Stability and Sustainable Growth

ANNUAL REPORT 2010

DADEX

51st ANNUAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010

DADEX

VISION

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

DADEX

MISSION STATEMENT

- 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.

Building Blocks of
Dadex Values

The guiding vision of Dadex encompasses the intrinsic values of Dadex. These values – referred to as the “Building Blocs 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.

CONTENTS

Company Information

Board of Directors	Abu Talib H.K. Dada- Chairman Maqbool H.H. Rahimtoola Qazi Sajid Ali Shahzad M. Husain Samad Dada Zulfiqar Ali Lakhani Jahangir Siddiqui Rasheed Y. Chinoy Mohammad Suleman Kanjiani Mohsin Ashfaque (Alternate: Kamal Afsar)
Chief Executive Officer	Sikander Dada
Acting Chief Financial Officer	Muhammad Yousuf
Company Secretary	Amber Saeed
Board Audit Committee	Qazi Sajid Ali – Chairman Samad Dada Mohammad Suleman Kanjiani
Management Team	Sikander Dada - CEO Rizwan Amjed - Director (Operations) Suhail Nadeem - Director (Marketing & Sales) Tanveer Saleem - Director (Technical Services & Quality Assurance) Muhammad Yousuf - Acting Chief Financial Officer Amber Saeed - Company Secretary
Auditors	Ernst & Young Ford Rhodes Sidaat 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) 111000789 Fax: (92-21) 34315716, 34315725 Email: info@dadex.com.pk
Share Registrar	Gangjees Registrar Services (Pvt) Limited 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 51st Annual General Meeting of the Dadex Eternit Ltd., will be held on Thursday, October 28, 2010 at 8:30 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) Audited Financial Statements for the year ended June 30, 2010 and the Auditors' Report thereon; and
   b) The Report of the Board of Directors for the year ended June 30, 2010.

2. To appoint auditors of the company for the year ending June 30, 2011, and authorize the Directors to fix their remuneration. The present auditors, M/s. Ernst & Young Ford Rhodes Sidat Hyder, being eligible have offered themselves for reappointment.

By Order of the Board

(AMBER SAEED)
Company Secretary

Karachi, September 29, 2010.

B. NOTES:

1. The Register of Members and the Share Transfer Books of the Company shall remain closed from October 21, 2010 to October 28, 2010 (both days inclusive).Transfers received in order of 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 October 20, 2010 will be treated in time for incorporating the change in the Register of Members as at October 21, 2010.

2. Entitlement to attend, participate and vote at the 51st Annual General Meeting will be according to the Register of Members as at October 21, 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 the 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 change, 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 (NIC) 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 of 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 the 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 7:30 a.m., sharp outside the premises of the Karachi Stock Exchange Building to take them to the venue of the meeting.

Report of The Board of Directors

The Directors of Dadex Eternit Limited (Company) are pleased to present the Fifty first Annual Report together with the Audited Financial Statements, for the year ended June 30, 2010.

I. NATIONAL ECONOMY

Your Company's operating environment is affected by the national economic environment and during the year under review Pakistan's economy continued to face severe challenges as GDP growth on inflation adjusted basis was 4.1% for fiscal year 2010 (2009: 3.7%). In fiscal year 2010, Pakistan's inflation was recorded at 12.5% (2009: 11%).

Business conditions in the country remained uncertain and the construction sector in particular was and remains under pressure due to inflation and volatile business conditions in the country.

The Government diverted funds from infrastructure development projects towards various other schemes which together with the increasing costs of construction have rendered many mega projects unfeasible to continue for now.

II. BUSINESS

Sales and profitability

Despite the above challenging economic scenario and the situation as explained in point IV below, the Company achieved Rs.2,102 million (2009: Rs.2,190 million) in sales revenue although margins remain under pressure.

The sales revenue and gross margins for the year of some products have declined in comparison to the previous year. The decline is attributable to a relative decrease in volumes and also due to inflationary pressures. However, in the fourth quarter of the financial year, sale revenues gained momentum and the Company achieved its highest ever single month sale in the amount of Rs.286 million.

While the sales remained under pressure, the Company's management has also focused attention on exercising an improved credit recovery.

Net profit after tax of the Company for the year was Rs.10.02 million (2009: Rs.25.77 million). The impact of the lower capital expenditure (please also see paragraph IV B below) has resulted in 2010 (and in 2009) higher taxation for the year reducing the profit available for appropriation.

Operations

Due to the restraint on the capital expenditures, as explained in paragraph IV B below, the Company could not spent the requisite amount in overhauling of the plant, and resultantly the production suffered with a lowering of capacity utilization by approximately 7% over the previous year. Moreover, the overall economic slowdown also contributed towards a decline in the demand for construction materials generally.

Frequent power interruptions at the Sunder Factory meant that the Plant operated on electricity generated by diesel generator for longer periods resulting in higher production costs. Building Pipe Plant at Hyderabad factory closed down during the year due to poor off take of the product.

III. DIVIDENDS AND APPROPRIATIONS

Summary of profits available for appropriations is as follows:

	(Rupees in '000)
Unappropriated profit as at July 01, 2009	25,136
Prior year adjustment	6,706
Final dividend per share of Rs. Nil (2008:Rs.4.00) for the year ended June 30, 2009	-
Transfer to general reserves for the year ended June 30, 2009	(25,000)
Profit after taxation for the year ended June 30, 2010	10,016
Unappropriated profit as at June 30, 2010	16,858
Subsequent Effects	
Proposed final dividend per share of Rs. NIL	-
Transfer to general reserves for the year ended June 30, 2010	16,500
Unappropriated profit as at July 01, 2010	358
	16,858

Break-up value per share as at June 30, 2010 is Rs.48.39 (2009:Rs.47.57)

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, four meetings of the Board of Directors were held. Attendance by the Chairman, Chief Executive and each Director is annexed with this Report.

B. In February, 2009 four Directors namely Mr. Jahangir Siddiqui, Mr. Rasheed Y. Chinoy, Mr. Kamal Afsar (Alternate to Mr. Mohsin Ashfaque) and Mr. Mohammad Suleman Kanjiani, representing 38% shareholding of the Company (as at June 30, 2010 and till the date of issuance of these financial statements, Mahvash & Jahangir Siddiqui Foundation, Jahangir Siddiqui Securities Services Limited, Jahangir Siddiqui & Sons Limited, Jahangir Siddiqui and Ali Jahangir Siddiqui are the shareholders of the 38% shareholding) filed Suit No.166 of 2009 ("Suit") in the Honourable High Court of Sindh (Court) against the Company and its management. In addition, the said 38% 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 (subject to the prior approval of the Board of Directors) and Plaintiff's Application for the appointment of the forensic auditor was also dismissed. 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% shareholders alleging a violation of Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002 by the abovementioned 38% 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% shareholders also filed a petition in the Court against the Chief Executive and all Directors except the four Directors representing the said 38% shareholders alleging violation of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002. In both the said Petitions the SECP is a Party. The SECP has in this regard vide its Order dated July 28, 2009 held that the Takeover Ordinance has not been violated in which respect appeals have been filed with the Appellate Bench of the SECP. 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 previous and current year, for a period of approximately eight months (from May 19, 2009 to January 25, 2010) the Board could not function.

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. The above restraint placed on the Board was removed by the Court on January 25, 2010, whereby the Board became functional again. 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. The applications of the Company, for becoming party to the petitions, were accepted by the Court. The SECP is also a party to the Suit, applications and petitions, referred to above.

D. Mr. Danish Dada who is the son of the CEO Mr. Sikander Dada resigned from the Board with effect from March 17, 2010. He also resigned from his position as General Manager Business Development of the Company with effect from March 17, 2010. Mr. Zulfiqar Ali Lakhani has been appointed as a Director of the Company in his place, to fill the casual vacancy, for the remainder of the term of Mr. Danish Dada as Director.

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 and June 30, 2010, which in pursuance of the order of the Honourable High Court of Sindh (Court) dated April 14, 2010 shall be considered and approved once the matter is decided by the Court in that respect.

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 all 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% shareholding referred to in paragraph A above filed an application in the above mentioned Suit 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. During the year, some fresh applications have been filed in the Suit, referred to in paragraph B above, including three contempt applications one of which is regarding the conduct and behavior of the Directors representing 38% of the shareholding demanding the Annual General Meeting (AGM) to be adjourned and not approving the financial statements. All these Applications are pending before the Court for hearing.

H. The above matters have been adequately disclosed in the 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.

I. The Board has formed its Audit Committee and approved its terms of reference for compliance by this Committee. The Audit Committee is comprised of three members and all are non executive directors.

V. INFORMATION COMMUNICATION TECHNOLOGY

SAP modules already implemented, have been providing value added benefits to Management reporting and the Company plans to implement some additional SAP modules and sub modules to enhance the Company's Management Information System and the system capability. Further, there are plans to install and implement Accepted Storage Application Firewall Security System and Tivoli Storage Manager (backup system for servers), to enhance the Company's network security and to manage the data backup of all the servers centrally.

VI. CORPORATE PHILANTHROPY, COMMUNITY WELFARE AND INVESTMENT SCHEMES, WELFARE SPENDING FOR UNDER-PRIVILEGED CLASSES, CONSUMER PROTECTION MEASURES, ANTI-CORRUPTION MEASURES, NATIONAL CAUSE DONATIONS, RURAL DEVELOPMENT, CONTRIBUTION TO THE NATIONAL EXCHEQUER AND THE ECONOMY OF THE COUNTRY

During the year 2009-10 your Company contributed towards different philanthropic and welfare activities, a total amount of Rs. 648,000 to the following beneficiaries:

1. Women Islamic Mission
2. Khidmat-e-Khalq Committee
3. Education Excellence
4. Romana Iftikhar
5. Gulab Devi Chest Hospital

Moreover during the year, the Company has contributed over Rs.448 million (2009: Rs.518 million) to the Government exchequer as duties, taxes and levies.

Your Company philosophy is and policy continues to be to follow sound corporate practices which provide consumer protection and ensure effective anti-corruption measures.

Your Company has manufacturing facilities in Hyderabad and Sunder Estate which effectively contribute towards rural development also.

VII. ENERGY CONSERVATION

Various initiatives were taken in manufacturing during the year to reduce energy consumption. Extensive Load Management was carried out resulting in energy cost savings despite the increased fuel and electricity power costs.

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

During the year HSE Integrated Management System was launched at the Company's manufacturing facilities to fulfill the requirements of ISO and OHSAS standards.

A Training and Development Centre was also established at the Karachi factory to train the management and non-management staff about HSE policy and procedures. SGS is appointed as certification body for the two standards, ISO 14001-2004 (Environmental Standards) & OHSAS 18001-2007(Occupational Health & Safety Standards).The certification process is targeted to be completed by December 2010.

GAP Analysis and Stage 1 Audit was successfully carried out by SGS at the manufacturing facilities and final Stage 2 Audit (Certification Audit) is scheduled in October/November 2010.

Your Company continues to adhere to its Corporate vision by implementing an ongoing basis environment friendly policies as a part of its management strategy and quality assurance.

IX. EMPLOYMENT OF SPECIAL PERSONS

Since the promulgation of the Companies (Corporate Social Responsibilities) General Order, 2009 your Company has done no fresh hiring. However, your Company has recently advertised vacancies and in all fresh induction shall ensure that the quota for special persons is brought into line with the requirement of law.

X. INDUSTRIAL RELATIONS

Your Company maintains cordial relations with its employees and Agreements with the respective Collective Bargaining Agents (CBA) are in place based on the negotiated Charters of Demand. Currently your Company is in negotiations with the Hyderabad Factory CBA which Agreement is expected to be finalized over the course of the next month or so.

XI. HUMAN RESOURCES

Your Company believes human capital is a valuable asset and works hard for its development. An open ended work environment helps to motivate the employees to exercise their capabilities with a spirit of innovation.

The training and development activities assist the people to survive in this challenging environment. Your Company is committed to nurture the human capital by selecting the right people for the right job.

XII. 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 2010 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(xiiia) which has been added vide Karachi Stock Exchange's letter no KSE/N-269 dated 19th January, 2009.

3) That the Board of Directors has adopted the "Statement of Business Ethics and Practices" and measures have been taken to ensure that the 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 accounts of the Company have been maintained.
   c. Appropriate accounting policies have been consistently applied in the preparation of the financial statements, and accounting estimates are based on reasonable and prudent judgment.
   d. International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of the 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 the Notes to the financial statements.

6) The system of internal control and such other 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. The delay in the renewal of their terms was due to the restraint placed on the Board as discussed in paragraph IV C. However, effective, on May 1, 2010 KPMG Taseer Hadi & Co. was reappointed as the Internal Auditor for a term until June 30, 2011, as approved in the Meeting of the Board Audit Committee held on April 12, 2010. No work was performed by the internal auditors between July 1, 2009 and May 15, 2010. However the transactions and records selected for the internal audit work cover the financial year ended June 30, 2010 and onwards as per the agreed Internal Audit Plan for the year 2010-2011.

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:

2010	2009
(Rupees in 000')	
151,408	150,949

4) The statement, showing the pattern of shareholding of the Company as at June 30, 2010 is annexed with this Report.

5) The Directors, CEO, CFO/Acting CFO and the Company Secretary, and their spouses and minor children did not carry out any trade in the shares of the Company during the year, except as those disclosed in the pattern of shareholding.

XIII. AUDITORS

The present auditors M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants retire at the conclusion of the Fifty first Annual General Meeting. Being eligible, they have offered themselves for re-appointment. As required by the Code of Corporate Governance, the 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 2011, 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.

XIV. 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.

XV. FUTURE PROSPECTS AND CHALLENGES

The Economic survey of Pakistan 2009-2010 has predicted that the medium term prospects for the economy are promising, provided the path of economic reform continues. The abysmally low tax to GDP ratio and low overall productivity in the economy are indicative of Pakistan's substantial economic potential.

The competition in the market is stiff, mainly due to the lack of quality awareness. Despite several difficulties, the Company is determined to maintain its performance through cost rationalization measures and improving efficiencies, which should assist in better future profitability.

Keeping in view the drastic challenges faced by the construction industry, your Company is emphasizing in expanding its customer base by focusing its efforts to increase its market share and to diversify by introducing its product line in the export markets.

XVI. ACKNOWLEDGEMENTS

Achieving customers' trust is the key to our success and we are determined to provide the quality of service that will continue to achieve this trust. We are most grateful to all our customers for their support and seek their continued patronage.

We would like to take this opportunity to thank all our shareholders and other stakeholders including our vendors, our banks and financial institutions, and our insurers for reposing their trust in the Company.

Our employees are the real force behind the Company's success and their dedication, commitment and herd work has made it possible for the Company to face this challenging economic scenario.

On behalf of the Board of Directors

(SHAHZAD M. HUSAIN)
Director

Karachi: September 29, 2010

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Attendance of Board of Directors Meeting For the year ended June 30, 2010

Name of Director	Total No. of Meetings	No. of Meetings Attended
ABU TALIB H.K. DADA - CHAIRMAN	4	4
QAZI SAJID ALI	4	4
MAQBOOL H.H. RAHIMTOOLA	4	4
SHAHZAD M. HUSAIN	4	4
SAMAD DADA	4	4
DANISH DADA - Outgoing	1	0
ZULFIQAR A. LAKHANI - Incoming	3	2
JAHANGIR SIDDIQUI	4	4
RASHEED Y. CHINOY	4	4
MOHAMMAD SULEMAN KANJIANI	4	4
MOHSIN AFSAQUE Alternate:KAMAL AFSAR	4	4
SIKANDER DADA - CEO	4	4

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

Statement of Compliance with the Code of Corporate Governance for the Year Ended June 30, 2010

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, 2010, there was one elected executive director on the Board, who has resigned w.e.f. March 17, 2010.

2. All the directors [except Mr. Kamal Afsar, the alternate director to Mr. Mohsin Ashfaque, to whom a request for complying with this requirement has already been sent, but response has not yet received], 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. A Casual vacancy occurred in the Board during the year ended June 30, 2010, due to the resignation of an executive director, and the vacancy was filled, within 30 days from the date when it occurred, for the remaining term of directors i.e. till July 12, 2011.

4. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by the directors 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. Four 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. The minutes of the meeting were appropriately recorded and circulated within prescribed time limits.

   During the previous and current year, 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 Order dated May 19, 2009, issued by the Hon'ble High Court of Sindh (Court) in the petition referred in note 22.1 of 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. The above restraint placed on the Board was removed by the Court on January 25, 2010, whereby the Board became functional again.

8. Directors are conversant with the listing regulations and legal requirements and as such are fully aware of their duties and responsibilities.

9. During the year the CFO, who also held the post of Company Secretary, resigned. Company Secretary and acting CFO have been appointed in his place with the approval of the Board of Directors.

10. The transactions with related parties are carried out on arm's length basis and approved by the Board Audit Committee and by the Board of Directors except for the matter noted in paragraph 14 below. A complete party-wise record of related party transactions has been maintained by the Company.

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

Statement of Compliance with the Code of Corporate Governance for the Year Ended June 30, 2010

12. The financial statements of the Company were duly endorsed by CEO and acting CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company, other than that disclosed in the pattern of shareholding.

14. 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.

15. The Board has formed its Audit Committee and approved its terms of reference for compliance by this Committee. The Audit Committee is comprised of three members and all are non executive directors.

16. The meetings of the Board Audit Committee could not be held in every quarter of the financial year, as required by the Code, because the members of the Board of Directors were restrained, from attending the meetings of the Board as directors or as members of its various committees as explained in point No. 7 above. As a consequence, the financial statement for the year ended June 30, 2009 could also not be considered and approved by the Board Audit Committee and the Board of Directors Therefore, the first meeting of the Board Audit Committee was held in April, 2010 for the recommendation of results of the Company for the year ended June 30, 2009, and for the quarter ended September 30, 2009, to the Board of Directors. The Financial statements for the six months ended December 31, 2009 and for the nine months ended March 31, 2010, have also been recommended by the Board Audit Committee and approved by the Board of Directors in June 2010.

17. 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. The delay in the renewal of their terms was due to the restraint placed on the Board as discussed in paragraph 7 & 16, However, Effective, on May 1, 2010 KPMG Taseer Hadi & Co. was reappointed as the Internal Auditor for a term uptil June 30, 2011, as approved in meeting of the Board Audit Committee held on April 12, 2010. No work was performed by the internal auditors between July 1, 2009 and May 15, 2010. However the transactions and records selected for the internal audit work cover the financial year ended June 30, 2010 and onwards as per the agreed Internal Audit Plan for the year 2010-2011.

18. 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.

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

20. 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: September 29, 2010

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 2010** 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 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 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 19 January 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 2010**.

Karachi: September 29, 2010

Chartered Accountants

Auditors' Report to the Members

We have audited the annexed balance sheet of **Dadex Eternit Limited** (the Company) as at **30 June 2010** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of 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 change as stated in note 2.6 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, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of the profit, its comprehensive income, 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 Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to:

i) note 32.1 to the financial statements, wherein it has been fully explained that 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. Accordingly, the financial statements for the years ended 30 June 2010 and 30 June 2009 have been approved by the directors at their meetings held on September 29, 2010 and 15 April 2010 respectively, with the exception of his remuneration charged in the accompanying 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) notes 32.1 and 38.2 to the financial statements, wherein it has been stated that during the prior and current year, 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.

Audit Engagement Partner: Shariq Ali Zaidi

Karachi: September 29, 2010

Chartered Accountants

Financial Pages

Balance Sheet
as at June 30, 2010

	Note	2010	2009
		(Rupees in '000')	
			(Restated)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	**345,066**	400,052
Intangible assets	4	**5,653**	12,553
Investment property	5	**14,691**	16,206
Long-term investment	6	**80**	-
Long-term loans	7	**3,769**	4,090
Long-term deposits	8	**6,730**	4,222
		375,989	437,123
CURRENT ASSETS			
Stores, spare parts and loose tools	9	**48,101**	56,834
Stock-in-trade	10	**783,211**	846,291
Trade debts	11	**110,200**	113,998
Loans and advances	12	**17,539**	41,593
Trade deposits and short-term prepayments	13	**11,665**	16,220
Accrued interest and other receivables		**2,672**	990
Taxation – net		**50,628**	26,513
Cash and bank balances	14	**38,001**	850
		1,062,017	1,103,289
TOTAL ASSETS		**1,438,006**	1,540,412
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	**107,640**	107,640
Reserves	16	**413,239**	404,367
		520,879	512,007
NON-CURRENT LIABILITIES			
Long-term financing	17	**-**	60,000
Deferred taxation	18	**22,537**	27,344
		22,537	87,344
CURRENT LIABILITIES			
Trade and other payables	19	**524,341**	361,198
Accrued mark-up		**11,729**	20,518
Short-term borrowings	20	**288,056**	472,169
Current portion of long-term financing	17	**60,000**	60,000
Sales tax payable		**1,999**	4,516
Derivatives	21	**8,465**	22,660
		894,590	941,061
CONTINGENCIES AND COMMITMENTS	22		
TOTAL EQUITY AND LIABILITIES		**1,438,006**	1,540,412

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

SIKANDER DADA	SHAHZAD M. HUSAIN	MUHAMMAD YOUSUF
Chief Executive	Director	Acting Chief Financial Officer

Profit and Loss Account
for the Year Ended June 30, 2010

	Note	2010	2009
		(Rupees in '000')	
			(Restated)
Turnover – net	23	**2,101,734**	2,189,890
Cost of sales	24	**(1,637,812)**	(1,652,969)
Gross profit		**463,922**	536,921
Distribution cost	25	**(268,019)**	(274,197)
Administrative expenses	26	**(121,580)**	(106,205)
Other operating expenses	27	**(20,600)**	(37,994)
Other operating income	28	**40,424**	29,709
Operating profit		**94,147**	148,234
Finance cost	29	**(74,243)**	(104,766)
Share of profit / (loss) on investment in an associate		**80**	(876)
Profit before taxation		**19,984**	42,592
Taxation	30	**(9,968)**	(16,820)
Profit for the year		**10,016**	25,772
		(Rupees)	
Earnings per share – Basic and diluted	31	**0.93**	2.39

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

SIKANDER DADA Chief Executive	SHAHZAD M. HUSAIN Director	MUHAMMAD YOUSUF Acting Chief Financial Officer

Statement of Comprehensive Income for the Year Ended June 30, 2010

	Note	2010	2009
		(Rupees in '000')	
			(Restated)
Net profit for the year		10,016	25,772
Other comprehensive loss for the year			
Net movement in cash flow hedge		1,678	(3,043)
Income tax effect		(525)	942
		1,153	(2,101)
Net loss on cash flow hedge		(2,297)	(1,029)
		(1,144)	(3,130)
Total comprehensive income for the year		8,872	22,642

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

SIKANDER DADA	SHAHZAD M. HUSAIN	MUHAMMAD YOUSUF
Chief Executive	Director	Acting Chief Financial Officer

Cash Flow Statement for the Year Ended June 30, 2010

	Note	2010	2009
		(Rupees in '000')	
			(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	35	**425,707**	(41,599)
Income tax paid		**(39,913)**	(29,021)
Long-term loans - net		**321**	217
Long-term deposits – net		**(2,508)**	(72)
Net cash generated from / (used in) operating activities		**383,607**	(70,475)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(7,734)**	(35,731)
Investment made		**-**	(820)
Investments encashed		**-**	1,082
Proceeds from disposal of property, plant and equipment		**1,278**	6,042
Interest received		**1,920**	488
Net cash used in investing activities		**(4,536)**	(28,939)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing		**(60,000)**	(30,000)
Short-term borrowings – net		**(184,113)**	130,612
Interest / mark-up paid		**(83,032)**	(95,185)
Payments for derivative financial instruments - cross currency swap		**(12,130)**	(8,711)
Payments for cash flow hedge – interest rate swap		**(2,530)**	(516)
Dividend paid		**(115)**	(42,551)
Net cash used in financing activities		**(341,920)**	(46,351)
Net increase / (decrease) in cash and cash equivalents		**37,151**	(145,765)
Cash and cash equivalents at the beginning of the year		**850**	146,615
Cash and cash equivalents at the end of the year	14	**38,001**	850

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

SIKANDER DADA	SHAHZAD M. HUSAIN	MUHAMMAD YOUSUF
Chief Executive	Director	Acting Chief Financial Officer

Statement of Changes In Equity for the Year Ended June 30, 2010

	Issued, Subscribed and Paid-up Capital	Reserves: Capital reserves – Share premium	Revenue Reserves: General	Revenue Reserves: Unappropriated profit	Revenue Reserves: Other (Note 21)	Total	Grand Total
	(Rupees in '000')						
Balance as at June 30, 2008	107,640	5,655	345,000	74,126	-	424,781	532,421
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 for the year	-	-	-	19,066	-	19,066	19,066
Other comprehensive loss for the year, net of tax	-	-	-	-	(3,130)	(3,130)	(3,130)
Total comprehensive income for the year	-	-	-	19,066	(3,130)	15,936	15,936
Balance as at June 30, 2009	**107,640**	**5,655**	**370,000**	**25,136**	**(3,130)**	**397,661**	**505,301**
Effect of prior year adjustment (note 39.2)	**-**	**-**	**-**	**6,706**	**-**	**6,706**	**6,706**
Balance as at June 30, 2009 (Restated)	**107,640**	**5,655**	**370,000**	**31,842**	**(3,130)**	**404,367**	**512,007**
Transfer to general reserve for the year ended June 30, 2009	**-**	**-**	**25,000**	**(25,000)**	**-**	**-**	**-**
Profit for the year	**-**	**-**	**-**	**10,016**	**-**	**10,016**	**10,016**
Other comprehensive loss for the year, net of tax	**-**	**-**	**-**	**-**	**(1,144)**	**(1,144)**	**(1,144)**
Total comprehensive income for the year	**-**	**-**	**-**	**10,016**	**(1,144)**	**8,872**	**8,872**
Balance as at June 30, 2010	**107,640**	**5,655**	**395,000**	**16,858**	**(4,274)**	**413,239**	**520,879**

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

SIKANDER DADA	SHAHZAD M. HUSAIN	MUHAMMAD YOUSUF
Chief Executive	Director	Acting Chief Financial Officer

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 the 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 Company has three factories situated at Karachi, Hyderabad and Sundar (Lahore). The principal business of the Company is to manufacture and the sale of construction material, which mainly includes piping systems and other allied products manufactured from chrysotile cement, rubber and plastics, merchandising of imported pipe fittings, accessories and other building products. The Company is also engaged in providing irrigation solutions for agriculture and landscaping.

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 (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of 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 2.23 and 21 to these financial statements.

2.3 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, intangible assets and investment property (notes 2.7, 2.8, 2.9, 3, 4 & 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 2.12, 2.13, 9 & 10);
(c) Provision and impairment of financial assets (notes 2.10, 2.16, 11, 12 & 13);
(d) Recognition of taxation and deferred tax (notes 2.20, 18 & 30); and
(e) Derivative financial instruments (notes 2.23 & 21).

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

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

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

Notes to the Financial Statements for the Year Ended June 30, 2010

Standard or Interpretation		Effective date (accounting periods beginning on or after)
IFRS 2	- Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IAS 32	- Financial Instruments: Presentation - Classification of Right Issues (Amendment)	February 01, 2010
IAS 24	- Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14	- IAS 19 – The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC 19	- Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have any material impact on the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009 primarily with a view to remove inconsistencies and clarify wordings. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

2.5 Standards, amendments and interpretations adopted during the year

IFRS 2 - Share Based Payment – Amendments regarding Vesting Conditions and Cancellations (Amendment)

IFRS 3 - Business Combinations (Revised)

IFRS 7 - Financial Instruments: Disclosures (Amendments)

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements (Revised)

IAS 23 - Borrowing Costs (Revised)

IAS 27 - Consolidated and Separate Financial Statement - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)

IAS 27 - Consolidated and Separate Financial Statements (Amendment)

IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)

IAS 39 - Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendments)

IFRIC 15 - Agreements for the Construction of Real Estate

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

IFRIC 17 - Distributions of Non-cash Assets to owners

IFRIC 18 - Transfers of Assets from Customers

Improvement to International Financial Reporting Standards (Issued 2008)

During the year, the aforesaid new / revised standards, amendments and interpretations of accounting standards became effective but they are either not relevant or do not have any material effect on the financial statements of the Company except for IFRS 8 "Operating Segments" which was early adopted by the Company during the year ended 30 June 2009 and IAS 1 "Presentation of Financial Statements (Revised)" which was adopted during the year (note 2.6).

2.6 Change in accounting policy

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except for the adoption of IAS 1 (Revised) as of July 01, 2009:

IAS 1 (Revised) - Presentation of financial statements (effective from January 01, 2009)

IAS 1 (Revised), 'Presentation of financial statements' (effective from January 01, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income).

The Company has elected to present owner and non-owner changes in equity in two performance statements – the income statement (profit and loss account) and the statement of comprehensive income. Accordingly, the adoption of the above standard does not have any significant impact on the presentation of the Company's financial statements and does not require the restatement or reclassification of comparative information.

2.7 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.

Depreciation is charged to profit and loss account using the straight-line method over their estimated useful lives 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.

Assets residual values and useful lives are reviewed, and adjusted, if appropriate at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

Notes to the Financial Statements for the Year Ended June 30, 2010

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.

The outstanding obligations under the lease less finance charges allocated to future period are shown as a liability. Financial charges are calculated at the interest rate implicit in the lease and are charged to the profit and loss account.

2.8 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 an 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 the profit and loss account using the straight-line method over their estimated useful lives 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.

2.9 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 the profit and loss account using the straight-line method over their estimated useful lives 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.

2.10 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.

2.11 Investments

2.11.1 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 account reflects 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 Company recognises the share of loss in an associate to the extent of carrying value of investment.

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.

2.11.2 Held-to-maturity

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 premiums and discounts. Gains and losses are recognized in the profit and loss account when the investments are derecognized or impaired, as well as through the amortization process.

2.12 Stores, spare parts and loose tools

These are valued at the lower of cost and net realizable value. Cost is determined on the 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 the 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 where necessary and is recognised as such in the profit and loss account.

2.13 Stock-in-trade

2.13.1 Raw materials

Raw materials are valued at the lower of weighted average cost and net realizable value except for items in transit which are valued at cost comprising invoice values plus other charges incurred thereon.

2.13.2 Work-in-process

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

2.13.3 Finished goods

Finished goods are valued at the lower of weighted average cost and net realizable value. Cost in the 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.

2.14 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 the review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

Notes to the Financial Statements for the Year Ended June 30, 2010

2.15 Cash and cash equivalents

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.

2.16 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.

2.17 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received, excluding discounts, rebates, and sales tax or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Company has concluded that it is acting as a principal in all its revenue arrangements. The following are the specific recognition criteria that must be met before revenue is recognized:

a) Revenue from sale 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 income is recorded on accrual basis.
d) Interest income is recorded using effective interest rate.
e) Service income is recognized when related services are rendered. In the case of Zarkasht projects, revenue is recognized by reference to the stage of completion of a transaction as of the balance sheet date to the extent of cost incurred and, accordingly adjusting the same against other receivables / advances from customers.
f) Sales of scrap goods are recorded net of cost on receipt basis.

2.18 Retirement benefits

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

2.19 Compensated absences

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

2.20 Taxation

Current

Provision for taxation is computed on taxable income at the current rates of taxation or based on turnover at the specified rates, whichever is higher, after taking into account tax credits and rebates available, 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. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

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.

2.21 Foreign currency translations

The financial statements are presented in Pakistani Rupee, which is the Company's functional and presentation currency. Foreign currency transactions during the year are translated at the exchange rates ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date. Any resulting gain or loss arising from changes in exchange rates is taken to the 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.

2.22 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. All financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or losses on derecognition of financial assets and financial liabilities are taken to the profit and loss account.

2.23 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.

The fair values of the cross currency swap and interest rate swap represent the discounted value of the future cash flows estimates 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.

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 a 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 other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the 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 other comprehensive income at that time remains in other comprehensive income 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 other comprehensive income.

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.

2.24 Offsetting of financial assets and financial liabilities

A financial asset and 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 transactions and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.25 Borrowing costs

Borrowing and other related costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a 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 their intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

2.26 Dividend and appropriation to reserves

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

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.

3. PROPERTY, PLANT AND EQUIPMENT

	Note	2010	2009
		(Rupees in '000')	
Operating assets	3.1	**337,754**	392,244
Capital work-in-progress	3.2	**7,312**	7,808
		345,066	400,052

3.1 Operating assets

	COST			Accumulated Depreciation			Written Down Value	
	As at July 01, 2009	Additions / (disposals) / *transfers (note 3.1.5)	As at June 30, 2010	As at July 01, 2009	For the year / (on disposals)	As at June 30, 2010	As at June 30, 2010	Dep. Rate per annum %
	(Rupees in '000')							
OWNED								
Freehold land	25,211	-	25,211	-	-	-	25,211	-
Leasehold land	3,596	-	3,596	1,526	50	1,576	2,020	1-2.5
Factory buildings on freehold and leasehold land (note 3.1.2)	185,953	94	186,047	59,961	16,001	75,962	110,085	10
Buildings on freehold land other than factory	3,712	-	3,712	1,747	197	1,944	1,768	5
Buildings on leasehold land other than factory	44,109	* 590	44,699	23,856	1,907	25,763	18,936	5
Plant and machinery (note 3.1.3)	754,790	1,090 * 435	756,315	578,958	31,019	609,977	146,338	10
Furniture and fittings	9,885	-	9,885	4,721	888	5,609	4,276	10
Vehicles and transportation equipment	50,873	* 4,153 (1,949)	53,077	26,783	8,312 (1,684)	33,411	19,666	20
Office and factory equipment	30,090	230 * 1,142 (57)	31,405	18,423	3,544 (16)	21,951	9,454	10-33.3
2010	**1,108,219**	**1,414 (2,006) * 6,320**	**1,113,947**	**715,975**	**61,918 (1,700)**	**776,193**	**337,754**	

* Represents transfers from capital work-in-progress.

Notes to the Financial Statements for the Year Ended June 30, 2010

	COST			Accumulated Depreciation			Written Down Value	
	As at July 01, 2008	Additions / (disposals) / *transfers (note 3.1.5)	As at June 30, 2009	As at July 01, 2008	For the year / (on disposals)/transfer	As at June 30, 2009	As at June 30, 2009	Dep. Rate per annum %
	(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
2009	**1,086,851**	**29,596** **(8,228)**	**1,108,219**	**651,041**	**68,516** **(3,582)**	**715,975**	**392,244**	

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

	Note	2010	2009
		(Rupees in '000')	
Cost of sales	24	**49,070**	55,004
Distribution cost	25	**5,235**	4,613
Administrative expenses	26	**7,613**	8,899
		61,918	68,516

3.1.2 Represents cost of Rs.131.630 million (2009: Rs.131.536 million) and Rs.54.417 million (2009: Rs.54.417 million) and written down value of Rs.100.525 million (2009: Rs.113.839 million) and Rs.9.560 million (2009: Rs.12.153 million) of factory buildings 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.0.343 million (2009: Rs.0.508 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, 2010 is Rs.446.872 million (2009: Rs.430.154 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 (note 22.1). However, this Order was vacated by the Court on July 10, 2009 and the Company was allowed to incur capital expenditure subject to the prior approval of the Board of Directors.

3.2 Capital work-in-progress

	Note	2010	2009
		(Rupees in '000')	
Plant and machinery		**13,979**	13,979
Impairment loss on plant and machinery	3.2.1	**(7,387)**	(6,891)
		6,592	7,088
Advance against purchase of operating assets		**720**	720
	3.2.3	**7,312**	7,808

3.2.1 Impairment loss on plant and machinery

	Note	2010	2009
Opening balance		**6,891**	6,792
Charge for the year	27	**496**	99
Closing balance	3.2.2	**7,387**	6,891

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.

3.2.3 During the year, additions of Rs.6.320 million were made to capital work-in-progress which were transferred to operating assets (see note 3.1).

Notes to the Financial Statements for the Year Ended June 30, 2010

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 VXR CNG	371	371	-	93	93	As per Company's policy	Mr. Saifuddin Noman - Ex-Employee, Karachi
Suzuki Mehran VXR CNG	376	376	-	79	79	As per Company's policy	Mr. Asif Iqbal - Employee, Karachi
Suzuki Mehran VXR CNG	376	376	-	79	79	As per Company's policy	Mr. Khawaja Waheed - Employee, Karachi
Suzuki Bolan	404	372	32	417	385	Negotiation	Mr. Malik Abdul Khaliq, Karachi
Suzuki Mehran VXR CNG	369	154	215	378	163	Insurance Claim	EFU General Insurance, a related party
Suzuki Cultus VXR CNG	53	35	18	200	182	As per Company's policy	Mr. Abdul Majeed Suleman - Ex-Employee, Karachi
OFFICE AND FACTORY EQUIPMENT							
Others	57	16	41	32	(9)	Insurance Claim	New Jubilee Insurance Company Limited
2010	**2,006**	**1,700**	**306**	**1,278**	**972**		
2009	8,228	3,582	4,646	6,042	1,396		

4. INTANGIBLE ASSETS

	COST			Accumulated Amortization			Written Down Value	
	As at July 01, 2009	Additions	As at June 30, 2010	As at July 01, 2009	For the year	As at June 30, 2010	As at June 30, 2010	Amortization Rate %
	(Rupees in '000')							
SAP Software and Licenses	20,700	-	20,700	8,147	6,900	15,047	5,653	33.33
2010	**20,700**	-	**20,700**	**8,147**	**6,900**	**15,047**	**5,653**	

	COST			Accumulated Amortization			Written Down Value	
	As at July 01, 2009	Additions/Transfer (Note 3.15)	As at June 30, 2010	As at July 01, 2009	For the year	As at June 30, 2010	As at June 30, 2010	Amortization Rate %
	(Rupees in '000')							
SAP Software and Licenses	15,285	* 5,415	20,700	1,698	6,449	8,147	12,553	33.33
2009	**15,285**	**5,415**	**20,700**	**1,698**	**6,449**	**8,147**	**12,553**	

***** 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).

5. INVESTMENT PROPERTY

	COST			Accumulated Depreciation			Written Down Value	
	As at July 01, 2009	Additions	As at June 30, 2010	As at July 01, 2009	For the year (note 5.2)	As at June 30, 2010	As at June 30, 2010	Depreciation rate per annum%
	(Rupees in '000')							
Investment property	30,308	-	30,308	14,102	1,515	15,617	14,691	5
2010	**30,308**	**-**	**30,308**	**14,102**	**1,515**	**15,617**	**14,691**	

	COST			Accumulated Depreciation			Written Down Value	
	As at July 01, 2008	Additions	As at June 30, 2009	As at July 01, 2008	For the year (note 5.2)	As at June 30, 2009	As at June 30, 2009	Dep. Rate per annum %
	(Rupees in '000')							
Investment property	30,308	-	30,308	12,587	1,515	14,102	16,206	5
2009	**30,308**	**-**	**30,308**	**12,587**	**1,515**	**14,102**	**16,206**	

5.1 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, 2010. Accordingly, the fair value thereof was determined to be Rs.293.022 million (2009: Rs.302.32 million).

5.2 The depreciation charge for the year has been allocated to administrative expenses (note 26).

6. LONG-TERM INVESTMENT – Equity method

	Note	2010	2009
		(Rupees in '000')	
Movement of investment in an associate			
Balance at beginning of the year		**-**	876
Share of profit / (loss) – current year	6.1	**1,389**	(609)
Unrecognized loss of last year recognized during the year		**(1,309)**	-
Adjustment for last year's loss based on audited financial statements		**-**	(267)
		80	(876)
Balance at end of the year		**80**	-

6.1 The Company has 48.04 (2009: 48.04) percent shareholding [i.e. 625,000 (2009: 625,000) ordinary shares of Rs.10/- each] in Berdex Construction Chemicals (Private) Limited (Berdex). Berdex is engaged in the marketing and distribution of construction chemicals in Pakistan.

6.2 Based on the unaudited financial statements of Berdex for year ended June 30, 2010, Berdex has reported a profit of Rs.2.891 million and accumulated losses of Rs.12.843 million (2009: incurred loss of Rs.3.993 million and accumulated losses of Rs.15.734 million).

6.3 The summarized financial information of the associate of the Company, based on the unaudited financial statements for the year ended June 30, 2010 is as follows:

	Note	2010	2009
		(Rupees in '000')	
Total Assets		**17,949**	12,378
Total Liabilities		**17,781**	15,102
Revenue		**36,205**	41,377
Loss after tax		**2,891**	3,993

7. LONG-TERM LOANS – secured

	Note	2010	2009
Loans, considered good to:			
Executives	7.1	**177**	645
Employees		**4,978**	5,366
	7.2	**5,155**	6,011
Current portion	12	**(1,386)**	(1,921)
		3,769	4,090

7.1 Reconciliation of carrying amount of loans to executives

	Note	2010	2009
		(Rupees in '000')	
Balance at beginning of the year		**645**	894
Disbursements		**125**	-
Repayments		**(593)**	(249)
Balance at end of the year		**177**	645

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 the employment and are secured by way of registration of vehicles purchased in the name of the Company.

7.3 The maximum aggregate amount of loans due from the executives at the end of any month during the year was Rs.0.499 million (2009: Rs.0.873 million).

8 LONG-TERM DEPOSITS

	Note	2010	2009
		(Rupees in '000')	
Deposits against services and supplies	8.1 & 8.2	**6,730**	4,222

8.1 These are non-interest bearing and generally on a term of more than a year.

8.2 This includes deposit with Sikander (Private) Limited – a related party amounting to Rs.0.100 million (2009: Rs.0.100 million).

9. STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2010	2009
		(Rupees in '000')	
Stores		**9,270**	7,331
Spare parts		**49,851**	58,458
Consumable accessories		**6,399**	11,417
Loose tools		**2,167**	2,184
Items in transit		**-**	102
	24.1	**67,687**	79,492
Provision for slow moving and obsolete stores, spare parts and loose tools	9.1	**(19,586)**	(22,658)
		48,101	56,834

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

	Note	2010	2009
		(Rupees in '000')	
Opening balance		**22,658**	22,152
(Reversal) / charge for the year	24	**(3,072)**	506
Closing balance		**19,586**	22,658

10. STOCK-IN-TRADE

	Note	2010	2009
		(Rupees in '000')	
			(Restated)
Raw materials			
- in hand	10.1	**277,163**	266,404
- in transit		**55,155**	92,743
	24	**332,318**	359,147
Work-in-process	24	**104,734**	84,084
Finished goods			
- Manufactured	10.2 & 24	**216,548**	207,853
- Trading [including in transit Rs.12.3 million (2009: Nil)]	10.3 & 24	**129,611**	195,207
		346,159	403,060
		783,211	846,291

10.1 Includes raw materials costing Rs.42.19 million (2009: Nil) which are carried at net realizable value of Rs.30.84 million (2009: Nil).

10.2 Includes products costing Rs.49.37 million (2009: Rs.14.14 million) which are carried at net realizable value of Rs.31.85 million (2009: Rs.10.70 million).

10.3 Includes products costing Rs.82.93 million (2009: Rs.1.44 million) which are carried at net realizable value of Rs.59.30 million (2009: Rs.1.01 million).

11. TRADE DEBTS - unsecured

	Note	2010 Turnkey	2010 Other than Turnkey	2010 Total	2009 Turnkey	2009 Other than Turnkey	2009 Total
		(Rupees in '000')					
Considered good		**-**	**110,200**	**110,200**	-	113,998	113,998
Considered doubtful		**19,357**	**105,229**	**124,586**	21,041	94,949	115,990
	11.3	**19,357**	**215,429**	**234,786**	21,041	208,947	229,988
Provision for doubtful debts	11.1	**(19,357)**	**(105,229)**	**(124,586)**	(21,041)	(94,949)	(115,990)
		-	**110,200**	**110,200**	-	113,998	113,998

11.1 Provision for doubtful debts

	Note	2010 Turnkey	2010 Other than Turnkey	2010 Total	2009 Turnkey	2009 Other than Turnkey	2009 Total
		(Rupees in '000')					
Opening balance		**21,041**	**94,949**	**115,990**	21,041	96,486	117,527
Charge for the year		**-**	**17,415**	**17,415**	-	15,830	15,830
Written back		**(1,684)**	**(7,135)**	**(8,819)**	-	(17,367)	(17,367)
		(1,684)	**10,280**	**8,596**	-	(1,537)	(1,537)
Closing balance		**19,357**	**105,229**	**124,586**	21,041	94,949	115,990

Notes to the Financial Statements for the Year Ended June 30, 2010

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 Nil (2009: Rs.0.053 million) and Rs.0.031 million (2009: Rs.0.031 million) respectively, that are fully provided as of balance sheet date.

11.4 The provision for doubtful debts includes an amount of Rs.15.633 million (2009: Rs.13.820 million, net of security deposits of Rs.1.813 million received from customers) 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.

11.5 As at June 30, 2010, the ageing analysis of unimpaired trade debts is as follows:

			Past due but not impaired		
	Total	**Neither past due nor impaired**	**> 30 days upto 90 days**	**> 90 days upto 180 days**	**> 180 days upto 360 days**
	(Rupees in '000')				
2010	**110,200**	**46,728**	**47,019**	**6,486**	**9,967**
2009	113,998	30,589	63,961	8,038	11,410

These are non-interest bearing and generally on an average term of 30 days.

	Note	2010	2009
		(Rupees in '000')	
12. LOANS AND ADVANCES			
Loans - secured, considered good			
Current portion of long-term loans	7	**1,386**	1,921
Others		**-**	10
		1,386	1,931
Advances – unsecured, considered good			
Employees		**784**	2,851
Suppliers / contractors		**15,229**	36,671
Others		**140**	140
	12.1	**16,153**	39,662
Advances - considered doubtful			
Suppliers / contractors		**500**	500
Provision for doubtful advances		**(500)**	(500)
		-	-
		17,539	41,593

12.1 These are non-interest bearing and generally on an average term of 1 to 6 months.

13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2010	2009
Trade deposits		**10,020**	14,182
Provision for doubtful trade deposits	13.1	**(5,458)**	(4,221)
		4,562	9,961
Other deposits		**4,190**	3,200
Prepayments			
Rent		**341**	2,929
SAP maintenance fee		**2,075**	-
Others		**497**	130
	13.2	**11,665**	16,220

13.1 Provision for doubtful trade deposits

	Note	2010	2009
		(Rupees in '000')	
Opening balance		**4,221**	4,221
Charge for the year		**2,173**	-
Written back		**(936)**	-
Closing balance		**5,458**	4,221

13.2 These are non-interest bearing and generally on an average term of 1 to 6 months.

14. CASH AND BANK BALANCES

	Note	2010	2009
Cash in hand		**176**	187
Cash at banks in:			
Current accounts			
- Foreign currency		**2,114**	14
- Local currency		**35,647**	644
		37,761	658
PLS saving account	14.1	**64**	5
		38,001	850

14.1 This carries mark-up at the rate of 5 percent (2009: 3.75 percent) per annum at the year end.

15. SHARE CAPITAL

15.1 Authorised capital

2010	2009		2010	2009
(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
20,000,000	20,000,000		**200,000**	200,000

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

2010	2009		2010	2009
(Number of shares)			(Rupees in '000')	
		Ordinary shares of Rs.10/- each:		
1,714,264	1,714,264	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
8,573,309	8,573,309	issued as fully paid bonus shares	**85,733**	85,733
10,763,959	10,763,959		**107,640**	107,640

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 prior years, in accordance with the Articles of Association of the Company.

	Note	2010	2009
		(Rupees in '000')	
			(Restated)
16. RESERVES			
Capital reserve – share premium		**5,655**	5,655
Revenue reserves			
- General reserve		**395,000**	370,000
- Unappropriated profit		**16,858**	31,842
		411,858	401,842
Other reserves	21.2	**(4,274)**	(3,130)
		413,239	404,367
17. LONG-TERM FINANCING - secured			
Long-term finance		**60,000**	120,000
Current portion of long-term financing		**(60,000)**	(60,000)
		-	60,000

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 a 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	2010	2009
		(Rupees in '000')	
			(Restated)
Deferred tax liabilities on taxable temporary difference:			
- accelerated tax depreciation on owned assets		**45,529**	56,809
Deferred tax assets on deductible temporary differences:			
- provision for slow moving and obsolete stores, spare parts and loose tools		**(5,995)**	(7,018)
- taxable losses		**(9,149)**	(10,111)
- derivatives	18.2	**(2,591)**	(7,018)
- other deductible temporary differences		**(5,256)**	(5,318)
		(22,991)	(29,465)
		22,537	27,344

18.1 Deferred tax asset of Rs.49.303 million (2009: Rs.37.386 million) has not been recognized in these financial statements due to uncertainty about the timing of reversal of such temporary differences in line with the accounting policy of the Company (see note 2.20).

18.2 It includes Rs.0.525 million (2009: Rs.0.942 million) in respect of interest rate swap - cash flow hedge (note 21.2), directly charged to equity.

	Note	2010	2009
		(Rupees in '000')	
			(Restated)
19. TRADE AND OTHER PAYABLES			
Creditors	19.1	**72,052**	41,341
Bills payable		**110,038**	59,699
Accrued liabilities		**83,816**	78,551
Accrual for compensated absences		**27,437**	29,890
Payable to Collector of Customs		**3,850**	-
Advances from customers		**188,213**	112,797
Security deposits from distributors and others		**22,861**	20,295
Advance from tenant		**4,310**	3,376
Workers' Profits Participation Fund	19.2	**1,440**	1,484
Workers' Welfare Fund		**404**	456
Unclaimed dividend		**8,868**	8,983
Others		**1,052**	4,326
		524,341	361,198

19.1 This includes amounts due to related parties, Berger Paints Pakistan Limited and Optimus Limited amounting to Rs.0.134 million and Rs.0.005 million (2009: Rs.0.313 million and Rs. Nil) respectively, as of balance sheet date.

	Note	2010	2009
		(Rupees in '000')	
19.2 Workers' Profits Participation Fund			
Balance as at July 01		**1,484**	4,487
Allocation for the year	27	**1,051**	1,252
		2,535	5,739
Interest on funds utilized in the Company's business	29	**211**	458
Amounts paid on behalf of the fund		**(1,306)**	(4,713)
Balance as at June 30		**1,440**	1,484

19.3 Trade and other payables are non-interest bearing and generally on an average term of 1 to 12 months.

20. SHORT-TERM BORROWINGS - secured

	Note	2010	2009
		(Rupees in '000')	
Running finances utilized under mark-up arrangements	20.1 & 20.2	**199,086**	376,895
Local currency term finances	20.1	**-**	22,274
Foreign currency term finances	20.1 & 20.3	**10,190**	-
Export refinance	20.1 & 20.4	**28,780**	13,000
Money market loan	20.1 & 20.5	**50,000**	60,000
		288,056	472,169

20.1 These finance facilities have been obtained from various commercial banks aggregating to Rs.990 million (2009: Rs.890 million) out of which Rs.701.944 million (2009: Rs.417.831 million) remains unutilized as at the balance sheet date. These facilities are secured by the creation of a first pari-passu charge against hypothecation of the Company's stock-in-trade and trade debts.

20.2 These facilities carry mark-up at the rate of 13.59 to 15.34 (2009: 14.02 to 16.61) percent per annum.

20.3 These facilities carry mark-up of 6 months LIBOR plus spread at the rate of 3 (2009: 1.25) percent per annum and are repayable latest by October 26, 2010.

20.4 This facility carries mark-up at the rate of 8% (2009: 7.5) percent per annum.

20.5 This facility has been obtained from a commercial bank and carries mark-up of 1 month KIBOR to 3 months KIBOR plus spread at the rate of 1 (2009: 1) percent per annum and is repayable latest by July 19, 2010.

21. DERIVATIVES

	Note	2010	2009
		(Rupees in '000')	
Cross currency swap	21.1	**7,100**	19,617
Interest rate swap	21.2	**1,365**	3,043
		8,465	22,660

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.16.667 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 a USD component at Rs.61.18 per USD making the loan amount to USD 1.635 million carrying an interest rate of 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.7.1 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 an 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 other comprehensive income under other reserves is Rs.2.297 million (2009: Rs.1.029 million). 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 vacated the Plaintiffs' Applications with respect to restraining the Company from incurring capital expenditure (subject to prior approval of the Board of Directors) and for the appointment of forensic auditors. However, except for the above, the remaining Applications are pending before the Court for a hearing.

Some members of the Company have filed two Petitions in the Court mainly alleging the violation of Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002 (Takeovers Ordinance), wherein the Securities and Exchange Commission of Pakistan (SECP) and the Company have also been made Parties. The matter is still pending in the Court for adjudication. The Petitioners have also referred to the proceedings by SECP on the matter in their respective Petitions. SECP by its Order dated July 28, 2009 has held that the Takeovers Ordinance has not been violated in which respect certain parties have also filed an Appeal to the Appellate Bench of the SECP. However, this aspect of the matter is also pending in the Court.

As mentioned above, during the year, the Company has 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 of the Company. In addition, certain applications have been filed by the Company / members of the Company seeking to stay the Board Meeting and Annual General Meeting (AGM) of the Company and alleging violations of a Court Order. The Court in its Order dated June 17, 2010 has disposed off the Application pertaining to becoming a party to the petitions in favor of the Company. However, except for the above, the remaining Applications are pending before the Court for hearing.

As per legal counsel of the Company, no significant damages have been claimed by the Plaintiffs in the Suit against the Company other than for recovery on behalf of the Company including certain amounts allegedly paid to a related party and an ex-employee (see note 11.4). The legal counsel further states that since no damages have been claimed by the Plaintiffs against the Company in the above Suit, it would appear that the Suit and its related Applications would have no financial exposure to the Company.

22.2 Commitments

Commitments are as follows:

	Note	2010			2009
		Capital expenditure	Others	Total	Total
		(Rupees in '000')			
Letters of guarantee issued by banks	22.2.1	-	**96,232**	**96,232**	106,855
Letters of credit		-	**19,553**	**19,553**	75,485
Post dated cheques	22.2.2	-	**98,883**	**98,883**	51,266
Import contracts		-	**47,042**	**47,042**	4,185
Local purchase contracts		**332**	**4,882**	**5,214**	7,541
		332	**266,592**	**266,924**	245,332

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

22.2.2 Represents post dated cheques issued in favour of Collector of Customs on account of import of raw material under SRO 565(I)/2006 dated June 05, 2006 as amended vide SRO 564(I)/2008 dated June 11, 2008.

22.2.3 The Company has entered into commercial property leases on its investment property. These non-cancellable leases have remaining terms of between three to five years. Future minimum rentals receivable under non-cancellable operating leases as at year end are as follows:

	2010	2009
	(Rupees in '000')	
Not later than one year	**20,167**	27,427
Later than one year	**60,896**	136,969
Later than five years	-	54,578
	81,063	218,974

Notes to the Financial Statements for the Year Ended June 30, 2010

23. TURNOVER – net

	2010	2009
	(Rupees in '000')	
Local		
- manufactured	**2,122,244**	2,238,305
- trading	**205,600**	242,374
- others	**31,034**	17,328
	2,358,878	2,498,007
Export	**84,792**	57,385
	2,443,670	2,555,392
Less:		
Returns	**7,988**	7,640
Special excise duty	**18,022**	19,373
Sales tax	**315,926**	338,489
	341,936	365,502
	2,101,734	2,189,890

24. COST OF SALES

	Note	2010	2009
		(Rupees in '000')	
			(Restated)
Manufactured			
Raw materials consumed			
Opening stock	10	**359,147**	459,188
Purchases		**1,124,135**	1,135,123
Closing stock	10	**(332,318)**	(359,147)
		1,150,964	1,235,164
Export Rebate – Duties		**(1,389)**	(1,115)
		1,149,575	1,234,049
Stores, spare parts and loose tools consumed	24.1.1	**55,552**	72,960
Salaries, wages and other benefits [includes Rs.3.309 (2009: Rs.2.920) million in respect of bonus to workers]	24.2	**114,969**	117,000
Procured services		**33,979**	30,218
Fuel, water and power		**74,305**	75,953
Insurance		**5,592**	6,111
Traveling		**533**	884
Communication		**1,052**	866
Depreciation	3.1.1	**49,070**	55,004
Rent, rates and taxes		**2,765**	2,978
Repairs and maintenance		**20,778**	22,367
Technical assistance fee		**10,738**	10,203
Printing and stationery		**803**	654
(Reversal) / provision for slow moving and obsolete stores, spare parts and loose tools	9.1	**(3,072)**	506
Other expenses		**1,781**	1,172
Opening stock of work-in-process	10	**84,084**	48,985
Closing stock of work-in-process	10	**(104,734)**	(84,084)
Cost of goods manufactured		**1,497,770**	1,595,826
Opening stock of finished goods	10	**207,853**	150,721
Closing stock of finished goods	10	**(216,548)**	(207,853)
		1,489,075	1,538,694
Trading			
Opening stock	10	**195,207**	117,415
Purchases		**104,684**	206,159
		299,891	323,574
Closing stock	10	**(129,611)**	(195,207)
		170,280	128,367
Sale of scrap		**(21,543)**	(14,092)
		1,637,812	1,652,969

24.1 Stores, spare parts and loose tools consumed

	Note	2010	2009
		(Rupees in '000')	
Opening stock	9	**79,492**	99,196
Purchases		**43,747**	58,445
Closing stock	9	**(67,687)**	(79,492)
	24.1.1	**55,552**	78,149

24.1.1 This represents Rs.55.552 million (2009: Rs.72.960 million), Rs.Nil (2009: Rs.5.086 million) and Rs.Nil (2009: Rs.0.103 million) allocated to cost of sales, administrative expenses and distribution cost respectively.

24.2 Staff retirement benefits

Salaries, wages and other benefits include Rs.4.541 million (2009: Rs.4.373 million) in respect of staff retirement benefits (Provident fund contribution).

25. DISTRIBUTION COST

	Note	2010	2009
		(Rupees in '000')	
Transportation and other charges on local sales		**108,600**	115,130
Transportation and other charges on export sales		**4,457**	10,468
		113,057	125,598
Salaries and other benefits	25.1	**66,996**	67,587
Repairs and maintenance		**11,706**	11,299
Depreciation	3.1.1	**5,235**	4,613
Advertising and sales promotion		**18,451**	12,754
Commission expense		**15,326**	24,918
Communication		**2,466**	2,252
Traveling		**9,672**	13,054
Professional charges		**1,728**	817
Printing, stationery and subscription		**1,340**	1,290
Rent, rates and taxes		**17,010**	5,628
Fuel, water and power		**1,624**	994
Insurance		**533**	680
Procured services		**1,790**	1,476
Others		**1,085**	1,237
		268,019	274,197

25.1 Staff Retirement Benefits

Salaries and other benefits include Rs.3.248 million (2009: Rs.3.225 million) in respect of staff retirement benefits (Provident fund contribution).

26. ADMINISTRATIVE EXPENSES

	Note	2010	2009
Salaries and other benefits	26.1	**40,323**	40,355
Rent, rates and taxes - investment property		**1,295**	284
- others	26.2	**1,299**	808
Procured services		**5,129**	3,768
Insurance		**2,246**	2,365
Depreciation - operating assets	3.1.1	**7,613**	8,899
- investment property	5	**1,515**	1,515
Amortization	4	**6,900**	6,449
Repairs and maintenance		**6,030**	10,500
Printing, stationery and subscription		**3,166**	3,652
Communication		**8,328**	8,914
Traveling		**2,150**	5,873
Fuel, water and power		**6,831**	2,594
Auditors' remuneration	26.3	**3,541**	1,338
Legal and professional		**23,296**	7,007
Others		**1,918**	1,884
		121,580	106,205

Notes to the Financial Statements for the Year Ended June 30, 2010

26.1 Staff Retirement Benefits

Salaries and other benefits include Rs.1.954 million (2009: Rs.2.154 million) in respect of staff retirement benefits (Provident fund contribution).

26.2 Other rent, rates and taxes include rent amounting to Rs.0.264 million (2009: Rs.0.240 million) paid to Sikander (Private) Limited – a related party.

	Note	2010	2009
		(Rupees in '000')	
26.3 Auditors' remuneration			
Audit fee		**900**	550
Fee for half yearly review		**400**	200
Fee for review of compliance with Code of Corporate Governance		**100**	75
Special certifications and other services		**1,871**	395
Out of pocket expenses		**270**	118
		3,541	1,338

27. OTHER OPERATING EXPENSES

	Note	2010	2009
Directors' fee		**380**	760
Audit Committee fee		**100**	100
Workers' Profits Participation Fund	19.2	**1,051**	1,252
Workers' Welfare Fund		**404**	456
Impairment loss on plant and machinery	3.2.1	**496**	99
Donations	27.1	**648**	505
Zakat		**-**	5
Loss on fair value of cross currency swap		**-**	3,461
Exchange losses – net of exchange gains of Rs.5.139 million (2009: Rs.50.417 million)		**7,688**	31,356
Provision for doubtful debts and trade deposits - net	11.1 & 13.1	**9,833**	-
		20,600	37,994

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	2010	2009
Income from financial assets			
Income from bank deposits		**1,912**	275
Income from investments		**-**	29
		1,912	304
Income from non-financial assets			
Gain on disposal of operating assets	3.3	**972**	1,396
Rental income - investment property	28.1	**29,014**	24,353
Others			
Net income from services	28.2	**7,861**	2,119
Gain on fair value of cross currency swap		**665**	-
Reversal of provision against doubtful debts - net	11.1	-	1,537
		40,424	29,709

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

28.2 Net income from services

Nature of services	2010 Revenue	2010 Expenses	2010 Income	2009 Revenue	2009 Expenses	2009 Income
	(Rupees in '000')					
Jointing	**2,093**	**615**	**1,478**	2,545	426	2,119
Aluminium cladding	**6,383**	**-**	**6,383**	-	-	-
	8,476	**615**	**7,861**	2,545	426	2,119

29. FINANCE COST

	Note	2010	2009
		(Rupees in '000')	
Mark-up on long-term financing		**13,056**	19,227
Mark-up on short-term borrowings		**58,020**	81,216
Interest on Workers' Profits Participation Fund	19.2	**211**	458
Bank charges		**2,925**	3,583
Others		**31**	282
		74,243	104,766

30. TAXATION

	Note	2010	2009
		(Rupees in '000')	(Restated)
Current - for the year		**16,649**	15,015
- prior year		**(1,349)**	177
		15,300	15,192
Deferred		**(5,332)**	1,628
	30.1	**9,968**	16,820

30.1 The provision for current income tax is based on minimum taxation under Section 113 of the Income Tax Ordinance, 2001. Accordingly, tax charge reconciliation with the accounting profit is not reported.

31. EARNINGS PER SHARE – Basic and Diluted

	2010	2009
	(Rupees in '000')	(Restated)
Net profit for the year after taxation	**10,016**	25,772
	(Number of shares)	
Weighted average ordinary shares in issue during the year	**10,763,959**	10,763,959
	(Rupees)	
Earnings per share – basic and diluted	**0.93**	2.39

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

Notes to the Financial Statements for the Year Ended June 30, 2010

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	
	2010	2009	2010	2009	2010	2009
	(Rupees in '000') (note 32.1)					
Managerial remuneration	**5,209**	4,664	**2,090**	3,322	**24,121**	24,909
Housing						
- Rent	**270**	270	**170**	270	**5,972**	5,353
- Utilities	**862**	904	**209**	332	**2,411**	2,485
- Other items	**1,051**	856	**-**	-	**713**	291
Medical	**-**	-	**-**	-	**496**	414
Retirement benefits	**573**	513	**260**	239	**2,463**	2,697
Compensated absences	**817**	1,050	**587**	-	**2,988**	842
Insurance	**1,012**	940	**-**	-	**-**	-
	9,794	9,197	**3,316**	4,163	**39,164**	36,991
Number of person(s)	**1**	1	**1**	1	**20**	18

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". Mr. Danish Dada has resigned on March 17, 2010, from the directorship of the Company.

During the year, the directors representing 38% shareholding (as at June 30, 2010 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% 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.
>
> 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."

Accordingly the remuneration of the Director for the current and the last year was not considered and hence not approved by the Board of Directors / Members of the Company.

32.2 In addition to the above, the Chief Executive and executives are provided with Company maintained cars. Further, the Director was also provided with a Company maintained car till the date of his resignation. Furthermore, Rs.0.128 million (2009: Rs.0.121 million) was paid to the Chief Executive 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.0.480 million (2009: Rs.0.860 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 indeterminable.

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:

Related parties	Nature of transaction	2010	2009
		(Rupees in '000')	
Transactions with associated companies due to common directorship:			
Berger Paints Pakistan Limited	Purchase of goods	**1,891**	1,783
	Sale of goods	**83**	46
Sikander (Private) Limited	Rent paid	**264**	240
EFU General Insurance Limited	General Insurance	**-**	10,216
Century Insurance Company Limited (CICL)	Insurance premium paid to New Jubilee Insurance Company Limited (CICL is co-insurer with 17.50% share)	**175**	-
Staff retirement benefits:			
Dadex Eternit Limited – Provident Fund	Employer contribution	**9,743**	9,752

34.1 For the year ended June 30, 2010, the Company has not made any provision for doubtful debts relating to amounts owed by related parties except as disclosed in note 11.3 to these financial statements.

35. CASH GENERATED FROM / (USED IN) OPERATIONS

	Note	2010	2009
		(Rupees in '000')	(Restated)
Profit before taxation		**19,984**	42,592
Adjustments for non cash and other items:			
Depreciation – property, plant and equipment	3.1.1	**61,918**	68,516
– investment property	5	**1,515**	1,515
Amortization	4	**6,900**	6,449
Gain on disposal of property, plant and equipment	28	**(972)**	(1,396)
Interest income	28	**(1,912)**	(304)
Share of (profit) / loss on investment in associate	6	**(80)**	876
Impairment loss on plant and machinery	27	**496**	99
Interest / mark-up	29	**74,243**	104,766
(Gain) / loss on fair value of cross currency swap	28	**(665)**	3,461
Working capital changes	35.1	**264,280**	(268,173)
		425,707	(41,599)

35.1 Working capital changes

	Note	2010	2009
		(Rupees in '000')	
			(Restated)
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		**8,733**	20,210
Stock-in-trade		**63,080**	(69,980)
Trade debts		**3,798**	11,931
Loans and advances		**24,054**	282
Trade deposits and short-term prepayments		**4,555**	4,730
Other receivables		**(1,682)**	14,582
		102,538	(18,245)
(Decrease) / increase in current liabilities			
Trade and other payables		**161,742**	(249,928)
		264,280	(268,173)

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. No changes were made in the objectives, policies or processes and assumptions during the year ended June 30, 2010. 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, 2010 and 2009.

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 and short-term financing 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.

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 and equity (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')	
2010			
Pak Rupee	**+50**	**(1,741)**	**7**
Pak Rupee	**-50**	**1,741**	**(7)**
2009			
Pak Rupee	+50	(2,833)	15
Pak Rupee	-50	2,833	(15)

36.1.3 Currency risk

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 the Company has entered into 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, 2010, 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) at June 30, 2010 and 2009 is as follows:

	Increase / decrease in US Dollars to Pak Rupee	Effect on profit before tax (Rs. in '000')
2010	**+5%**	**(5,430)**
	-5%	**5,430**
2009	+5%	(3,703)
	-5%	3,703

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 exposed to other price risk.

Notes to the Financial Statements for the Year Ended June 30, 2010

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.187.487 million (2009: Rs.178.717 million), the financial assets which are subject to credit risk amounted to Rs.173.528 million (2009: Rs.164.43 million). The Company's credit risk is primarily attributable to its trade debts, 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:

	Note	2010	2009
		(Rupees in '000')	
Long-term loans	7	**3,769**	4,090
Long-term deposits	8	**6,730**	4,222
Trade debts	11.5	**46,728**	30,589
Loans and advances	12	**17,539**	41,593
Deposits	13	**8,752**	13,161
Accrued interest and other receivables		**2,672**	990
Bank balances	14	**37,825**	663
		124,015	95,308

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+	35,680
A1	27
P-1	2,114
A2	4
	37,825

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, 2010 and 2009 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, 2010						
Long-term financing	-	-	60,000	-	-	60,000
Trade and other payables	8,868	459,481	50,298	-	-	518,647
Accrued mark-up	-	11,729	-	-	-	11,729
Short-term borrowings	28,780	56,446	202,830	-	-	288,056
	37,648	**527,656**	**313,128**	**-**	**-**	**878,432**
June 30, 2009						
Long-term financing	-	-	60,000	60,000	-	120,000
Trade and other payables	8,983	300,090	50,185	-	-	359,258
Accrued mark-up	-	20,518	-	-	-	20,518
Short-term borrowings	13,000	72,143	387,026	-	-	472,169
	21,983	**392,751**	**497,211**	**60,000**	**-**	**971,945**

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 are 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, 2010, 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 2.23 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.

	2010	2009
	(Rupees in '000')	
Interest rate swap		
Fair value	**1,365**	3,043

The critical terms of the interest rate swap contract have been negotiated to match the terms of the aforesaid long-term financing (see note 21.2). There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no significant element of the hedge ineffectiveness requiring recognition in the profit and loss account.

Notes to the Financial Statements for the Year Ended June 30, 2010

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, 2010 and 2009 were as follows:

	Note	2010	2009
		(Rupees in '000')	
			(Restated)
Long-term financing including current portion	17	**60,000**	120,000
Trade and other payables	19	**524,341**	361,198
Accrued interest / markup		**11,729**	20,518
Short-term borrowings	20	**288,056**	472,169
Total debt		**884,126**	973,885
Cash and cash equivalents	14	**(38,001)**	(850)
Net debt		**846,125**	973,035
Total capital		**520,879**	512,007
Total capital and net debt		**1,367,004**	1,485,042
Gearing Ratio		**61.90%**	65.52%

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.

	Chrysotile Cement	Plastic	Others	Total
	(Rupees in '000')			
2010				
TURNOVER – net	1,018,583	1,059,647	23,504	**2,101,734**
RESULT				
Segment result	144,178	(67,887)	5,892	**82,183**
Unallocated expense				
Other operating expenses				**(20,600)**
Other operating income				**32,564**
Finance cost				**(74,243)**
Share of profit on investment in an associate				**80**
Taxation				**(9,968)**
Profit for the year				**10,016**
OTHER INFORMATION				
Capital expenditure	60	5,762	-	**5,822**
Unallocated corporate capital expenditure				**1,912**
Total capital expenditure				**7,734**
Depreciation	6,315	41,018	-	**47,333**
Unallocated corporate depreciation and amortization				**23,000**
Total depreciation and amortization				**70,333**
ASSETS AND LIABILITIES				
Segment assets	399,899	798,730	27,727	**1,226,356**
Unallocated corporate assets				**211,650**
Total assets				**1,438,006**
Segment liabilities	173,039	205,059	568	**378,666**
Unallocated corporate liabilities				**538,461**
Total liabilities				**917,127**
2009 – Restated				
TURNOVER – net	1,001,821	1,165,441	22,628	**2,189,890**
RESULT				
Segment result	104,285	19,189	3,107	**126,581**
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				**(16,820)**
Profit for the year				**25,772**
OTHER INFORMATION				
Capital expenditure	2,061	17,144	-	**19,205**
Unallocated corporate capital expenditure				**16,526**
Total capital expenditure				**35,731**
Depreciation	3,160	42,543	-	**45,703**
Unallocated corporate depreciation and amortization				**30,777**
Total depreciation and amortization				**76,480**
ASSETS AND LIABILITIES				
Segment assets	401,604	950,399	14,926	**1,366,929**
Unallocated corporate assets				**173,483**
Total assets				**1,540,412**
Segment Liabilities	84,883	162,282	752	**247,917**
Unallocated corporate liabilities				**780,488**
Total liabilities				**1,028,405**

Notes to the Financial Statements for the Year Ended June 30, 2010

37.1 Geographical information

Turnover

The geographical information for turnover is given in note 23.

	2010	2009
	(Rupees in '000')	
Non-current assets		
Pakistan	**375,989**	437,123

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 September 29, 2010 by the Board of Directors of the Company.

38.2 During the last and current year, 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. The above restraint placed on the Board was removed by the Court on January 25, 2010, whereby the Board became functional again and the Annual General Meeting was held on May 20, 2010.

39. CORRESPONDING FIGURES

39.1 Certain prior year's figures have been reclassified consequent upon certain changes in current year's presentation for more appropriate comparison. However, there are no material reclassifications to report except for advances of Rs.1.053 million (2009: Nil), previously shown under property, plant and equipment – capital work-in-progress non-current assets has been reclassified to loans and advances – advance to suppliers / contractors under current assets for better presentation.

39.2 The trade and other payables reported for the year ended June 30, 2009 includes a liability for custom duty on certain raw materials computed on the basis of normal tax rates amounting to Rs.51.266 million. It has now been determined, based on the Company's legal counsel's opinion that the Company was eligible for concessionary taxes on import of such material under SRO 565(I)/2006 dated June 05, 2006 as amended vide SRO 564(I)/2008 dated June 11, 2008 issued by Ministry of Finance, Government of Pakistan on fulfillment of certain conditions specified in said SROs.

Accordingly, the financial statements for the year 2009 have been restated to adjust such liability in accordance with the requirement of IAS – 8 "Accounting Policies, Changes in Accounting Estimate and Errors". The effect of the restatement on these financial statements is summarised below. There is no effect of this matter on the financial statements prior to 2009.

	Note	As reported in 2009 financial statement	Effect of prior year adjustment	Restated amount
		(Rupees in '000')		
Stock-in-trade	10	875,203	(28,912)	846,291
Trade and other payables –				
Payable to Collector of Customs	19	(412,464)	51,266	(361,198)
Taxation – net		34,337	(7,824)	26,513
Deferred taxation	18	(19,520)	(7,824)	(27,344)
Cost of sales	24	1,675,323	(22,354)	1,652,969
Taxation	30	1,172	15,648	16,820
Profit for the year		19,066	6,706	25,772
		(Rupees)		
Earnings per share – basic and diluted		1.77	0.62	2.39

40. GENERAL

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

SIKANDER DADA Chief Executive	SHAHZAD M. HUSAIN Director	MUHAMMAD YOUSUF Acting Chief Financial Officer

Pattern of Share Holding as at June 30, 2010

Categories of Share Holders	Number of Shares Held	Percentage of Issued Capital
Associated Companies, Undertakings and Related Parties	**3,143,162**	**29.20**
Bandenawaz Limited	2,050	0.02
Jahangir Siddiqui & Sons Limited	451,000	4.19
Sikander (Pvt.) Limited	2,690,112	24.99
NIT	**121**	**0.00**
National Investment Trust Limited	121	0.00
Directors, CEO & their Spouses	**2,284,632**	**21.22**
Mr. Abu Talib H. K. Dada (Chairman)	310,469	2.88
Mrs. Halima w/o Abu Talib H.K. Dada	29,847	0.28
Mr. Jahangir Siddiqui (Director)	1,050,000	9.75
Mr. Maqbool H.H. Rahimtoola (Director)	5,300	0.05
Mr. Mohammad Suleman Kanjiani (Director)	100	0.00
Mr. Mohsin Ashfaque (Director)	100	0.00
Mr. Qazi Sajid Ali (Director)	1	0.00
Mr. Rasheed Y. Chinoy (Director)	100	0.00
Mr. Shahzad M. Husain (Director)	4	0.00
Mr. Samad Dada (Director)	279,125	2.59
Mr. Sikander Dada (CEO)	609,586	5.66
Mr. Zulfiqar Ali Lakhani (Director)	5	0.00
Banks, Insurance Company, Joint Stock Companies, Charitable Trusts and Others	**2,052,670**	**19.07**
Ideal Life Assurance Company Ltd.	25	0.00
Jahangir Siddiqui Securities Service Ltd	1,040,536	9.67
Mahvash & JS Foundation	949,000	8.82
Muslim Commercial Bank Ltd.	440	0.00
National Bank of Pakistan	2,726	0.03
The Bank of Punjab	1,000	0.01
United Bank Ltd.	348	0.00
Others	58,595	0.54
Shareholders holding ten percent or more voting interest in the company		
Province Ltd.	**1,465,000**	**13.61**
Individuals	**1,818,374**	**16.89**
TOTAL	**10,763,959**	**100.00**

Pattern of Share Holding as at June 30, 2010

Number of Share Holders	Share Holding from	Share Holding to	Total Shares Held
2,894	1	100	55,443
575	101	500	131,176
166	501	1,000	114,466
119	1,001	5,000	239,568
16	5,001	10,000	103,699
5	10,001	15,000	58,931
1	20,001	25,000	23,776
1	25,001	30,000	29,751
2	30,001	35,000	61,671
1	40,001	45,000	43,000
2	90,001	95,000	184,452
1	220,001	225,000	220,205
1	270,001	275,000	273,125
1	275,001	280,000	279,198
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
3,794			**10,763,959**

Categories of Share Holders	Numbers of Share Holders	Numbers of Shares Held	Percentage of Issued Capital
Individual	3,764	4,103,006	38.12
NIT	1	121	0.00
Associated Companies	3	3,143,162	29.20
Banks	4	4,514	0.04
Insurance Company	1	25	0.00
Joint Stock Companies	1	1,040,536	9.67
Charitable Trusts	1	949,000	8.82
Foreign Shareholding	1	1,465,000	13.61
Others	18	58,595	0.54
	3,794	**10,763,959**	**100.00**

Last Ten Years at a Glance

Fiscal Years Ending June 30	Turnover	Profit After Taxation	Assets	Dividend Amount	Dividend Percentage (%)
	(Rupees in 000's)				
2010	2,101,734	10,016	1,438,006	-	0.00%
2009 Restated	2,189,890	25,772	1,540,412	-	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%

Form of Proxy

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

51st 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 51st Annual General Meeting of the Company to be held on Thursday October 28, 2010 at 8:30 a.m. and at any adjourment 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