

***24th ANNUAL REPORT, 2007***



**DADABHOY**

**GROUP**

***DADABHOY SACK LIMITED***

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**COMPANY INFORMATION**

**Board of Directors**

Mr. Muhammad Hussain Dadabhoy  
Mrs. Razia Hussain Dadabhoy  
Mr. Muhammad Amin Dadabhoy  
Mr. Fazal Karim Dadabhoy  
Mrs. Humaira Dadabhoy  
Mrs. Yasmeen Dadabhoy  
Mr. Nasimuddin

Chairman  
Director  
Director  
Chief Executive  
Director  
Director  
Director

**Company Secretary**

Mr. Ejaz Ahmed

**Auditors**

Rahman Sarfarz Rahim Iqbal Rafiq & Co.  
Chartered Accountants

**Legal Advisor**

Mr. Saleem Thepdawala

**Bankers**

Saudi Pak Commercial Bank Limited  
National Bank of Pakistan Limited  
Allied Bank of Pakistan Limited

**Registered Office**

5th Floor, Maqbool Commercial Complex,  
Jinnah Co-operating Housing Society  
Block 7 & 8, Shahrah-e-Faisal  
Karachi. Tel : 021-4545704-6  
URL : [www.mhdadabhoy.com](http://www.mhdadabhoy.com)

**Share Registrar**

Tecnology Trade (Pvt) Ltd.  
Dagia House, 241-C, Block-2,  
P.E.C.H.S., off Shahrah-e-Quaideen, Karachi.

**Factory**

Nooriabad Deh Kalu Kohar,  
District Dadu (Sindh)

**Audit Committee**

Mr. Muhammad Hussain Dadabhoy  
Mr. Muhammad Amin Dadabhoy  
Mr. Nasimuddin

Chairman  
Member  
Member

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 24th Annual General Meeting of Dadabhoj Sack Limited will be held on Wednesday the 31st October, 2007 at 11:00 a.m. at Registered Office of the company at 5th Floor Maqbool Commercial Complex, JCHS Shahrah-e-Faisal, Karachi to transact the following business :

### **ORDINARY BUSINESS**

1. To read and confirm the minutes of 23rd Annual General Meeting of the company held on 31st October 2006.
2. To receive, consider and adopt the Audited Accounts of the company for the year ended June 30, 2007 together with Directors and Auditors Report thereon.
3. To appoint auditors for the year ended June 30, 2008 and to fix their remuneration.
4. To transact any other business as may be placed before the meeting with the permission of the Chair.

### **Note :**

1. The Share Transfer Book of the company will remain close from 25th October, 2007 to 31st October, 2007 (both days inclusive).
2. Any member of the company entitled to attend and vote may appoint another member as his / her proxy to attend and vote on his / her behalf.
3. Proxies must be received at the registered office of the company not less than 48 hours before the meeting.

Karachi : 09 October 2007.

**Ejaz Ahmad**  
Company Secretary

**DIRECTORS REPORT TO THE MEMBERS**

The Board of Directors' is pleased to present annual report together with audited financial statements and auditor's report thereon for the year ended June 30, 2007.

**FINANCIAL RESULTS**

	<b>2007</b>	<b>2006</b>
Net Sales	60,349,700	84,198,287
Gross Profit	<u>14,692,575</u>	<u>20,084,108</u>
Operating Profit	<u>2,537,697</u>	<u>2,960,954</u>
Earning Per Share	<u>0.27</u>	<u>0.35</u>

Quantitative sales declined by 39% as compared to previous year. However higher unit price averted equivalent decline in sales revenue.

**STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

Financial statements prepared by the company fairly present its state of affairs, results of operations, cash flows and changes in equity.

Proper books of account have been maintained by the company.

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.

International Accounting standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

The system of internal control has been effectively implemented and is continuously reviewed and monitored by internal audit.

The Company is going concern and there are no doubts about its ability to continue.

There are no material departures from the best practices of corporate governance as detailed in the listing regulations.

Key operating and financial data for last six years in summarized form is annexed.

There has been nothing outstanding against your company on account of taxes, duties, levis and other charges except for those which have been disclosed in the financial statements and are being made in the normal course of business.

The value of the investments of Gratuity fund accounts as on June 30, 2007 was Rs. 1,749,000.

During the year four meetings of Board of Directors were held. Attendance by each Director is as follows.

<b>Name of Directors</b>	<b>No. of Meetings Attended</b>
Mr. Muhammad Hussain Dadabhoy	02
Mrs. Razia Hussain Dadabhoy	03
Mr. Muhammad Amin Dadabhoy	04
Mr. Fazal Karim Dadabhoy	02
Mrs. Humaira Dadabhoy	04
Mrs. Yasmeen Dadabhoy	03
Mr. Nasimuddin	04

#### **APPROPRIATIONS**

No dividends have been declared, as the company would like to keep funds generated to future growth.

#### **AUDITORS**

Present auditors M/s. Rahman Sarfarz Rahim Iqbal Rafiq & Co., Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.

#### **FUTURE PROSPECTS**

With overall strong sentiments for cement industry, we are optimistic about future outlook.

#### **PATTERN OF SHARES HOLDING**

Statements of pattern of shareholding as at June 30, 2007 as required under the reporting framework are annexed.

#### **ACKNOWLEDGMENT**

We would like to express our thanks to our customer for its continued patronage, employees for their hard work and shareholders for their trust in the Board.

Karachi : 9th October 2007.

For and on behalf of  
the Board of Directors

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**FAZAL KARIM DADABHOY**  
Chief Executive

## **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

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

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

The Board comprises 7 Directors including CEO. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors.

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

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

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

The Board has developed a vision statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive Directors have been taken by the Board.

The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

The Board arranged one orientation course for its Directors during the year to apprise them of their duties and responsibilities.

The Chief Financial Officer and the Company Secretary were appointed to the implementation of the Code of Corporate Governance. Remuneration, terms and conditions in case of future appointments on these positions will be approved by the Board. However, the appointment of head of internal audit and terms and conditions of his employment has been approved by the Board.

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

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

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

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

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

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

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

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

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

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

Karachi : 9th October 2007.

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**FAZAL KARIM DADABHOY**  
Chief Executive



**REVIEW REPORT TO THE MEMBERS  
ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF  
CODE OF CORPORATE GOVERNANCE.**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Dadabhoj Sack Ltd (the company) to comply with the Listing regulations No. 37 Part XI of the Karachi Stock Exchange and Lahore Stock Exchange where the company is listed.

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

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

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Companys' compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2007.

Karachi : 9th October 2007.

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**RAHMAN SARFARZ RAHIM IQBAL RAFIQ & CO.**  
Chartered Accountants

**YEARWISE STATISTICAL SUMMARY  
AS AT JUNE 30, 2007**

Particulars	2007	2006	2005	2004	2003	2002
<b>PRODUCTION SUMMARY</b>						
Production in Bags	4,329,800	7,197,900	7,010,700	5,735,750	5,188,000	5,654,000
<b>ASSETS</b>						
<b>Rupees in '000'</b>						
<b>TOTAL ASSETS EMPLOYED</b>	<b>93,051</b>	<b>92,708</b>	<b>61,328</b>	<b>60,545</b>	<b>40,740</b>	<b>59,775</b>
<b>FINANCED BY</b>						
<b>Rupees in '000'</b>						
Shareholders Equity	45,869	43,343	43,711	39,812	25,194	38,817
Long Term Liabilities	12,660	15,423	9,038	8,861	6,018	8,847
Deferred Liabilities	6,480	8,053	1,714	3,612	2,970	2,702
Current Liability	12,030	8,418	6,865	8,260	6,558	9,409
Surplus on Revaluation of Fixed Assets	16,011	17,441	---	---	---	---
<b>TOTAL FUNDS INVESTED</b>	<b>93,051</b>	<b>92,708</b>	<b>61,328</b>	<b>60,545</b>	<b>40,740</b>	<b>59,775</b>
<b>TURNOVER AND PROFIT</b>						
<b>Rupees in '000'</b>						
Turnover (net)	60,350	84,198	87,192	89,521	61,560	60,906
Operating Profit	2,537	2,960	3,534	12,362	126	1,603
Profit before taxation	693	1,761	3,126	15,812	(13,442)	945
Profit after taxation	1,066	1,392	3,898	14,619	(13,623)	(1,658)
Cash Dividend	-	3,000	-	-	-	-
Profit/(Loss) carried Forward	5,869	3,373	3,711	(188)	(14,806)	(1,183)

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **DADABHOY SACK LIMITED** as at **June 30, 2007**, and the related profit & 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 the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- (a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) In our opinion;
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- (c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet and 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 affair as at **30th June, 2007** and of the Profit, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion, no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980. (XVII of 1980).

Karachi :  
Dated : 9th October 2007

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**Rahman Sarfaraz Rahim Iqbal Rafiq**  
**Chartered Accountants**

## BALANCE SHEET AS AT 30 JUNE 2007

	NOTE	2007 RUPEES	2006 RUPEES
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	3	54,290,112	59,550,927
Long term deposits		6,118,516	6,118,516
<b>Current Assets</b>			
Stores, spares and loose tools		2,793,198	2,720,915
Stock-in-trade	4	4,837,209	11,000,571
Trade debts	5	17,976,918	8,502,381
Advances	6	6,575,484	3,210,343
Deposits, prepayments and other receivable	7	88,335	314,338
Advance income Tax	8	51,465	484,711
Cash and Bank balances	9	320,459	805,937
		<u>32,643,068</u>	<u>27,039,196</u>
		<b>93,051,696</b>	<b>92,708,639</b>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Liabilities against assets subject to finance lease	10	12,659,715	15,422,624
Deferred Liabilities	11	6,480,668	8,053,244
		<u>19,140,383</u>	<u>23,475,868</u>
<b>Current Liabilities</b>			
Current portion of lease liabilities		2,932,209	2,550,275
Trade and other liabilities	12	7,629,590	4,607,752
Taxation		1,468,801	1,260,294
		<u>12,030,600</u>	<u>8,418,321</u>
		<u>31,170,983</u>	<u>31,894,189</u>
<b>Contingencies and Commitments</b>	13	-	-
<b>NET ASSETS</b>		<u><b>61,880,714</b></u>	<u><b>60,814,450</b></u>
<b>REPRESENTED BY:</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share Capital	14	40,000,000	40,000,000
Un appropriated Profit		5,869,083	3,373,453
		<u>45,869,083</u>	<u>43,373,453</u>
<b>Surplus on Revaluation of Fixed Assets</b>	15	<u>16,011,631</u>	<u>17,440,997</u>
		<u><b>61,880,714</b></u>	<u><b>60,814,450</b></u>

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

\_\_\_\_\_  
**FAZAL KARIM DADABHOY**  
Chief Executive

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**MUHAMMAD AMIN DADABHOY**  
Director

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2007**

	NOTE	2007 RUPEES	2006 RUPEES Restated
Sales - Net	16	60,349,700	84,198,287
Cost of Sales	17	45,657,125	64,114,179
<b>Gross Profit</b>		<b>14,692,575</b>	20,084,108
Other income	18	13,504	183,515
		<b>14,706,079</b>	20,267,623
Administrative and general expenses	19	(12,091,229)	(17,199,163)
Other charges	20	(77,153)	(107,501)
		<b>(12,168,382)</b>	(17,306,664)
<b>Operating profit</b>		<b>2,537,697</b>	2,960,959
Financial charges	21	(1,844,219)	(1,199,795)
<b>Profit before taxation</b>		<b>693,478</b>	1,761,154
Taxation			
Current	22	(673,428)	(1,260,294)
Deferred		1,046,214	891,143
		<b>372,786</b>	(369,146)
<b>Profit after taxation</b>		<b>1,066,264</b>	1,392,013
Earnings per share	24	<b>0.27</b>	0.35

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

FAZAL KARIM DADABHOY  
Chief Executive

MUHAMMAD AMIN DADABHOY  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	2007 RUPEES	2006 RUPEES
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		693,478	1,761,159
Adjustments for:			
Depreciation		5,298,006	5,995,276
Financial Charges		1,844,219	1,199,795
Provision for staff gratuity		301,000	301,000
Provision for W.W.F		38,621	17,680
Provision for W.P.P.F		38,532	89,821
Profit on bank deposit		(6004)	(33,403)
		7,514,374	7,570,169
Cashflow from operating activities before working capital changes.		8,207,852	9,331,328
<b>(Increase) decrease in current assets:</b>			
Stores, spares and loose tools		(75,283)	(42,575)
Stock in trade		6,163,361	(6,980,476)
Trade debts		(9,474,537)	19,352,049
Loans and advances		(3,365,142)	(2,004,509)
Deposits, prepayments and other receivables		226,003	295,159
		(6,522,598)	10,619,648
<b>Increase in current liabilities:</b>			
Trade and other payables		2,054,339	744,715
<b>Cash flow from operating activities after working capital changes</b>		3,739,593	20,695,691
Income tax paid		(219,884)	(340,188)
Interest paid		(1,626,846)	(1,102,022)
Profit on bank deposit		6,004	33,403
Cash Dividend		-	(2,630,232)
		(1,840,726)	(4,039,039)
<b>Net cash flow from operating activities.</b>		1,898,867	16,656,652

	NOTE	2007 RUPEES	2006 RUPEES
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(37,191)	(4,917,025)
Long term deposits		-	(4,084,516)
Net cash used in investing activities		(37,191)	(9,001,541)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayments of long term loans		-	(4,074,348)
Lease finance liability		(2,347,154)	(3,441,883)
Net cash outflow from financing activities		(2,347,154)	(7,516,231)
Net increase / (decrease) in cash and cash equivalents		(485,478)	138,880
Cash and cash equivalents at beginning of the year		805,937	667,057
Cash and cash equivalents at end of the year		320,459	805,937

**Cash and cash equivalent include :**

Cash at Bank - Current	296,628	711,911
Cash at Bank - PLS	23,831	94,026
	320,459	805,937

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

**FAZAL KARIM DADABHOY**  
Chief Executive

**MUHAMMAD AMIN DADABHOY**  
Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2007**

	<b>Share Capital</b>	<b>Accumulated Profit/(loss) Rupees</b>	<b>Total Rupees</b>
Balance as at 01 July 2005	40,000,000	3,710,893	43,710,893
Profit for the year after taxation	-	1,392,013	1,392,013
Transferred from Surplus on revaluation of fixed assets	-	1,270,547	1,270,547
Interim Cash dividend paid @ Rs. 0.75 per share	-	(3,000,000)	(3,000,000)
Balance as at 30 June 2006	40,000,000	3,373,453	43,373,453
Profit for the year after taxation	-	1,066,264	1,066,264
Transferred from Surplus on revaluation of fixed assets	-	1,429,366	1,429,366
Balance as at 30 June 2007	40,000,000	5,869,083	45,869,083

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

**FAZAL KARIM DADABHOY**  
Chief Executive

**MUHAMMAD AMIN DADABHOY**  
Director



**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**1 STATUS AND NATURE OF BUSINESS**

- 1.1** The Company was incorporated on September 27th, 1983 as a Private Limited Company by the name of Paperpro Industries (Private) Limited. The Company was converted into Public Limited Company on October 27th, 1994 and its name was changed to Dadabhoy Sack Limited on January 19th, 1995. Its registered office is located at Maqbool Centre, Shahrah-e-Faisal, Karachi. The main activity of the company is manufacturing of paper bags. In February 1996, the Company was listed at Stock Exchanges of Karachi and Lahore.
- 1.2** The Company is domiciled in Karachi, Pakistan.

**SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Statement of compliance**

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

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention with the exception of the land, building and plant & machinery which have been stated at revalued amount.

**2.3 Use of estimates and judgments**

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

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

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

Judgments made by management in the application of approved Accounting Standard, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the year are discussed if note No. 29 to these financial statements.

#### **2.4 New accounting standards, interpretations and amendments that are not yet effective**

The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after July 01, 2007 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

IAS	1	- Preparation of Financial statement-Amendments Relating to Capital Disclosures;
IAS	23	- Borrowing Costs (as revised);
IAS	41	- Agricultures;
IFRS	2	- Share-based Payments;
IFRS	3	- Business Combination;
IFRS	5	- Non - current Assets Held for Sale and Discontinued Operation;
IFRS	6	- Exploration for and Evaluation of Mineral Resources;
IFRIC	10	- Interim Financial Reporting and Impairment;
IFRIC	11	- Group and Treasury Share Transactions;
IFRIC	12	- Services Concession Arrangements;
IFRIC	13	- Customer Loyalty Programmes;
IFRIC	14	- The Limit on a Defined Benefit Asset Minimum Funding Requirements and their intersection.

#### **2.5 Staff Retirement benefits (Defined benefit plan)**

The company operates an unfunded gratuity scheme covering all its permanent employees who have completed their minimum qualifying period of service with the company. Provision is made by the company with reference to employee's last drawn gross salary and number of years of service on the basis of terminal value of scheme on the reporting date to cover obligation under the scheme.

Actuarial valuation of gratuity scheme was carried out by an actuary appointed by the company as at June 30, 2005 based on projected unit cost method. In view of the fact that no material change has taken place in the number of active employees of the company, annual gross salary and other statistics required for actuarial valuation during the period from June 2005 to June 2007 company continue to make provision for its obligation on the same basis since the year ended June 30, 2005.

#### **2.6 Employees accumulated compensated absences**

The Company's policy in respect of earned leave is to make provision for accumulating earned leave, as per prescribed slab, maximum upto 30 days, over and above of which is considered as lapsed, if not availed by the employee.

#### **2.7 Taxation**

##### **Current:**

Provision for current taxation is based on taxable income at the current rate of taxation or one-half percent of turnover under section 113 of the Income Tax Ordinance 2001 whichever is higher.

##### **Deferred:**

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

## **2.8 Property, Plant and Equipment**

### **Owned**

Property Plant and Equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged on all assets using the reducing balance method at the rates stated in note- 3.

Depreciation on addition is charged from the quarter in which the assets are put to use while no depreciation is charged in the quarter in which the assets are disposed.

The surplus on revaluation of Property Plant and Equipment is reversed to the extent of incremental depreciation and is transferred to accumulated profit.

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

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

### **Leased**

Leased assets in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance lease. Assets acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Assets acquired under the finance lease are depreciated over the useful life of the assets at the rates applicable to the Company's own assets.

## **2.9 Impairment of assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceed their recoverable amount, an impairment loss is recognized in the profit and loss account.

## **2.10 Stores, spares and loose tools**

These are valued at lower of moving average cost and net realisable value (less impairment loss if any) other than stores and spares in transit which are valued at cost comprising invoice value plus other charges paid thereon less impairment loss if any.

## **2.11 Stock in trade**

Stock -in-trade, except for stock -in- transit, are valued at the lower of cost and net realizable value.

Methods used to determine cost are:

-Raw material:	First-in-first-out
-Finished Goods:	Average manufacturing cost
-Goods in transit:	Cost plus expenses incurred

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

## **2.12 Trade debts**

Trade debts are carried at original invoice amount less provision made for doubtful receivable balances, if any. Bad debts are written off when identified.

### **2.13 Foreign currency transactions**

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

### **2.14 Revenue recognition**

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

**Scrap sales** are recognized when delivery is made to customers.

**Other income** is accounted for on accrual basis.

### **2.15 Provisions**

Provisions are recognized when the company has a legal and constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and the reliable estimate of the amount can be made.

### **2.16 Borrowing costs**

Borrowing cost are recognized as expense in the period in which they are incurred, except borrowing cost that are directly attributable to the acquisition, construction or production of qualifying asset shall be capitalized as a part of the cost of that asset.

### **2.17 Transactions with related parties**

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

### **2.18 Cash and cash equivalents**

Cash and Cash Equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash-in-hand and bank balances only.

### **2.19 Financial Instruments**

**Financial Assets:** are deposits, trade debts, loans and advances, other receivables and cash and bank balances against which Company has right to receive cash. These are stated at their nominal value as reduced by appropriate allowances and estimated irrecoverable amount, if any.

**Financial Liabilities:** are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term loans, creditors, accrued and other liabilities for which Company has obligation to pay cash or another financial asset. All financial liabilities are initially measured at cost, which is the fair value of consideration received at initial recognition.

#### **Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognized amounts and intends either to settle on net basis or to realize the asset and settle the liability simultaneously.

### 3. Property, Plant and Equipment

Following is a statement of operating assets

	COST				DEPRECIATION				WDV as at 30 June 2007	Rate %	
	Cost / Revaluation as at 1 July 2006	Surplus on Revaluation of Fixed Assets	Adjustment of Depreciation of Revalued assets on revaluation date	Addition	Cost / Revaluation as at 30 June 2007	Accumulated depreciation as at 1 July 2006	Adjustment of Depreciation of Revalued assets on revaluation date	Depreciation for the Year			Accumulated depreciation as at 30 June 2007
Land - freehold	4,500,000	-	-	-	4,500,000	-	-	-	-	4,500,000	-
Building on freehold land	4,000,000	-	-	-	4,000,000	355,556	-	351,004	706,560	3,293,440	10
Plant and machinery	32,077,500	-	-	-	32,077,500	2,844,444	-	2,815,497	5,659,941	26,417,559	10
Fork lifter	630,000	-	-	-	630,000	598,263	-	5,887	604,150	25,850	20
Office equipment	420,705	-	-	-	420,705	281,506	-	13,407	294,913	125,792	10
Electrical equipments	824,886	-	-	37,191	862,077	604,908	-	24,440	629,348	232,729	10
Security equipment	54,335	-	-	-	54,335	47,335	-	674	48,009	6,326	10
Furniture & fittings	5,920,288	-	-	-	5,920,288	770,870	-	497,443	1,268,313	4,651,975	10
Motor vehicles	392,469	-	-	-	392,469	375,107	-	3,221	378,328	14,141	20
	48,820,183	-	-	37,191	48,857,374	5,877,989	-	3,711,573	9,589,562	39,267,812	
<b>Leased Assets</b>											
Motor Vehicles	21,095,580	-	-	-	21,095,580	4,486,847	-	1,586,433	6,073,280	15,022,300	20
	<b>69,915,763</b>	-	-	<b>37,191</b>	<b>69,952,954</b>	<b>10,364,836</b>	-	<b>5,298,006</b>	<b>15,662,842</b>	<b>54,290,112</b>	
<b>2007</b>											
	<b>62,292,344</b>	<b>26,408,129</b>	<b>(37,316,785)</b>	<b>18,532,075</b>	<b>69,915,763</b>	<b>41,686,345</b>	<b>(37,316,785)</b>	<b>5,995,276</b>	<b>10,364,836</b>	<b>59,550,927</b>	
<b>2006</b>											

(Rupees)

#### Allocation of Depreciation for the Year

	Depreciation Allocation %	2007 Rs.	2006 Rs.
- Cost of Sales	60	3,178,804	3,597,166
- Administrative & General Expenses	40	2,119,202	2,398,110
		5,298,006	5,995,276

**3.1** Had there been no revaluation, the net book value of specific classes of Operating Property, Plant and Equipment as at June 30, 2007 would have been as follows:

	NOTE	2007 RUPEES	2006 RUPEES
Land		82,115	82,115
Building on free hold land		2,496,408	2,776,832
Plant & machinery		8,988,851	9,987,613
		11,567,374	12,846,560

**3.2 Surplus on revaluation of fixed assets**

This represents surplus over book values resulting from the valuation of fixed assets carried out in the year 2005 adjusted only by the surplus realized on disposal of any of revalued assets, incremental depreciation arising out of revaluation and deferred taxation. The revaluation of fixed assets of the company was carried out by independent valuer M/s. Zafar Iqbal & Company and a report dated August 10, 2005 has been issued.

**4 STOCK-IN-TRADE**

Raw materials		232,941	2,893,113
Stock in transit		4,531,050	5,999,862
Finished goods		73,218	2,107,596
		4,837,209	11,000,571

**5 TRADE DEBTS -UNSECURED**

Considered good	5.1	17,976,918	8,502,381
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**5.1** The amount represents due from associated company-DCIL. The maximum aggregate amount due at the end of any month during the year was Rs. 17,976,918 (2006: 8,502,381)

**6 ADVANCES**

**Considered good**

Associated undertaking - Dadabhoy Energy Supply Co.Ltd.	6.1	-	17,582
Advance for expenses		5,381,315	1,726,350
Against Letter of credit		1,194,169	1,466,411
		6,575,484	3,210,343

**6.1** The amount represents due from associated company-DESCL. The maximum aggregate amount due at the end of any month during the year was Rs. 200,000 (2006: 17,582)

**7 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Deposits		39,150	170,000
Prepayments		49,185	141,640
Other receivables		-	2,698
		88,335	314,338

**8 ADVANCE INCOME TAX**

Advance income tax		51,465	484,711
		51,465	484,711

	2007 RUPEES	2006 RUPEES
<b>9 CASH AND BANK BALANCES</b>		
<b>Cash at banks</b>		
- Current accounts	296,628	711,911
- PLS accounts	23,831	94,026
	320,459	805,937
 <b>10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Opening balance	17,972,899	6,002,665
Obtained during the year	-	13,615,050
Paid during the year	(2,380,975)	(1,644,816)
	15,591,924	17,972,899
Current portion	(2,932,209)	(2,550,275)
	12,659,715	15,422,624

### 10.1

	2007			2006		
	Minimum lease payment	Financial Charges for Future Period	Present value of minimum lease payments	Minimum lease payment	Financial Charges for Future Period	Present value of minimum lease payments
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Not later than one year	4,062,672	1,130,463	2,932,209	4,123,762	1,573,487	2,550,275
Later than one year and not later than five years	10,994,224	1,266,718	9,727,506	15,283,548	2,411,199	12,872,349
	15,056,896	2,397,181	12,659,715	19,407,310	3,984,686	15,422,624

### 10.2 Finance Lease-Significant terms and conditions

S. No.	Name of Leasing Company	Nature of lease	Installments			Date of Expiry	I.R.R.
			Frequency	Amount	Number		
1.	Saudi Pak Commercial Bank	One Vehicle	Monthly	86,180	60	25-Jul-08	11%
2.	Askari Commercial Leasing	Two Vehicles	Monthly	31,144	60	20-Mar-10	14.629%
3.	Askari Commercial Leasing	Two Vehicles	Monthly	226,352	60	04-Dec-10	14.930%

**10.3** These are secured against demand promissory notes and security deposits. Lessee has assumed and is bearing entire risk of loss and damages to the assets and to bear the cost of repair, taxes and insurance.

### 10.4

In case of breach, Askari Commercial Leasing Limited shall have a general lien over all assets of the lessee. The lessor shall become entitled to receive from the customer the amount of recomputed markup on outstanding sums in case of failure to repay on demand.

### 10.5

The vehicles leased from Askari Commercial Leasing Limited are not to be sub leased, let for hire or loaned by lessee under any circumstances whatsoever.

	NOTE	2007 RUPEES	2006 RUPEES
<b>11 DEFERRED LIABILITY</b>			
Deferred Taxation	11.1	4,298,576	6,038,111
Staff Gratuity		<u>2,182,092</u>	<u>2,015,133</u>
		<u><u>6,480,668</u></u>	<u><u>8,053,244</u></u>
<b>11.1</b>	The net balance for deferred taxation is in respect of following temporary differences:		
<b>Deferred tax liability</b>			
Accelerated depreciation		3,104,092	5,128,881
Revaluation Surplus		6,389,116	7,012,444
<b>Deferred tax asset</b>			
Lease Liability		(4,430,900)	(5,397,918)
Provision for gratuity		<u>(763,732)</u>	<u>(705,296)</u>
		<u><u>4,298,576</u></u>	<u><u>6,038,111</u></u>
<b>11.2 Liability for gratuity arose in the following manner:</b>			
Present value of defined benefits obligations		2,182,091	2,015,133
Fair values of plan assets		-	-
		<u>2,182,091</u>	<u>2,015,133</u>
Unrecognised actuarial losses		-	-
Liability recognised in the balance sheet		<u><u>2,182,091</u></u>	<u><u>2,015,133</u></u>
<b>11.2.1 Movement in net liability recognised</b>			
Opening balance		2,015,133	1,714,133
Expense recognised		301,000	301,000
Benefits paid during the year		<u>(134,000)</u>	<u>-</u>
Closing balance		<u><u>2,182,133</u></u>	<u><u>2,015,133</u></u>
<b>11.2.2 Expense recognized/Prepaid cost</b>			
Current service cost		126,000	126,000
Interest cost		175,000	175,000
Expected return on plan assets		-	-
Recognized transitional asset		-	-
Net actuarial (gain) / loss recognized		<u>-</u>	<u>-</u>
		<u><u>301,000</u></u>	<u><u>301,000</u></u>
<b>Principal Assumptions</b>			
Following are a few important actuarial assumptions			
Discount rate		10%	10%
Expected rate of increase in salary		9%	9%



		2007 RUPEES	2006 RUPEES
<b>12 TRADE AND OTHER PAYABLES</b>			
Accrued expenses	12.1	3,465,059	1,356,445
Sales tax payable		86,516	287,040
Unclaimed Dividend		415,650	786,693
Deduction at source		369,768	418,972
W.P.P.F.	12.2	1,548,333	1,355,212
WWF		38,621	17,680
Lease Installments		1,319,932	-
Others		385,711	385,711
		<u>7,629,590</u>	<u>4,607,753</u>
<b>12.1</b> Include therein Director's remuneration payable amounting to Rs. 2,800,000 (2006:700,000)			
<b>12.2 Worker's profit participation fund</b>			
Balance at beginning of year		1,355,212	1,167,618
Interest on accrued balance		154,589	97,773
Allocation for the year		38,532	89,821
		<u>1,548,333</u>	<u>1,355,212</u>
Less: Payments during the year		-	-
Balance at end of year		<u>1,548,333</u>	<u>1,355,212</u>
<b>13 CONTINGENCIES AND COMMITMENTS</b>			
<b>13.1</b> Letters of credit outstanding amounting to Rs. 1,166,000 (2006:13.77 millions) against import			
<b>14 SHARE CAPITAL</b>			
<b>Authorized Capital</b>			
10,000,000 (2006 : 10,000,000) Ordinary shares of Rs. 10/- each		100,000,000	100,000,000
<b>Issued, subscribed and paid-up capital</b>			
4,000,000 (2006 : 4,000,000) Ordinary Shares of Rs. 10 fully paid in cash		40,000,000	40,000,000
<b>15 SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
Opening balance 1st July, 2006		17,440,997	-
Add: Surplus on Revaluation of Fixed assets during the year		-	26,408,129
		17,440,997	26,408,129
Less: Deferred Tax Liability @ 35%		-	(7,696,585)
Incremental depreciation net of deferred tax		(1,429,366)	(1,270,547)
Closing balance 30th June, 2007		<u>16,011,631</u>	<u>17,440,997</u>
<b>16 SALES - Net</b>			
Sales		69,402,155	96,830,633
Less: Sales Tax		9,052,455	12,632,346
		<u>60,349,700</u>	<u>84,198,287</u>

	Note	2007 RUPEES	2006 RUPEES Restated
<b>17 COST OF SALES</b>			
Opening stock - Raw material		8,892,975	3,026,087
Purchases		30,541,701	61,612,380
		<u>39,434,676</u>	<u>64,638,467</u>
Closing stock - Raw material		(4,763,991)	(8,892,975)
Raw material consumed		34,670,685	55,745,492
Stores and spares consumed		658,421	262,965
Fuel and power		259,813	278,628
Salaries, wages and other benefits	17.1	4,669,441	4,515,661
Fees and subscription		23,475	30,575
Insurance		66,852	27,168
Repairs and maintenance		19,607	754,033
Depreciation		3,178,804	3,597,166
Others		75,649	16,079
Cost of goods manufactured		43,622,747	65,227,767
Finished goods			
Opening balance		2,107,596	994,008
Closing balance		(73,218)	(2,107,596)
		<u>2,034,378</u>	<u>(1,113,588)</u>
		<u>45,657,125</u>	<u>64,114,179</u>
<b>17.1</b>	It includes provision of Rs. 301,000 (2006: 301,000) on account of staff retirement benefits.		
<b>18 OTHER INCOME</b>			
Return on bank deposits		6,004	33,408
Wastage Sales		7,500	150,107
		<u>13,504</u>	<u>183,515</u>
<b>19 ADMINISTRATIVE EXPENSES</b>			
Directors remuneration & other benefits		8,518,265	11,516,619
Traveling and conveyance		30,272	1,046,999
Rent, rates and taxes		416,050	314,000
Printing & Stationery		90,028	69,406
Insurance		102,869	201,296
Auditor's Remuneration	19.1	235,000	235,000
Legal and professional		373,888	167,864
Advertisement		30,612	211,100
Depreciation		2,119,202	2,398,110
Fees and subscription		151,900	114,476
Others		23,143	924,293
		<u>12,091,229</u>	<u>17,199,163</u>

	<b>2007 RUPEES</b>	<b>2006 RUPEES</b>
<b>19.1 Auditor's Remuneration</b>		
Audit Fee	125,000	125,000
Half Yearly review	60,000	60,000
Certificate on compliance with code of corporate governance	35,000	35,000
Out of Pocket expenses	15,000	15,000
	<u>235,000</u>	<u>235,000</u>
<b>20 OTHER CHARGES</b>		
Workers' welfare fund	38,621	17,680
Workers' profit participation fund	38,532	89,821
	<u>77,153</u>	<u>107,501</u>
<b>21 FINANCIAL CHARGES</b>		
Interest on WPPF	252,362	97,773
Interest on Finance Lease	1,570,426	1,055,330
Bank Charges	21,431	46,692
	<u>1,844,219</u>	<u>1,199,795</u>
<b>22 TAXATION</b>		
<b>22.1 Current reconciliation between accounting profit and taxable profit</b>		
Profit before taxation	693,478	1,761,159
Add : Accounting Depreciation	5,298,006	5,995,276
Financial Charges on leased Assets	1,570,426	1,055,330
Provision for Gratuity	301,000	301,000
Less : Tax Depreciation	(1,830,226)	(2,070,043)
Lease Payments	(3,974,000)	(3,441,883)
gratuity paid	(134,605)	-
Taxable Income	<u>1,924,079</u>	<u>3,600,839</u>
<b>22.2 Provision for taxation</b>		
35%	<u>673,428</u>	<u>1,260,294</u>

	<b>2007 RUPEES</b>	<b>2006 RUPEES</b>
<b>23 REMUNERATION OF DIRECTORS</b>	<b>Director</b>	

The aggregate amount charged in the accounts for the year are as follows:

Managerial remuneration	8,400,000	6,600,000
Traveling & utilities	118,265	4,916,619
	8,518,265	11,516,619
Number of persons	1	1

**23.1** Some working Directors are also provided with free use of Company's owned and maintained cars.

**24 EARNINGS PER SHARE - BASIC AND DILUTED**

Profit after taxation	1,066,264	1,392,013
Weighted average ordinary shares in issue during the year	4,000,000	4,000,000
Earning per share	0.27	0.35

	<b>No. of bags</b>	<b>No. of bags</b>
<b>25 PLANT CAPACITY</b>		
Installed capacity	26,000,000	26,000,000
Utilized capacity	4,329,800	7,078,100
Utilized capacity % age	17	27

**Reason of Low Production**

Currently the company is making sells only to its associated company DCIL due to which the installed capacity cannot be fully utilized.

**26 TRANSACTIONS WITH ASSOCIATED COMPANIES**

Sale of bags	69,402,155	96,830,633
Purchase of electricity	259,813	278,628
Repayment of loan	-	4,074,348

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

**27 CASH AND CASH EQUIVALENTS**

Cash and bank balances	320,459	805,937
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## 28 FINANCIAL INSTRUMENTS & RELATED DISCLOSURES

### 28.1 Interest rate risk exposure

The information relating to the Company's exposure to interest rate risk based on maturity dates is as follows.

	2007						Total
	Interest bearing			Non - Interest bearing			
	Maturity within one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total	
<b>Financial Assets</b>							
Trade debts	-	-	-	17,976,918	-	17,976,918	17,976,918
Deposits	-	-	-	-	6,118,516	-	6,118,516
Cash and bank balances	23,831		23,831	296,628	-	296,628	320,459
	23,831		23,831	18,273,546	6,118,516	18,273,546	24,415,893
<b>Financial Liabilities</b>							
Lease Liability	2,932,209	12,659,715	15,591,924	-	-	-	15,591,924
Creditors, accrued and other liabilities	-	-	-	7,543,074	-	7,543,074	7,543,074
	2,932,209	12,659,715	2,932,209	7,543,074	-	7,543,074	10,475,283
Net financial assets / (liabilities)	(2,908,378)	(12,659,715)	(2,908,378)	10,730,473	6,118,516	10,730,473	13,940,610

	2006						Total
	Interest bearing			Non - Interest bearing			
	Maturity within one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total	
<b>Financial Assets</b>							
Trade debts	-	-	-	8,502,381	-	8,502,381	8,502,381
Deposits	-	-	-	-	6,118,516	-	6,118,516
Cash and bank balances	94,026		94,026	711,911	-	711,911	805,937
	94,026		94,026	9,214,292	6,118,516	9,214,292	15,426,834
<b>Financial Liabilities</b>							
Lease Liability	2,550,275	15,422,624	17,972,899	-	-	-	17,972,899
Creditors, accrued and other liabilities	-	-	-	4,321,489	-	4,321,489	4,321,489
	2,550,275	15,422,624	2,550,275	4,321,489	-	4,321,489	22,294,388
Net financial assets / (liabilities)	(2,456,249)	(15,422,624)	(2,456,249)	4,928,083	6,118,516	4,928,083	(6,867,554)

### 28.2 Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter parties failed completely to perform as contracted. There is no credit risk as the company makes 100% sales to Dadabhoy Cement Industries Limited which is an associated company of Dadabhoy Sack Limited.

### 28.3 Concentration of credit risk

The Company is exposed to concentration of credit risk in respect of trade debts as there is only one customer to whom the company sells its goods. However, since the customer is an associated company, the risk is mitigated.

### 28.4 Liquidity Risk

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

**28.5 Fair value of the financial instruments**

The carrying value of all financial instruments reported in the financial statements approximates their fair value.

**28.6 Financial risk management objectives**

The company's activities exposed it to a variety of financial risks, including the effect of changes in foreign exchange rates, credit and liquidity risks associated with various financial assets and liabilities respectively as referred in note No. 28.1. The Company finances its operation through equity and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk. Taken as whole, risk arising from the companies financial instruments is limited as there is no significant exposure to market risk in that respect.

**29 ACCOUNTING ESTIMATES AND JUDGMENTS**

**Income Tax**

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

**Property, Plant and Equipment**

The company's management estimates useful lives and related depreciation charge for its plant and equipment. The company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimages in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

**30 Correction of error**

In the year ended June 30, 2006, the amount of provision for gratuity was erroneously recorded in excess by an amount of Rs. 1,046,214/- as against the amount required to be provided as per actuarial valuation. During the period error was corrected by restating the comparative figures of gratuity expense by Rs. by 1,046,214/- and deferred taxation by Rs. 366,176/-.

**31 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on 9th October, 2007 by the Board of Directors of the Company.

**32 GENERAL**

The figures have been rounded off nearest rupees.

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**FAZAL KARIM DADABHOY**  
Chief Executive

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**MUHAMMAD AMIN DADABHOY**  
Director

## DADABHOY SACK LIMITED

### PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2007

NUMBER OF SHARE HOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	FROM	TO	
56	101	500	27,700
18	501	1,000	17,400
5	1,001	5,000	19,000
5	10,001	50,000	220,530
1	50,001	100,000	100,000
1	100,001	300,000	276,000
2	300,001	17,740,000	3,339,370
88			4,000,000

Categories of Share holders	No. of Shareholders	Shares Held	Percentage %
Individuals	84	284,630	7.12
Joint Stock Companies	3	3,615,370	90.38
Financial Institutions	1	100,000	2.50
	88	4,000,000	100.00

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

Shareholder Category	No. of Share holder	No. of Holding
<b>Directors</b>		
Mr. Muhammad Hussain Dadabhoy	1	700
Mrs. Razia Hussain Dadabhoy	1	42,548
Mr. Muhammad Amin Dadabhoy	1	45,979
Mr. Fazal Karim Dadabhoy (Chief Executive)	1	41,541
Mrs. Humaira Dadabhoy	1	44,570
Mrs. Yameen Dadabhoy	1	45,892
Naseemuddin	1	500
<b>Associated Companies</b>		
Dadabhoy Trading Corp. (Pvt) Ltd.	1	1,739,370
Dadabhoy Cement Ind. Ltd.	1	276,000
Dadabhoy Hydrocarbon Limited.	1	1,600,000
<b>Banks, Dfis NBFis, Insurance Com, ETC</b>		
National Bank of Pakistan	1	100,000
General Public		62,900
<b>Shareholders Holding 10% or More Voting Interest</b>		
Dadabhoy Trading Corp (Pvt) Ltd.	1	1,739,370
Dadabhoy Hydrocarbon Ltd.	1	1,600,000

# DADABHOY SACK LIMITED

TWENTY FOURTH ANNUAL GENERAL MEETING 2007

FORM OF PROXY

I / We \_\_\_\_\_  
of \_\_\_\_\_ being  
A member of DADABHOY SACK LIMITED and holder of \_\_\_\_\_  
Ordinary shares as per registered Folio No. \_\_\_\_\_  
Hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him \_\_\_\_\_  
of \_\_\_\_\_  
vide Registered Folio No. \_\_\_\_\_

As my / our proxy to vote for me/us and on my/our behalf at the Twenty-Fourth Annual General Meeting of the Company to be held on 31st October 2007 and at any adjournment thereof.

Signed by me/us this \_\_\_\_\_ day of \_\_\_\_\_ 2007

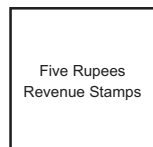
Signed by the said

\_\_\_\_\_

**Important :**

This form of Proxy duly completed must be deposited at the Company's Registered Office, 5th Floor, Maqbool Commercial Complex, Block 7 & 8, JCHS, Shahrah-e-Faisal, Karachi not later than 48 hours before the time of holding the meeting.

A proxy should also be a shareholder of the Company.



\_\_\_\_\_ for Office use