of property, plant and equipment, intangible assets, investment property, long-term investment, loans and deposits.

37.2 Segment assets and liabilities

Segment assets include all operating assets by a segment and consist principally of property, plant and equipment, stores and spare parts and loose tools, stock-in-trade, trade debts and loans and advances net of impairment and provisions, if any. Segment liabilities include all operating liabilities and consist principally of trade and other payables.

37.3 Finance cost has not been allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Company. Further, income taxes are not allocated to operating segments.

37.4 There are no inter segment sales/purchases.

38. DATE OF AUTHORISATION FOR ISSUE

38.1 These financial statements have been authorised for issue on April 15, 2010 by the Board of Directors of the Company.

38.2 During the year and subsequent to the year ended June 30, 2009, for a period of approximately eight months (from May 19, 2009 to January 25, 2010), the members of the Board of Directors (the Board) were restrained from attending the meetings of the Board as directors or its various committees as a consequence of the Orders issued by the Honorable High Court of Sindh (Court) in the petitions referred in note 22.1. In view of such restraint, over which the Company had no control, the powers which had to be exercised by the Board, as required, were not possible. During that period the Chief Executive Officer (CEO) continued to act in his capacity as CEO based on the powers incidental to his appointment as a CEO under the Companies Ordinance, 1984 and the Power of Attorney executed in his name dated March 30, 1989. Further, the Company applied to SECP for extension in period for holding Annual General Meeting for the year ended June 30, 2009, which was duly granted for a period of thirty days and was also intimated by the Company to Karachi Stock Exchange. Subsequently, the above restraint placed on the Board was removed by the Court on January 25, 2010, whereby the Board became functional again and steps were taken to comply with all the requisite corporate and legal formalities to convene the Annual General Meeting at the earliest.

Notes to the Financial Statements for the Year Ended June 30, 2009

39. CORRESPONDING FIGURES

For better presentation certain prior period's figures have been reclassified consequent upon certain changes in current year's presentation. Details of major reclassifications other than those which have been disclosed elsewhere in these financial statements are as follows:

Component	Reclassification				(Rupees in `000)
	From	Note (financial statements year ended 2008)	To	Note (financial statements year ended 2009)	
Balance sheet	Trade and other payables	21	Derivatives	21	26,837
Profit and Loss account	Scrap sales-Other operating income	29	Cost of Sales	24	4,105
Profit and Loss account	Cost of Scrap sales - Other operating income	29	Cost of Sales	24	4,101
Profit and Loss account	Cost of rented property-Other operating income	29	Administrative expenses	26	1,774
Profit and Loss account	Rebates, allowances and commission - Sales	24	Distribution cost	25	47,586
Profit and Loss account	Exchange losses (net) - Finance Cost	30	Other Operating Expenses	27	28,214
Profit and Loss account	Loss on Fair value of Cross Currency Swap - Finance Cost	30	Other Operating Expenses	27	24,867
Profit and Loss account	Net unrealized loss on revaluation of forward contracts - Finance Cost	30	Other Operating Expenses	27	19,790
Balance sheet	B class ordinary shares	17	Ordinary shares	15	40,905

40. GENERAL

Amounts have been rounded off to the nearest thousand rupees, unless otherwise stated.

SIKANDER DADA
Chief Executive

ABU TALIB H.K. DADA
Director

SALMAN SAEED SHAIKH
Chief Financial Officer

Pattern of Share Holding as at June 30, 2009



Categories of Share Holders

Number of Shares Held Percentage of Issued Capital

Associated Companies, Undertakings and Related Parties

Bandenawaz Limited
Jahangir Siddiqui & Sons Limited
Sikander (Pvt.) Limited

3,143,162 29.20

2,050 0.02
451,000 4.19
2,690,112 24.99

NIT

National Bank of Pakistan, Trustee Deptt
NBP TRUSTEE - NI(UT) (LOC) FUND

11,841 0.11

5,832 0.05
6,009 0.06

Directors, CEO & their Spouses

Mr. Abu Talib H. K. Dada (Director)
Mrs. Halima w/o Abu Talib H.K. Dada
Mr. Danish Dada (Director)
Mr. Jahangir Siddiqui (Director)
Mr. Maqbool H.H. Rahimtoola (Director)
Mr. Mohammad Suleman Kanjiani (Director)
Mr. Mohsin Ashfaque (Director)
Mr. Qazi Sajid Ali (Director)
Mr. Rasheed Y. Chinoy (Director)
Mr. Shahzad M. Husain (Director)
Mr. Samad Dada (Director)
Mr. Sikander Dada (CEO)

2,284,639 21.22

310,469 2.88
29,847 0.28
7 0.00
1,050,000 9.75
5,300 0.05
100 0.00
100 0.00
1 0.00
100 0.00
4 0.00
279,125 2.59
609,586 5.66

Banks, Insurance Company, Joint Stock Companies, Charitable Trusts and Others

Habib Bank Ltd.
Ideal Life Assurance Company Ltd.
Jahangir Siddiqui Securities Service Ltd
Jahangir Siddiqui & Co Ltd
Mahvash & JS Foundation
Muslim Commercial Bank Ltd.
United Bank Ltd.
Others

2,102,923 19.54

1,900 0.02
25 -
1,040,536 9.67
52,700 0.49
949,000 8.82
440 0.00
348 0.00
57,974 0.54

Shareholders holding ten percent or more voting interest in the company

Province Ltd.

1,465,000 13.61

Individuals

1,756,394 16.32

TOTAL

10,763,959 100.00

Pattern of Share Holding as at June 30, 2009

Number of Share Holders	Share Holding		Total Shares Held
	From	To	
2,897	1	100	55,815
572	101	500	130,601
166	501	1,000	113,328
111	1,001	5,000	218,006
18	5,001	10,000	111,840
5	10,001	15,000	58,931
1	20,001	25,000	23,776
1	25,001	30,000	29,751
1	30,001	35,000	30,433
1	40,001	45,000	42,600
1	50,001	55,000	52,700
2	90,001	95,000	184,452
1	220,001	225,000	220,205
2	270,001	275,000	546,023
1	310,001	315,000	310,469
1	385,001	390,000	389,381
1	450,001	455,000	451,000
1	595,001	600,000	600,000
1	945,001	950,000	949,000
1	1,040,001	1,045,000	1,040,536
1	1,045,001	1,050,000	1,050,000
1	1,460,001	1,465,000	1,465,000
1	2,690,001	2,695,000	2,690,112
<u>3,788</u>			<u>10,763,959</u>

Categories of Share Holders	Number of Share Holders	Number of Shares Held	Percentage of Issued Capital
Individual	3,758	4,041,033	37.54
NIT	2	11,841	0.11
Associated Companies	3	3,143,162	29.20
Banks	3	2,688	0.02
Insurance Company	1	25	0.00
Joint Stock Companies	2	1,093,236	10.16
Charitable Trusts	1	949,000	8.82
Foreign Shareholding	1	1,465,000	13.61
Others	17	57,974	0.54
	<u>3,788</u>	<u>10,763,959</u>	<u>100.00</u>

Last Ten Years at a Glance



Fiscal Years Ending June 30	Turnover	Profit After Taxation	Assets	Dividend	
				Amount	Percentage (%)
----- (Rupees in '000) -----					
2009	2,189,890	19,066	1,577,148	-	0.00%
2008	2,017,194	72,430	1,708,276	43,056	40.00%
2007	1,657,144	42,291	1,430,517	32,292	30.00%
2006	1,335,387	14,548	1,492,196	18,837	17.50%
2005 Restated	1,290,858	54,505	1,234,610	37,674	35.00%
2004 Restated	946,854	37,577	1,183,292	32,292	30.00%
2003	710,644	28,414	711,040	21,528	20.00%
2002 Restated	562,226	8,498	651,401	13,455	12.50%
2001	634,297	21,912	747,121	21,528	20.00%
2000	652,955	66,071	770,321	43,056	40.00%



Form of Proxy

The Company Secretary
Dadex Eternit Limited
34-A/1, Block 6, P.E.C.H.S.
Shahrah-e-Faisal
Karachi-75400

50th Annual General Meeting

I / We _____ son / daughter / wife of _____

of _____ (full address)

being member(s) of DADEX ETERNIT LIMITED holding _____

Ordinary shares hereby appoint _____

of _____ (full address) or

failing him _____ of

_____ (full address)

who is/are also member(s) of Dadex Eternit Ltd as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 50th Annual General Meeting of the Company to be held on Thursday May 20, 2010 at 11:00 a.m. and at any adjournment thereof.

As witness my/our hand/seal this _____ day of _____ 2010

Signed by the said _____
in the presence of

1. _____

2. _____

Folio/CDC Account No.

Signature on
Revenue Stamp
of Rs. 5/-

This signature should
agree with the
specimen registered
with the Company

Important:

1. This proxy duly completed and signed, must be received at the Registered Office of the Company, Dadex House, 34-A/1, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders/Corporate Entities:

In addition to the above the following requirements have to be met:

- i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- ii) Attested copies of CNIC and of the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his original CNIC or original passport at the time of meeting.
- iv) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature should be submitted (unless it has been provided earlier) along with proxy form to the Company.

Affix
correct
postage

The Company Secretary
Dadex Eternit Limited
34-A/1, Block 6, P.E.C.H.S.
Shahrah-e-Faisal
Karachi - 75400

