

reaching an equilibrium of forces



Annual Report 2007

**48th Annual Report**  
for the year ended June 30, 2007



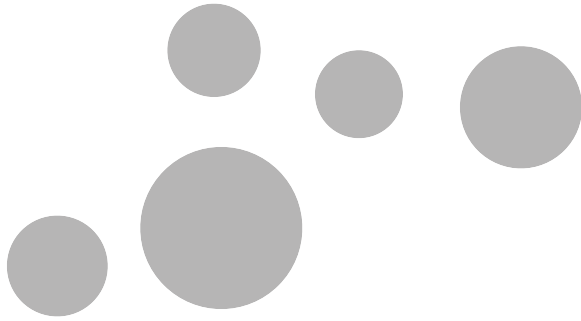
striking the balance...

The past few years were about gaining momentum, branching out, exploring new territory and forming new alliances. 2007, for Dadex, has been a year of consolidation where ideas have transformed into reality.

Dadex remains unchanged in its commitment to evolving, developing and offering the best in the industry. Unleashing innovation and aligning forces is where our forte lies. Our aim maintains its path - to bring forth quality products backed by international standards and to uphold our levels of excellence and advancement - both, in the product arena and customer service domain.

At Dadex, it has always and will always be about a commitment to you, our customers and shareholders.

**DADEX**



## Mission Statement

We shall provide unparalleled service and best value to our customers through dedicated, 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 markets we serve.

We are committed to follow business ethics, comply with HSE 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 market penetration by exploring new channels.

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



## Company Information



SIKANDER DADA Board of Directors  
Chairman & Chief Executive Officer  
ABDUR RAZZAK DADA  
(Alternate: MUHAMMAD HANIF IDREES)  
ABU TALIB H.K. DADA  
MAQBOOL H.H. RAHIMTOOLA  
QAZI SAJID ALI  
SHAHZAD M. HUSAIN  
RASHEED Y. CHINOY  
MUHAMMAD NAJAM ALI  
MOHAMMAD ALI JAMEEL  
SAAD S. FARUQUI

MUHAMMAD HANIF IDREES Chief Financial Officer  
& Company Secretary

QAZI SAJID ALI - Chairman Board Audit Committee  
ABU TALIB H.K. DADA  
MUHAMMAD NAJAM ALI  
SIKANDER DADA

SIKANDER DADA - Chairman Management Team  
MUHAMMAD HANIF IDREES  
RIZWAN AMJED  
SUHAIL NADEEM  
TANVEER SALEEM

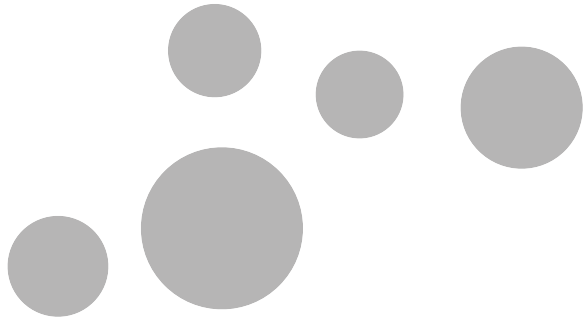
FORD RHODES SIDAT HYDER & CO. Auditors  
Chartered Accountants

CITIBANK N.A. Bankers  
HABIB BANK LIMITED  
HABIB METROPOLITAN BANK LIMITED  
JS BANK LIMITED  
MCB BANK LIMITED  
NATIONAL BANK OF PAKISTAN  
OMAN INTERNATIONAL BANK S.A.O.G.  
PICIC COMMERCIAL BANK LIMITED  
STANDARD CHARTERED BANK (PAKISTAN) LIMITED  
THE HONG KONG & SHANGHAI BANKING CORPORATION LIMITED  
UNITED BANK LIMITED

DADEX HOUSE, 34-A/1, BLOCK 6, P.E.C.H.S., Registered Office  
SHAHRAH-E-FAISAL, KARACHI- 75400

[www.dadex.com](http://www.dadex.com) Website

**DADEX**



## achievements **Dadex Sunder Factory**

WORK ON SETTING UP MANUFACTURING FACILITY AT SUNDER COMMENCED:

We have been serving our customers through a close contact with them for almost five decades from our offices present in almost all major cities. The manufacturing facilities of the company were in Karachi and Hyderabad till recently. A strong need was being felt for a facility in the northern region of the country for timely supply at a lower cost to our customers in the region. With this idea, work on setting up the state of the art manufacturing facility for plastics piping systems, at Sunder Industrial Estate (SIE) near Kot Lakhpat, Lahore, commenced during the year, which will enable the Company to reduce time and cost involved in moving the goods from south to north .

SIE is ideally located to serve the customers in the southern part of Punjab and northern areas of Pakistan and will have a large capacity for storage of finished goods, besides the manufacturing facilities. The new facility is planned to be operational before 31 December, 2007.





## achievements **SAP Implementation**

Information Communication Technology (ICT) Systems:

WiMAX – A step for future of communication

The use of technology in all aspects of the business has become the key for efficiency and smooth process flow in today's world.

Timely and meaningful information, which forms the basis for the analyses and decision making for core functions of a business, is possible only with robust ICT systems.

Realising the importance of strong ICT systems Dadex Eternit Limited, opted for SAP, which is the state of the art Enterprise Resource Planning (ERP). The modules to be implemented in the first phase were carefully selected keeping in mind the streamlining of processes in the areas of sales and marketing, materials management, finance, manufacturing and human resource. An ambitious plan was undertaken for implementation.

In close collaboration with its implementation partners, Abacus Consulting, we completed the successful availability of selected modules, fully configured for data entry, in a brief period of nine months. Results for the quarter ending 30 September, 2007 are targeted to be based on data from SAP system to be followed by implementation of HR module.

In the area of voice and data communication implementation of latest WiMAX (Worldwide Interoperability for Microwave Access) technology is in process with Wateen Telecom (Private) Limited.



## Star Products of Dadex

The financial year 2006-07 ended on a positive note with the company achieving a growth of 24% in the turnover over last year. The thrust came from the main products which include the following:

### CC Corrugated Sheets:

The CC Corrugated sheets are extensively used in the private, residential and industrial sector. They provide roofing solution to industrial units where economical and long lasting sheds are built for manufacturing and storage units. Dadex has been supplying these sheets throughout Pakistan since its early days. They are manufactured at the Karachi and Hyderabad factories. In view of the growing demand of the product, the customer reach was enhanced by extending the distribution network in new areas.



### CC Pressure Pipes:

Pakistan has been undergoing massive infrastructure development for the last three years. CC Pressure pipes have been playing a vital role in the water supply sector of Pakistan by providing a cost effective solution to water supply needs. Dadex has been supplying these pipes to public and private sectors of the country for almost five decades.

### uPVC Pressure Pipes:

The use of plastics is on the rise in Pakistan. uPVC pressure pipes are now used by all the government departments responsible for laying water supply network in Pakistan. Dadex is recognized as a quality manufacturer of uPVC pipes. More and more customers are now using Dadex pipes due to the good quality and adherence to standards of manufacturing and testing by Dadex.

### Nikasi:

Nikasi is a fast growing product of Dadex. It is the choice of specifiers and users across Pakistan for their plumbing needs. Nikasi is a once-in-a-lifetime solution to the SWV needs of any structure including residences, high rise buildings, apartments or corporate offices. The product is successfully being used both by the government and private sectors.

### Polydex:

Polydex is a household name when it comes to hot/cold water supply in buildings and is considered to be the top-of-the-line product in its category. The hot and cold water lines require stringent quality of pipes and fittings for ensuring hassle-free usage of the plumbing network for extended periods of time. Polydex is also being used in the industry for its excellent chemical resistance against a wide range of aggressive fluids.

### Polyethylene (PE):

PE is the fastest growing material in plastic piping throughout the world. It is used in new and replacement works of water supply. The inherent characteristics of flexibility, speed of installation and easy handling make it an ideal choice for users. Dadex PE pipes are manufactured from highest quality resin on modern plants. Like all other products of Dadex, PE pipes are supplied along with a complete package of technical support to customers in terms of equipment for jointing, training in laying, and testing.





# Marketing Overview



The company experienced an upturn in the turnover with all the product categories growing by an unprecedented rate. The main customers remained to be those from the public sector as the government continued emphasis on infrastructure development and related projects. Supply pressure was experienced throughout the year and is expected to remain so into the next business year, demanding better production and logistics planning.

The product portfolio was increased with new products introduced which are expected to contribute substantially in the next financial year, especially the white color pipe for water supply and building drainage.

## New product launch

As part of the philosophy of continuous innovation, new products were launched. These were:

White Pipe (ASTM standard) for Water supply & SWV Flowline Pipes system for underground sewerage within boundary.

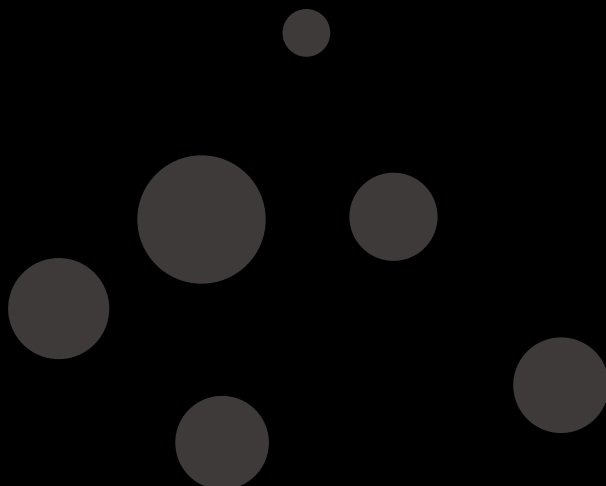
Apart from the above, electrical conduits were also re-launched as they are now being produced at a much faster rate than before. Tube well casing and screen pipes, which were launched in the previous year, also started bringing in the expected results.

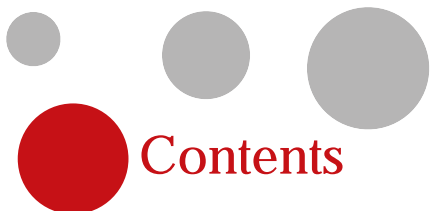
## Zarkaasht

The business in Zarkaasht division grew with a number of contracts secured throughout Pakistan both in the public and private sectors. With increasing awareness among the target market segments, it is expected that in the next year, Zarkaasht will grow further.

## ACP

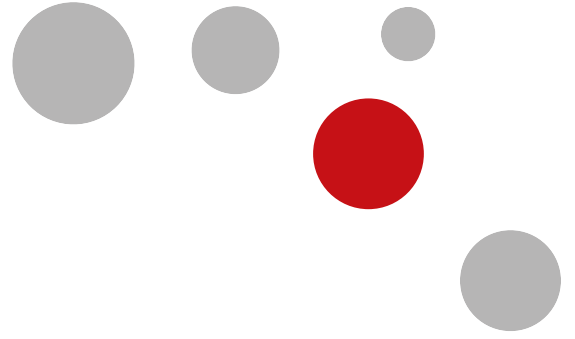
Architectural Cladding Products also initiated growth trend in the year. A number of projects were completed and the products are now known for their performance. It is expected that with the involvement of the corporate sales force in this area of business, further good results will be achieved.





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# 48th Annual Report

for the year ended June 30, 2007



# Notice of Annual General Meeting

Notice is hereby given that the forty-eight Annual General Meeting of the Dadex Eternit Ltd. will be held on Monday, October 29, 2007 at 12.00 Noon. at Dadex House, 34-A/1, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi to transact the following business:

## A. ORDINARY BUSINESS

1. To receive, consider and adopt the following:
  - a) Financial statements for the year ended 30 June, 2007 and the Auditors' Report thereon; and
  - b) The Report of the Board of Directors for the year ended 30 June, 2007.
2. To consider and approve payment of 30% dividend in cash for the year ended 30 June, 2007 as recommended by the Board of Directors.
3. To appoint auditors for the year ended 30 June, 2008, and authorize the Directors to fix their remuneration.

## B. SPECIAL BUSINESS

1. To seek the consent of the members for placing of accounts for second quarter also on the Company's website, instead of sending the same by post to the members in compliance with the Securities & Exchange Commission of Pakistan's circular No. 19 dated 14 April, 2004.
2. To consider and, if thought fit, approve entering into a Joint Venture Agreement with a leading drip irrigation company in the world by passing the following Resolution with or without modification as a Special Resolution:

**"Resolved** that the Company shall explore the possibility of entering into a Joint Venture arrangement with NHFM ApS a limited liability company duly organised and existing under the laws of Denmark under Registration No. 200402278K, towards forming a new jointly-owned company in Pakistan to market, distribute and sell irrigation products and services which are intended for use in agriculture, including greenhouses, irrigation and landscaping.

**Further resolved** that the Chief Executive of the Company under the guidance of the Board of Directors shall have the full power of substitution and revocation to negotiate, agree, sign and execute the Joint Venture Agreement with NHFM ApS".

Statements under section 160 of the Companies Ordinance, 1984 pertaining to the Special Business is being sent to the Members with this notice.

By Order of the Board

(MUHAMMAD HANIF IDREES)  
Company Secretary

Karachi: 24 September, 2007

## C. NOTES:

1. The Register of Members and the Share Transfer Books of the Company shall remain closed from 22 October, 2007 to 29 October, 2007 (both days inclusive). Transfers received in order at the Registered Office of the Company by the close of business hours on 20 October, 2007 will be treated in time for incorporating the change in the Register of Members as at 22 October, 2007.
2. Entitlement to dividend and to attend, participate and vote at the forty-eight Annual General Meeting will be according to the Register of Members as at 22 October, 2007.
3. A member of the Company entitled to attend and vote may appoint another member as his/her proxy to attend, speak and vote for him/her. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must, to be valid, be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
4. An instrument of proxy applicable for the Meeting in which a Member can direct the proxy how he/she wishes the proxy to vote, is being provided with the notice sent to Members. Further copies of the instrument of proxy may be obtained from the Registered Office of the Company during normal office hours.
5. Members are requested to submit declaration for Zakat on the required format and to notify immediately changes, if any, in their registered address.
6. Members who have not yet submitted photocopy of their Computerized National Identity Cards to the company are requested to send the same 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.



# Notice of Annual General Meeting

## 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 identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

## b) For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
  - ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
  - iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iv. The proxy shall produce his original CNIC or original passport at the time of the meeting.
  - v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
8. Transport will be available for members at 11:00 a.m. sharp outside the premises of the Karachi Stock Exchange Building to take them to the venue of the meeting.

## STATEMENTS UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

These statements are annexed to the notice of the forty-eight Annual General Meeting of Dadex Eternit Limited to be held on 29 October, 2007 at which following items are to be transacted as Special Business. The purpose of these Statements is to set forth the material facts concerning such items of Special Business.

### Item No. 1 of Special Business

Securities & Exchange Commission of Pakistan (SECP) vide their circular No. 19 dated 14 April, 2004 has allowed listed companies to place their quarterly accounts on their websites instead of sending them to shareholders by mail, subject to fulfillment of certain conditions including seeking of the consent of its shareholders in a General Meeting.

This initiative has been taken by SECP to ensure timely and confirmed availability of the information to the shareholders and investors. Further, costs involved in cumbersome exercise of sending periodical accounts to all shareholders by mail, would also be saved while meeting the objectives of the statutory provision in section 245 of the Company Ordinance, 1984.

Your Company wishes to place its accounts for the second quarter also on its website: [www.dadex.com](http://www.dadex.com), so that advantage of the facility allowed by SECP can be availed for the benefit of our shareholders.

The members are accordingly requested to pass with or without modification the following resolution as an ordinary resolution:

**"RESOLVED THAT** the Company is hereby authorized to place its accounts for the second quarter also on its website instead of sending these to shareholders by mail."

### Item No. 2 of Special Business

In line with the Company's long term strategic objectives, the Company wishes to explore the possibility of entering into Joint Venture arrangement with NHFM ApS a limited liability company duly organised and existing under the laws of Denmark under Registration No. 200402278K. The main objective of the new jointly-owned company in Pakistan would be to market, distribute and sell irrigation products and services which are intended for use in agriculture, including greenhouses, irrigation and landscapes including in projects.

In order to facilitate the proposed transaction the Chief Executive of the Company under the guidance of the Board of Directors shall have the full power of substitution and revocation to negotiate, agree, sign and execute the Joint Venture Agreement with NHFM ApS.

The Directors are not interested in this business except as shareholders of the Company.



# Report of Board of Directors

The Directors of the Company are pleased to present the forty-eighth Annual Report along with the Audited Financial Statements for the year ended 30 June, 2007.

## I. COUNTRY'S ECONOMY

Although the economic growth of Pakistan was robust, inflation and widening trade and current account deficits, on account of surge in oil prices and lower than expected exports, continued to overshadow the economic landscape.

The sustained growth pattern of the previous years has helped in maintaining the momentum of work in infrastructure projects, and provided opportunities to Government for enhancing the scope of development activities to even less developed areas like Balochistan, which has augured well for the Company, although price competition meant lower margins.

## II. BUSINESS

### New Initiatives

During the year Company continued its focus on "Agriculture and Irrigation" (A&I) Division which would get further impetus from the substantial allocation of funds by the Government for this sector. The Company is also in the process of negotiation for enhancing the scope of existing exclusive distributorship arrangements with a leading drip irrigation company in the world.

Aluminium Cladding added under our building products portfolio during the last year has also consolidated and has started generating revenues and margins. Furthermore, some new products related to Piping Division launched in last year have also started yielding the expected results.

Following its tradition of product innovation to cater the ever changing needs of the customer, under the core business of piping, Company introduced piping system for underground sewerage connecting to the main sewerage by the name of "FlowLine" and ASTM standard pipes for water supply and SWV (soil waste and vent) applications.

### Operations

In pursuance of its objective of achieving geographical diversification, work on the project of setting up the state of the art manufacturing facility on land acquired in 2005 in the Sunder Industrial Estate (SIE) continued with full vigour. Unexpected heavy monsoon rains and the extended lead time of machinery suppliers have caused a delay in the commencement of the operations. The new facility is now planned to be operational before 31 December, 2007.

During the year a fire broke out at the site of Karachi operations. However the fire did not cause any significant breakdown of operations. The damage was adequately covered by the insurance cover.

During the year sheet plant at Hyderabad Factory which was non functional for last several years due to paucity in demand was again put into operations. Overall capacity utilisation was 5% higher over last year with relative reduction in wastages and scrap.

### Sales and profitability

Despite the pressure from continuous in surge of new entrants in the business of Plastic piping systems, inflow of cheap and sub standard imported products, rising raw material prices, net turnover increased by 24% over the previous year mainly on account of increase in volumes.

Gross profit for the year improved mainly on account of better management and productivity of manufacturing activity. Expenses have mainly increased on account of impairment loss on plant and machinery included in capital work in progress and provision for doubtful debts and efforts are underway to overcome the impact.

Financial cost was high mainly on account of higher working capital level, capital expenditure for setting up plant at SIE and financing of new business initiatives. However cost of Rs.6.027 million related to SIE project has been capitalised. Company is pursuing the policy of tightening the working capital requirements besides maintaining competitiveness of the rates of borrowing, to control the financial costs. As a result of efficient treasury management our effective rate of borrowing has been below the average market rates.

Consolidation efforts have resulted in profit after tax being higher by 190% over previous year i.e. earning per share of Rs.3.93 (30 June, 2006: Rs.1.35)



# Report of Board of Directors

## III. DIVIDENDS AND APPROPRIATIONS

Summary of profits available for appropriations is as follows:

	(Rupees in '000)
Unappropriated profit as at 01 July, 2006	20,951
Final dividend per share of Rs. 1.75 (2005: Rs.3.50) for the year ended 30 June, 2006	(18,837)
Profit after taxation for the year ended 30 June, 2007	42,291
Unappropriated profit as at 30 June, 2007	<u>44,405</u>
<b>Subsequent Effects</b>	
Proposed final dividend per share of Rs. 3.00	32,292
Transfer to general reserves for the year ended June 30, 2007	10,417
Unappropriated profit as at 01 July, 2007	1,696
	<u>44,405</u>

Break-up value per share as at 30 June, 2007 is Rs.45.73 (2006 : Rs.43.56)

## IV. BOARD OF DIRECTORS AND THEIR COMMITTEES, CHIEF EXECUTIVE AND CHAIRMAN

Since the last report, Chairman of the Board has also been appointed as the Chief Executive with effect from 04 May, 2007, in place of the outgoing Chief Executive, Mr. Imtiaz Zaidi. The term of office of the present Directors will expire on 12 July, 2008.

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

## V. INFORMATION COMMUNICATION TECHNOLOGY

The Company commenced the gigantic task of implementing SAP, which is the state of the art Enterprise Resource Planning (ERP) solution, in November, 2006. As at the date of this report, current data entry has commenced in SAP system and the reconciliation of the data input during parallel run is in process, which is an achievement in record time. Results for the quarter ending 30 September, 2007 are targeted to be based on data from SAP system, to be followed by implementation of HR module.

In addition to the above, initiative of introducing server centric environment by using concept of thin computing is expected to be realised by end of next financial year. In the area of data and voice communication implementation of latest WiMAX (Worldwide Interoperability for Microwave Access) technology is in process, through one of the leading players in the telecommunication field. The real benefits of all the initiatives will start becoming visible after quarter ending 31 March, 2008.

## VI. CONTRIBUTION TO THE NATIONAL ECONOMY

During the year under review, the Company has contributed over Rs.361 million (2005: Rs.339 million) in shape of duties, taxes and levies to the Government exchequer.

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

Your Company is committed to ensure environment friendly operations, products and services for the well being of the community in which it operates by striving hard to keep achieving our Quality, Environment and Safety objectives.

Implementation of Environment Management System (EMS) ISO 14001:2004 and Good Laboratory Practices on the basis of ISO / IEC 17025 for accreditation of Laboratory is in process.



# Report of Board of Directors

## VIII. HUMAN RESOURCES

Human Capital is the most valuable intangible asset of the Company which has played its role for the growth of the business. Your company is committed to nurture this capital by investing on appropriate selection of human resource and then retention and training of such resource.

## IX. COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE AND BEST PRACTICES OF TRANSFER PRICING

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, 2007 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 and relevant schedule of the Companies Ordinance, 1984 regarding Transfer Pricing. In pursuance of Securities & Exchange Commission's letter no SMD / SE /2(85)/2003 dated 08 August, 2007 implementation / applicability of listing regulation no 38 relating to "Transfer Pricing" has been deferred till 31 December, 2007.
- 3) That the Board has adopted the "Statement of Business Ethics and Practices" and measures have been taken to ensure that all employees within the organisation effectively observe these rules of conduct.
- 4) The following statements which External Auditors have also certified in their report to the members :
  - a. The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
  - b. Proper books of account of the company have been maintained.
  - c. Appropriate accounting policies have been consistently applied in preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment.
  - d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- 5) The system of internal control and other such procedures, which are in place, are being continuously reviewed by the Board's Audit Committee assisted by the internal audit staff of the Company and a Chartered Accountant firm appointed for carrying out the Internal Audit. The process of review will continue and any weaknesses in controls identified in the process will be removed.
- 6) There are no significant doubts upon the company's ability to continue as a going concern.
- 7) 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 Code of Corporate Governance:

- 1) The summary of key operating and financial data of the Company of last nine 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 Provident Fund based on the latest audited accounts as at June 30:

2007	2006
----- (Rupees in '000)-----	
145,523	130,354





# Report of Board of Directors

- 4) The statement, showing pattern of shareholding of the Company as at 30 June, 2007 is annexed with this report.
- 5) The directors, CFO & Company Secretary and their spouses and minor children did not carry out any trade in the shares of the Company during the year.

## X. AUDITORS

The present auditors M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants retire at the conclusion of the forty-eighth Annual General Meeting. Being eligible, they have offered themselves for reappointment. As required by the Code of Corporate Governance.

Board Audit Committee has recommended their reappointment, by the Company's shareholders, as auditors of the Company for the financial year ending 30 June, 2008, and the Board agrees to the recommendation of the Board Audit Committee.

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

## XI. MATERIAL CHANGES AND COMMITMENTS

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

## XII. FUTURE PROSPECTS AND CHALLENGES

Though there is an uncertainty associated with the upcoming elections, which may affect activities in the short-term but in our view its impact on the development activities is unlikely to be significant over the longer term because of the commitment of all the governments for infrastructure development. Similarly large construction projects in the private sector would also continue to progress keeping in view the market potential.

However rising costs of petroleum based raw materials, working capital management to control the financial costs, new entrants in the field and rising inflation pose the challenges.

Commencement of the manufacturing operations in the North will enhance our competitiveness due to proximity to a major market segment and increasing the market share by capturing the opportunities. The increasing awareness among the target market, materialisation of the Mega Project being initiated by the Government coupled with the outcome of the negotiation with the principal is expected to have positive impact on the A&I Division and over all results of the Company.

## XIII. ACKNOWLEDGEMENTS

We would like to take this opportunity to thank our customers for their support and patronage without which none of this would have been possible.

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

The dedication and commitment of our management and staff is an important contribution towards the results achieved, for which they deserve a special thanks. We are sure that with such dedicated and committed team we are Inshallah going to continue to grow.

On behalf of the Board of Directors

(SIKANDER DADA)  
Chairman & Chief Executive

Karachi: 24 September, 2007



## Attendance At Board Meeting for the Year Ended June 30, 2007

Name of Director

Total No. of  
Board Meetings

No. of  
Meetings Attended

SIKANDER DADA (Incoming )  
ZAHID ZAHEER (Outgoing)

5

2

7

4

1

5

ABDUR RAZZAK DADA  
(Alternate: MUHAMMAD HANIF IDREES)

7

1

6

7

ABU TALIB H.K. DADA

7

6

MAQBOOL H.H. RAHIMTOOLA

7

5

QAZI SAJID ALI

7

7

SHAHZAD M. HUSAIN

7

5

RASHEED Y. CHINYOY

7

6

MUHAMMAD NAJAM ALI

7

6

MOHAMMAD ALI JAMEEL

7

5

SAAD S. FARUQUI

7

1

SIKANDER DADA - CHIEF EXECUTIVE (Outgoing)  
IMTIAZ H. ZAIDI - CHIEF EXECUTIVE (Incoming)

2

5

7

1

5

6

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



## Statement of Compliance with the Code of Corporate Governance for the Year Ended June 30, 2007

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation No. 37 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. At present there is no executive director in the Company's Board of Directors, other than the Chairman & CEO.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company have confirmed that they are registered taxpayers.
4. All the resident directors have confirmed that none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs and none of them is a member of a stock exchange in Pakistan.
5. All casual vacancies occurring in the Board were filled up by the directors within 30 days, thereof.
6. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and senior management employees of the Company.
7. The Board of Directors has developed a vision/mission statement, overall corporate strategy and significant policies of the company. Any amendments in significant policies are approved by the Board and a complete record of amendments in significant policies along with the dates on which they were approved has been maintained.
8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
10. Directors are well conversant with the listing regulations and legal requirements and as such are fully aware of their duties and responsibilities.
11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
12. The CFO (who is also the Company Secretary) is a fellow member of the Institute of Chartered Accountants of Pakistan and the Institute of Cost & Management Accountants of Pakistan.
13. The Company Secretary (who is also the CFO) attends Board Meetings of the Company.
14. 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.
15. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
16. 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.
17. The Company has complied with all the corporate and financial reporting requirements of the Code.
18. The Board has formed an audit committee. It comprises four members, of whom three are non-executive directors including the chairman of the committee.



## Statement of Compliance with the Code of Corporate Governance for the Year Ended June 30, 2007

19. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
20. The Board has set-up an effective internal audit function.
21. 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.
22. 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.
23. We confirm that all other material principles contained in the Code have been complied with.

Karachi: 24 September, 2007

SIKANDER DADA  
Chairman & CEO



# Auditors' Review Report Statement of Compliance

## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE 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 June 30, 2007 prepared by the Board of Directors of Dadex Eternit Limited to comply with the Listing Regulation No. 37 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 personal and review of various documents prepared by the Company to comply with the Code.

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

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, effective for the year ended June 30, 2007.

Karachi: 24 September, 2007

FORD RHODES SIDAT HYDER & CO.  
CHARTERED ACCOUNTANTS



## Auditors' Report to the Members

We have audited the annexed balance sheet of Dadex Eternit Limited as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of change 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 explanation which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

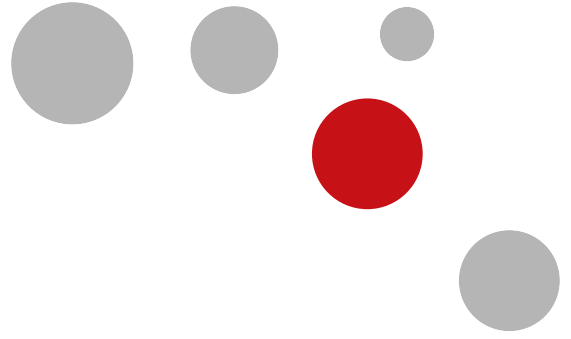
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statement in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and 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 explanation given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, confirm with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

Karachi: 24 September, 2007

FORD RHODES SIDAT HYDER & CO.  
CHARTERED ACCOUNTANTS



# Financial Pages



# Balance Sheet as at June 30, 2007

	Note	2007	2006
----- (Rupees in '000)-----			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed Assets - Property, plant and equipment	3	430,407	343,998
Long-term investments	4	1,324	5,215
Long-term loans	5	2,942	4,500
Long-term deposits	6	4,059	8,251
		<u>438,732</u>	<u>361,964</u>
<b>CURRENT ASSETS</b>			
Stores and spare parts	7	69,458	81,264
Stock-in-trade	8	734,882	815,806
Trade debts	9	125,809	178,949
Loans and advances	10	16,428	25,380
Trade deposits and short-term prepayments	11	16,826	15,202
Other receivables		1,774	595
Current portion of long-term investments	4	-	70
Taxation refundable		16,669	10,654
Cash and bank balances	12	9,939	2,312
		<u>991,785</u>	<u>1,130,232</u>
<b>TOTAL ASSETS</b>		<u><u>1,430,517</u></u>	<u><u>1,492,196</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 20,000,000 (2006: 20,000,000) ordinary shares of Rs. 10/- each	13	<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid-up capital	14	107,640	107,640
Reserves	15	<u>384,643</u>	<u>361,189</u>
Shareholders' equity		<u>492,283</u>	<u>468,829</u>
<b>NON CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease	16	-	17,104
Deferred taxation	17	30,146	24,736
Deferred income	18	-	2,053
		<u>30,146</u>	<u>43,893</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	378,483	348,342
Accrued interest / mark-up		6,252	10,129
Dividend payable		8,124	7,942
Current portion of liabilities against assets subject to finance lease	16	9,568	23,592
Short-term borrowings	20	491,883	582,711
Sales tax payable		13,778	6,758
		<u>908,088</u>	<u>979,474</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	21	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,430,517</u></u>	<u><u>1,492,196</u></u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

MUHAMMAD HANIF IDREES  
Chief Financial Officer

SIKANDER DADA  
Chairman & Chief Executive

MUHAMMAD NAJAM ALI  
Director





## Profit and Loss Account for the Year Ended June 30, 2007

	Note	2007	2006
		----- (Rupees in '000)-----	
Turnover - net	22	1,656,884	1,335,387
Cost of sales	23	(1,261,195)	(1,040,564)
Gross profit		<u>395,689</u>	<u>294,823</u>
Selling expenses	24	(181,135)	(169,173)
Administrative expenses	25	(77,607)	(72,165)
Other operating expenses	26	(37,718)	(18,809)
Other operating income	27	21,312	28,069
Operating profit		<u>120,541</u>	<u>62,745</u>
Finance costs	28	(66,864)	(48,118)
Share of loss of an associate	4.1	(3,749)	(3,215)
Profit before taxation		<u>49,928</u>	<u>11,412</u>
Taxation	29	(7,637)	3,136
Profit after taxation		<u><u>42,291</u></u>	<u><u>14,548</u></u>
		(Rupees)	
Earnings per share - Basic and diluted	30	3.93	1.35

The annexed notes from 1 to 39 form an integral part of these financial statements.

MUHAMMAD HANIF IDREES  
Chief Financial Officer

SIKANDER DADA  
Chairman & Chief Executive

MUHAMMAD NAJAM ALI  
Director



# Cash Flow Statement for the Year Ended June 30, 2007

	Note	2007	2006
----- (Rupees in '000)-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	34	347,690	(69,017)
Income tax paid		(8,242)	(5,325)
Long-term loans and advances – net		1,558	(2,908)
Long-term deposits – net		4,192	(552)
Net cash generated from / (used in) operating activities		<u>345,198</u>	<u>(77,802)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(135,074)	(108,627)
Investments encashed		212	628
Proceeds from disposal of fixed assets		5,805	2,529
Mark-up received		485	7,854
Net cash used in investing activities		<u>(128,572)</u>	<u>(97,616)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance lease rentals paid		(31,128)	(49,938)
Short-term borrowings – net		(90,828)	253,013
Finance costs paid		(68,388)	(47,869)
Dividend paid		(18,655)	(37,276)
Net cash (used in) / generated from financing activities		<u>(208,999)</u>	<u>117,930</u>
Net increase / (decrease) in cash and cash equivalents		<u>7,627</u>	<u>(57,488)</u>
Cash and cash equivalents at the beginning of the year		2,312	59,800
Cash and cash equivalents at the end of the year	12	<u><u>9,939</u></u>	<u><u>2,312</u></u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

MUHAMMAD HANIF IDREES  
Chief Financial Officer

SIKANDER DADA  
Chairman & Chief Executive

MUHAMMAD NAJAM ALI  
Director



## Statement of Changes in Equity for the Year Ended June 30, 2007

	Reserves						Total	Grand Total
	Share Capital	Capital Reserve - Share Premium	Net Unrealised gain/(loss) on Hedging Instruments	General Reserves	Unappropriated Profit	Sub Total		
	(Rupees in '000)							
Balance as at July 01, 2005	107,640	5,655	(238)	319,011	59,649	378,422	384,077	491,717
Final dividend for the year ended June 30, 2005 @ 35.00%	-	-	-	-	(37,674)	(37,674)	(37,674)	(37,674)
Transfer to general reserves	-	-	-	15,572	(15,572)	-	-	-
Net adjustment for hedging instruments realized	-	-	238	-	-	238	238	238
Profit after taxation for the year ended June 30, 2006	-	-	-	-	14,548	14,548	14,548	14,548
Balance as at June 30, 2006	<u>107,640</u>	<u>5,655</u>	<u>-</u>	<u>334,583</u>	<u>20,951</u>	<u>355,534</u>	<u>361,189</u>	<u>468,829</u>
Balance as at July 01, 2006	107,640	5,655	-	334,583	20,951	355,534	361,189	468,829
Final dividend for the year ended June 30, 2006 @ 17.50%	-	-	-	-	(18,837)	(18,837)	(18,837)	(18,837)
Profit after taxation for the year ended June 30, 2007	-	-	-	-	42,291	42,291	42,291	42,291
Balance as at June 30, 2007	<u>107,640</u>	<u>5,655</u>	<u>-</u>	<u>334,583</u>	<u>44,405</u>	<u>378,988</u>	<u>384,643</u>	<u>492,283</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

MUHAMMAD HANIF IDREES  
Chief Financial Officer

SIKANDER DADA  
Chairman & Chief Executive

MUHAMMAD NAJAM ALI  
Director



# Notes to the Financial Statements for the Year Ended June 30, 2007

## 1. NATURE AND STATUS OF BUSINESS

- 1.1 The Company is a limited liability company incorporated in Pakistan on April 13, 1959 as a public limited company under the Companies Ordinance, 1984 (the Ordinance) and is quoted on Karachi Stock Exchange. The registered office of the Company is situated at Dadex House, 34-A/1, Block 6, P.E.C.H.S, Sharah-e-Faisal, Karachi. The principal business of the Company is manufacture and sale of construction material which mainly includes piping system and other allied products manufactured from chrysotile cement, rubber and plastics, merchandising of imported fittings, accessories and other building products and application of its products to "Agriculture and Irrigation" sector.
- 1.2 During the year ended June 30, 2006 the Company started attempting to provide services related to telecommunication sector as referred in note 26.2 to the financial statements. However, the Company is no more engaged in the business related to telecommunication sector.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Ordinance. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

### 2.2 Basis of Preparation

These financial statements have been prepared under the historical cost convention except that certain exchange elements referred to in note 2.16 have been incorporated in the cost of the relevant fixed assets and for financial assets and liabilities, if any, carried at fair value.

### 2.3 Significant accounting judgments 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 the financial statements:

- (a) recognition of taxation and deferred tax; (Note 17)
- (b) determining the residual values, useful lives and pattern of flow of economic benefits of property, plant and equipment; (Note 3)
- (c) Impairment of inventories / adjustment of inventories to their Net Realizable Value; (Note 7 & 8)
- (d) Classification of investments (Note 4); and
- (e) Impairment of financial assets. (Note 9 - 12)

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

### 2.4 Fixed assets and depreciation

#### 2.4.1 Property, plant and equipment

##### Owned

Operating property, plant and equipment are stated at cost less accumulated depreciation or impairment, if any, except freehold land and capital work-in-progress which are stated at cost. Cost in relation to certain fixed assets signifies historical cost and exchange differences capitalized as referred to in note 2.16.

Depreciation is charged to profit and loss account using the straight-line method, 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 purchased and no depreciation is charged in the month of disposal.



# Notes to the Financial Statements for the Year Ended June 30, 2007

The carrying values of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

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 equipments are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the profit and loss account.

## Leased

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

## 2.5 Investments

### 2.5.1 Investment in an associated company

Investment in an associated company is accounted for using equity method of accounting. Investments over which investor has "significant influence" are accounted for under this method i.e., investments to be carried in the balance sheet at cost plus post-acquisition changes in the share of net assets of the associate, less any impairment in value. The profit and loss account reflects the share of the results of operations of the associate.

### 2.5.2 Held-to-maturity Investments

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

## 2.6 Stores and spare parts

These are valued at lower of cost and net realizable value. Cost is determined on moving 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 realisable value is the estimated selling price in the ordinary course of business less estimated cost necessary to make the sale which is generally equivalent to the estimated replacement cost.

## 2.7 Stock-in-trade

### 2.7.1 Raw materials

Raw materials are valued at the lower of moving average cost and net realisable value.

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

### 2.7.2 Work-in-process

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

### 2.7.3 Finished goods

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



# Notes to the Financial Statements for the Year Ended June 30, 2007

Net realisable 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.

## 2.8 Trade debts and other receivables

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

## 2.9 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.

## 2.10 Liabilities and finance charge against assets subject to finance lease

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

## 2.11 Revenue recognition

- a) Sales are recorded on dispatch of goods to customers.
- b) Dividend income is recognized when the right to receive the dividend is established.
- c) Rental and interest income is recorded on accrual basis.

## 2.12 Turnkey projects

Revenue is recognized on the basis of approved quantities of pipes supplied. The value of pipes supplied to date and the related costs incurred in respect thereof are recognized as an expense. Any anticipated losses on these contracts are recognized immediately by transferring the related revenue to contingency account. Revenue arising from work variations and claims is not accounted for unless it is probable that the customer will approve the variation / claim and the amount of revenue arising from variation / claim can be measured reliably.

## 2.13 Retirement benefits

The Company operates an approved contributory provident fund for all permanent employees for which contributions are charged to profit and loss account for the year.

## 2.14 Compensated absences

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

## 2.15 Taxation

### 2.15.1 Current

Provision for current taxation is the higher of the amount computed on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, and minimum tax computed at the prescribed rate on sales net of sales tax.

### 2.15.2 Deferred

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



# Notes to the Financial Statements for the Year Ended June 30, 2007

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.

## 2.16 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities (except for foreign currency loans obtained for acquisition of fixed assets) denominated in foreign currencies are recognized in the profit and loss account. Exchange differences in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of the relevant assets.

## 2.17 Financial instruments

Financial instruments carried on the balance sheet include investments, loans, deposits, receivables, cash and bank balances and trade creditors.

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

A financial asset and financial liability is off set and the net amount is reported in the balance sheet if the Company has legally enforceable right to setoff the recognized amount and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## 2.18 Derivative financial instruments

When considered appropriate, the Company uses forward foreign exchange contracts to hedge its risk associated primarily with foreign currency fluctuations relating to purchases of raw materials and fixed assets from overseas suppliers. These contracts, except those having immaterial financial impact, are included in the Balance Sheet at fair value and any resulting gain or loss is recognized in the statement of changes in equity. The fair value of forward foreign exchange contracts is included in 'other receivables' in case of favorable contracts and 'other liabilities' in case of unfavorable contracts. The fair values of these contracts are calculated by reference to current forward exchange rates with similar maturity profiles.

## 2.19 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing cost in respect of qualifying assets defined under IAS-23 "Borrowing Costs" is capitalized in accordance with the allowed alternative treatment under the said IAS.

## 2.20 Cash and cash equivalents

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

## 2.21 Dividend and appropriation to reserves

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

## 2.22 Transaction with related parties

Transactions with related parties are based on the policy that all transactions between the Company and the related parties are carried out at arm's length.



# Notes to the Financial Statements for the Year Ended June 30, 2007

## 3. FIXED ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Note	2007	2006
----- (Rupees in '000) -----			
Operating property, plant and equipment	3.1	277,655	298,492
Capital work-in-progress	3.2	152,752	45,506
		<u>430,407</u>	<u>343,998</u>

### 3.1 Operating property, plant and equipment

	Cost			Depreciation				
	At July 1, 2006	Additions / (Disposals) / transfer**	At June 30, 2007	At July 1, 2006	For the Year / (on Disposals) / transfer**	At June 30, 2007	Book Value At June 30, 2007	Depreciation Rate % Per Annum
----- (Rupees in '000) -----								
Freehold land	27,894	-	27,894	-	-	-	27,894	-
Leasehold land	5,292	-	5,292	1,696	69	1,765	3,527	1-2.5 %
Buildings on freehold land	2,301	-	2,301	1,316	138	1,454	847	5%
Factory buildings on leasehold land	50,250	1,066	51,316	34,914	2,525	37,439	13,877	10%
Buildings on leasehold land other than factory	73,640	115	73,755	28,241	3,350	31,591	42,164	5%
Plant and machinery	138,840	9,089 **409,014	556,943	103,647	3,985 **348,310	455,942	101,001	10%
Furniture and fixtures	5,429	3,113	8,542	2,374	671	3,045	5,497	10%
Vehicles and transportation equipment	32,770	9,152 (8,844) **10,825	43,903	13,045	6,076 (6,427) **9,307	22,001	21,902	20%
Office and factory equipment	15,790	7,738 (62) **613	24,079	7,816	3,447 (62) **438	11,639	12,440	10-33.3 %
	352,206	30,273 (8,906) **420,452	794,025	193,049	20,261 (6,489) **358,055	564,876	229,149	
<b>ASSETS SUBJECT TO FINANCE LEASE</b>								
Plant and machinery	494,402	- **409,014	85,388	360,360	25,654 **348,310	37,704	47,684	10%
Office and factory equipment	613	- **613	-	343	95 **438	-	-	10 & 33.33%
Vehicle and Transportation equipment	13,576	- **10,825	2,751	8,553	2,683 **9,307	1,929	822	20%
	508,591	- **420,452	88,139	369,256	28,432 **358,055	39,633	48,506	
	860,797	30,273 (8,906)	882,164	562,305	48,693 (6,489)	604,509	277,655	

Note 3.3





# Notes to the Financial Statements for the Year Ended June 30, 2007

2006

	Cost			Depreciation				
	At July 1, 2005	Additions / (Disposals)/ transfer**	At June 30, 2006	At July 1, 2005	For the Year / (on Disposals)/ transfer**	At June 30, 2006	Book Value At June 30, 2006	Depreciation Rate % Per Annum
(Rupees in '000)								
Freehold land	27,890	4	27,894	-	-	-	27,894	-
Leasehold land	5,292	-	5,292	1,630	66	1,696	3,596	1-2.5 %
Buildings on freehold land	2,056	245	2,301	1,189	127	1,316	985	5%
Factory buildings on leasehold land	46,356	3,894	50,250	32,691	2,223	34,914	15,336	10%
Buildings on leasehold land other than factory	66,764	6,876	73,640	24,997	3,244	28,241	45,399	5%
Plant and machinery	115,336	39,847 - **(16,343)	138,840	100,027	3,756 - **(136)	103,647	35,193	10%
Furniture and fixtures	3,395	2,034	5,429	2,037	337	2,374	3,055	10%
Vehicles and transportation equipment	19,681	15,078 (1,239) **(750)	32,770	10,026	3,859 (823) **(17)	13,045	19,725	20%
Office and factory equipment	8,822	6,968	15,790	5,987	1,829	7,816	7,974	10 - 33.3%
	295,592	74,946 (1,239) **(17,093)	352,206	178,584	15,441 (823) **(153)	193,049	159,157	
Note 7								
<b>ASSETS SUBJECT TO FINANCE LEASE</b>								
Plant and machinery	494,402	-	494,402	334,705	25,655	360,360	134,042	10%
Office and factory equipment	613	-	613	248	95	343	270	10 & 33.33%
Vehicles and transportation equipment	13,576	-	13,576	5,838	2,715	8,553	5,023	20%
	508,591	-	508,591	340,791	28,465	369,256	139,335	
	804,183	74,946 (1,239) **(17,093)	860,797	519,375	43,906 (823) **(153)	562,305	298,492	

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

	Note	2007	2006
(Rupees in '000)			
Cost of sales	23	34,263	32,757
Selling expenses	24	1,820	3,126
Administrative expenses	25	11,537	6,950
Net rental income	27.1	1,073	1,073
		48,693	43,906



# Notes to the Financial Statements for the Year Ended June 30, 2007

**3.1.2** Fixed assets include various items of factory equipment having net book value of Rs. 0.493 million (2006: Rs. 1.001 million) which are given to customers for use on a temporary basis. No rent is charged by the Company from these customers.

**3.1.3** Building on leasehold land other than factory includes property given on rent having net book value of Rs. 16.022 million (2006: Rs. 18.265 million).

## 3.2 Capital work-in-progress

	Note	2007	2006
----- (Rupees in '000) -----			
Advances against purchases of fixed assets:			
- Plant and machinery		26,087	18,053
Less: Impairment loss on plant and machinery	26	5,987	-
		<u>20,100</u>	<u>18,053</u>
- Vehicles		700	-
Cost of acquiring SAP license		11,985	9,286
Civil works	3.2.1	119,967	18,167
		<u>152,752</u>	<u>45,506</u>

**3.2.1** Represents payments made against a newly initiated "Sundar Project" on which borrowing cost amounting to Rs. 6.027 million has been capitalised.

## 3.3 The following fixed assets were disposed off during the year:

	Cost	Accumulated depreciation	Book value	Sale proceeds / Insurance claim	Mode of disposal	Particulars of buyer
----- (Rupees in '000) -----						
<b>Vehicles</b>						
Toyota Corolla GLI	1,010	1,010	-	346	Buy Back Scheme	Mr. Saqib Habib - Ex-Employee
Toyota Corolla XLI	974	633	341	549	Buy Back Scheme	Syed Sajid Nazar Ali - Ex-Employee (KHI)
Honda CD-70 Motor Cycle	53	53	-	9	Buy Back Scheme	Mr. Siddiq Wali Muhammad - Employee (KHI)
Suzuki Cultus VXR	686	320	366	501	Buy Back Scheme	Mr. Rizwan Rauf - Ex-Employee (KHI)
Suzuki Cultus VXR	54	25	29	165	Buy Back Scheme	Mr. Abdul Majeed Suleman - Employee (KHI)
Suzuki Baleno JXR	836	487	349	515	Buy Back Scheme	Mr. Mir Salman Ahmed - Employee (KHI)
Suzuki Mehran VXR	370	345	25	155	Buy Back Scheme	Syed Rizwan Raza Hyder - Ex-Employee (KHI)
Honda CD-70 Motor Cycle	60	60	-	27	Negotiation	Mr. Muhammad Anis Junejo - Employee (KHI)
Suzuki 110 Motor Cycle	63	50	13	28	Negotiation	Mr. Athar Shafiq - (KHI)
Honda Civic	671	671	-	310	Negotiation	Muhammad Khan Niazi Goods Transport Co. (KHI)
Suzuki Mehran VXR	259	236	23	162	Negotiation	Syed Zahid Ali (KHI)
Honda CG-125 Motor Cycle	73	4	69	56	Negotiation	Mr. Junaid (KHI)
Toyota Corolla GLI	684	684	-	450	Negotiation	Muhammad Khan Niazi Goods Transport Co. (KHI)
Suzuki Baleno JXR	825	481	344	508	Negotiation	Mr. Imran Shaikh - (KHI)
Suzuki Baleno JXR	825	481	344	507	Negotiation	Mr. Tariq A. Chaffar - (KHI)
Suzuki Mehran VXR	379	371	8	228	Negotiation	Mr. Tariq A. Chaffar - (KHI)
Suzuki Mehran VXR	413	168	245	412	Insurance Claim	EFU General Insurance Co. Ltd.
Suzuki Mehran VXR	424	170	254	412	Insurance Claim	EFU General Insurance Co. Ltd.
	<u>8,659</u>	<u>6,249</u>	<u>2,410</u>	<u>5,340</u>		
Computer Note Book	61	61	-	12	Negotiation	Mr. Saqib Habib - Ex-Employee (KHI)
Aggregate of assets disposed-off having book value below Rs. 50,000 each	186	179	7	453	Negotiation	Various
	<u>8,906</u>	<u>6,489</u>	<u>2,417</u>	<u>5,805</u>		



# Notes to the Financial Statements for the Year Ended June 30, 2007

## 4. LONG-TERM INVESTMENTS

Note	2007	2006
	----- (Rupees in '000) -----	
- In an associate		
625,000 (2006: 625,000) ordinary shares of Rs. 10/- each	5,000	5,000
Share of loss in associated company	(4,166)	(417)
4.1	834	4,583
- Others - held to maturity		
Defence Saving Certificates	150	220
Accrued interest	340	482
4.2	490	702
	-	70
Less: Maturity within next twelve months shown in current assets	490	632
	1,324	5,215

### 4.1 Investment in an associate

The Company holds 48.04 (2006: 50.00) percent shareholding i.e., 625,000 (2006: 625,000) ordinary shares of Rs. 10/- each in Berdex Construction Chemicals (Private) Limited (Berdex). Berdex is engaged in marketing and distribution of construction chemicals in Pakistan. The following table illustrates summarized financial information of the Company's proportionate share in associate.

	2007	2006
	----- (Rupees in '000) -----	
Amounts incorporated in respect of investment in associate on the basis of audited financial statements are set out below:		
Company's share in net assets at beginning of the year	4,583	7,798
Share of loss	(3,811)	(3,215)
Adjustment due to right issue - gain	62	-
	(3,749)	(3,215)
Share of the associate's balance sheet	834	4,583
Current assets	1,885	6,110
Non-current assets	374	169
Current liabilities	(1,425)	(1,696)
Net assets	834	4,583
Share of revenue for the year	2,003	1,414

4.2 The effective rate of profit on Defence Saving Certificates ranges from 15.01% to 18.04% (2006: 16.00% to 18.04%) per annum. These certificates are pledged with various Government Departments as a security against supply of goods to them.

## 5. LONG-TERM LOANS - considered good

Note	2007	2006
	----- (Rupees in '000) -----	
Loans to employees other than executives	4,189	5,910
Less: Receivable within one year shown in current assets	1,247	1,410
	2,942	4,500

5.1 Loans to employees represent interest free loans given for purchase of vehicles, equipments, residential quarters and festival advances. These loans are repayable over periods ranging between four months to five years. All loans are granted in accordance with the terms of employment.

5.2 The fair value impact of the above loans is considered immaterial.



# Notes to the Financial Statements for the Year Ended June 30, 2007

## 6 LONG-TERM DEPOSITS

	Note	2007	2006
----- (Rupees in '000)-----			
Deposits with leasing companies	11	4,247	11,854
Less: Current portion of deposits		4,247	7,607
		-	4,247
Other deposits	6.1	4,059	4,004
		4,059	8,251
		4,059	8,251

6.1 This includes due from Sikander (Private) Limited – an associated company amounting to Rs. 0.100 million (2006: Rs. 0.100 million).

## 7. STORES AND SPARE PARTS

	Note	2007	2006
----- (Rupees in '000)-----			
Held for consumption			
Stores		5,476	5,236
Spares		69,320	63,400
Consumable accessories		7,136	7,760
Loose tools		2,368	774
Items in transit		1,397	3,393
		85,967	80,563
Provision for slow moving and obsolete stores and spare parts		(16,239)	(16,239)
		69,458	64,324
Property, plant and equipment held for disposal	26.2	-	16,940
		69,458	81,264
		69,458	81,264

## 8. STOCK-IN-TRADE

	2007	2006
----- (Rupees in '000)-----		
Raw materials		
- in hand	374,456	451,568
- in transit	33,453	52,380
	407,909	503,948
Work-in-process	37,616	36,242
Finished goods		
- Manufactured	134,076	142,974
- Trading [including in transit Rs. 14.030 million (2006: Rs. 22.146 million)]	155,281	132,642
	289,357	275,616
	734,882	815,806
	734,882	815,806

8.1 Closing stock as of the balance sheet date was determined based on the 100% stock count examination carried out by the management and the outsourced service provider.



# Notes to the Financial Statements for the Year Ended June 30, 2007

## 9. TRADE DEBTS - unsecured

Note	2007			2006		
	Turnkey	Other than Turnkey	Total	Turnkey	Other than Turnkey	Total
----- (Rupees in '000) -----						
Considered good	-	125,809	125,809	-	178,949	178,949
Considered doubtful	21,041	72,051	93,092	21,041	50,194	71,235
	<u>21,041</u>	<u>197,860</u>	<u>218,901</u>	<u>21,041</u>	<u>229,143</u>	<u>250,184</u>
Less: Provision for doubtful debts	21,041	72,051	93,092	21,041	50,194	71,235
	<u>-</u>	<u>125,809</u>	<u>125,809</u>	<u>-</u>	<u>178,949</u>	<u>178,949</u>

### 9.1 Provision for doubtful debts

Opening balance	21,041	50,194	71,235	10,336	44,348	54,684
Provision for the year	-	27,740	27,740	13,023	9,559	22,582
Provision written back	-	(4,377)	(4,377)	(2,318)	(3,479)	(5,797)
Write off during the year	-	(1,506)	(1,506)	-	(234)	(234)
		<u>21,857</u>	<u>21,857</u>	<u>10,705</u>	<u>5,846</u>	<u>16,551</u>
Closing balance	<u>21,041</u>	<u>72,051</u>	<u>93,092</u>	<u>21,041</u>	<u>50,194</u>	<u>71,235</u>

9.2 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.

9.3 Amounts due from related parties at the year end comprise of:

	2007	2006
----- (Rupees in '000) -----		
International Industries Limited	-	7
Crescent Textile Mills Limited	31	30
	<u>31</u>	<u>37</u>

9.4 The maximum aggregate amount due from related parties at the end of any month during the year was Rs. 0.031 million (2006: Rs. 0.037 million).

9.5 The provision for the year includes an amount of Rs. 22.8 million recoverable from an ex-employee who had reportedly collected the amount from parties and has yet to surrender the same to the Company. However, the Company still keeps the legal right to receive the said amount from the respective debtors.

## 10. LOANS AND ADVANCES

Note	2007	2006
----- (Rupees in '000) -----		
Considered good		
Loans to:		
- employees [including current portion of long-term loans and advances Rs. 1.247 million (2006: Rs. 1.410 million)]	5 1,619	1,794
Advances to:		
- employees	1,652	609
- suppliers / contractors	12,517	22,330
- contractors for turnkey projects	500	507
- others	140	140
	<u>16,428</u>	<u>25,380</u>
Considered doubtful		
Advances to suppliers / contractors	500	500
Less: Provision for doubtful advances	<u>500</u>	<u>500</u>
	<u>-</u>	<u>-</u>
	<u>16,428</u>	<u>25,380</u>



# Notes to the Financial Statements for the Year Ended June 30, 2007

## 10.1 Reconciliation of carrying amount of advances to Executives

	Opening balance as at July 01, 2006	Disbursement	Repayment	Closing balance as at June 30, 2007
----- (Rupees in '000) -----				
Executives	-	1,135	1,135	-

10.2 The maximum aggregate amount of advances due from executives at the end of any month during the year was Rs. 0.340 million (2006: Rs. 0.449 million).

## 11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2007	2006
----- (Rupees in '000) -----			
Trade deposits		16,727	9,499
Provision against doubtful trade deposits	11.1	(5,800)	(4,000)
		<u>10,927</u>	<u>5,499</u>
Other deposits		120	240
Current portion of deposits with leasing companies	6	4,247	7,607
Short-term prepayments		1,532	1,856
		<u>16,826</u>	<u>15,202</u>

### 11.1 Provision for doubtful debts

	2007	2006
----- (Rupees in '000) -----		
Opening balance	4,000	4,000
Provision for the year	1,800	-
Closing balance	<u>5,800</u>	<u>4,000</u>

## 12. CASH AND BANK BALANCES

	Note	2007	2006
----- (Rupees in '000) -----			
PLS saving accounts	12.1	1,293	834
Current accounts			
- Foreign currency		10	10
- Local currency		7,858	732
		<u>7,868</u>	<u>742</u>
Cash in hand		778	736
		<u>9,939</u>	<u>2,312</u>

12.1 The mark-up rates on PLS saving accounts range from 2.5% to 3.0% per annum (2006: 3.75% to 6.5% per annum) at year end.



# Notes to the Financial Statements for the Year Ended June 30, 2007

## 13. AUTHORISED CAPITAL

2007		2006		2007		2006	
----- (Number of shares)-----				----- (Rupees in '000)-----			
12,000,000	12,000,000	Ordinary shares of Rs. 10/- each		120,000	120,000		
8,000,000	8,000,000	'B' class ordinary shares of Rs. 10/- each		80,000	80,000		
<u>20,000,000</u>	<u>20,000,000</u>			<u>200,000</u>	<u>200,000</u>		

## 14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2007		2006		2007		2006	
----- (Number of shares)-----				----- (Rupees in '000)-----			
914,264	914,264	Ordinary shares of Rs. 10/- each fully paid in cash		9,143	9,143		
476,386	476,386	Ordinary shares of Rs. 10/- each issued as fully paid for consideration other than cash		4,764	4,764		
5,282,773	5,282,773	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares		52,828	52,828		
800,000	800,000	'B' class ordinary shares of Rs. 10/- each fully paid in cash		8,000	8,000		
3,290,536	3,290,536	'B' class ordinary shares of Rs. 10/- each issued as fully paid bonus shares		32,905	32,905		
<u>10,763,959</u>	<u>10,763,959</u>			<u>107,640</u>	<u>107,640</u>		

14.1 Out of the total share capital of the Company, associated companies held 2,645,058 (2006: 4,692,258) ordinary shares of Rs. 10 each as at June 30, 2007.

## 15. RESERVES

	2007	2006
	----- (Rupees in '000)-----	
Capital reserve - share premium	5,655	5,655
Revenue reserves		
- General reserve	334,583	334,583
- Unappropriated profit	44,405	20,951
	<u>378,988</u>	<u>355,534</u>
	<u>384,643</u>	<u>361,189</u>

## 16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

16.1 The liabilities under these agreements are payable by the year 2008 and are subject to finance charge at compounded rates ranging from 4.75% to 6.90% (2006: 4.65% to 6.90%).

16.2 The amount of future payments includes the amounts at which the Company has the option to purchase the assets. The periods in which these payments will become due are as follows:

	2007	2006
	----- (Rupees in '000)-----	
Year ended June 30, 2007	-	32,245
Year ending June 30, 2008	9,727	9,727
	<u>9,727</u>	<u>41,972</u>
Less: Finance charges not yet due	(159)	(1,276)
	<u>9,568</u>	<u>40,696</u>
Less: Current portion shown under current liabilities	(9,568)	(23,592)
	<u>-</u>	<u>17,104</u>



# Notes to the Financial Statements for the Year Ended June 30, 2007

16.3 The Company intends to exercise its option to purchase the leased assets at their residual value upon completion of the lease periods.

## 17. DEFERRED TAXATION

	2007	2006
	----- (Rupees in '000)-----	
Deferred tax assets on deductible temporary difference:		
- Provision for slow moving and obsolete stores and spare Parts	4,917	5,143
- Tax loss	-	12,194
- Deferred Income	-	650
- Other deductible temporary differences	2,594	1,991
	<u>7,511</u>	<u>19,978</u>
Deferred tax liabilities on taxable temporary difference:		
- Accelerated tax depreciation on owned assets	(25,880)	(13,472)
- Assets subject to finance lease	(11,777)	(31,242)
	<u>(37,657)</u>	<u>(44,714)</u>
	<u>(30,146)</u>	<u>(24,736)</u>

17.1 Deferred tax asset has not been recognized on the carrying amount of provisions against doubtful debts, trade deposits and advances amounting to Rs. 14.98 million as the management is of the view that it will not be able to substantiate the write-off of those provisions to have that allowed by the Income Tax authorities. In case of such allowance by the Income Tax authorities, the related deferred tax amount is a contingent asset.

## 18. DEFERRED INCOME

	Note	2007	2006
		----- (Rupees in '000)-----	
Balance as at July 01		2,053	4,107
Less: Amortized during the year	27	<u>2,053</u>	<u>2,054</u>
		<u>-</u>	<u>2,053</u>

18.1 This represents gain on sale and leaseback transactions. The income is deferred and amortized over the lease term.

## 19. TRADE AND OTHER PAYABLES

	Note	2007	2006
		----- (Rupees in '000)-----	
Creditors	19.1	13,441	5,109
Bills payable		64,489	130,793
Accrued liabilities		120,015	117,731
Accrual for compensated absences		18,186	17,587
Liability for capital expenditure		3,968	1,523
Payable to contractors against turnkey projects		30	3
Distributors security deposits		10,400	10,000
Advances from customers		117,980	58,956
Workers' Profits Participation Fund	19.2	2,800	703
Workers' Welfare Fund		1,019	-
Advance from tenant		17,699	1,044
Others		8,456	4,893
		<u>378,483</u>	<u>348,342</u>





# Notes to the Financial Statements for the Year Ended June 30, 2007

**19.1** This includes amount due to a related parties - Berger Paints Pakistan Limited Rs. Nil (2006: Rs. 0.679 million) and Trakker Private Limited Rs. 0.129 million (2006: Rs. Nil) at the year end.

## 19.2 Workers' Profits Participation Fund

	Note	2007	2006
----- (Rupees in '000)-----			
Balance at July 01		703	4,746
Allocation for the year	26	2,687	617
		3,390	5,363
Interest on funds utilized in the Company's business	28	115	306
Less: Amounts paid on behalf of the fund		705	3,654
Deposited with the Government		-	1,312
		705	4,966
Balance at June 30		2,800	703

## 20. SHORT-TERM BORROWING - secured

	Note	2007	2006
----- (Rupees in '000)-----			
Running finances utilized under mark-up arrangements	20.1	15,632	35,713
Term finances	20.1	476,251	546,998
		491,883	582,711

**20.1** The aggregate facilities for short-term running finances and term finance under mark-up arrangements available from various banks amounts to Rs. 1,186 million (2006: Rs. 1,080 million) and carries mark-up at the rate 9.83% to 11.26% (2006: 9.60% to 10.54%) per annum and 9.66% to 12.29% (2006: 9.83% to 10.40%) per annum respectively at year end. The facilities will be expired on various dates latest by June 30, 2008. These arrangements are secured by pari-passu charge against hypothecation of the Company's stock-in-trade and trade debts.

**20.2** As of the balance sheet date, the Company has unavailed short-term borrowings under mark-up arrangements aggregating to Rs. 694.317 million (2006: Rs. 497.289 million) from various banks.

## 21. CONTINGENCIES AND COMMITMENTS

	Capital expenditure	Others	Total 2007	Total 2006
----- (Rupees in '000)-----				
Letters of guarantee	-	119,521	119,521	50,269
Letters of credit	9,807	8,262	18,069	21,345
Import contracts	-	6,018	6,018	5,154
Local purchase contracts	70,589	19,471	90,060	100,413
	80,396	153,272	233,668	177,181

**21.1** The revenues expected from remaining work committed to be performed under certain abandoned turnkey projects amounts to Rs. 16 million. The estimated cost of such remaining works to be performed without accounting for the rate escalation (which may be negotiated) amounts to Rs. 17.14 million. Thus the difference between the expected revenues and estimated costs amounting to Rs. 1.14 million represents the contingent loss on such abandoned projects if the counter parties desire the fulfillment of the contractual obligation.



# Notes to the Financial Statements for the Year Ended June 30, 2007

## 22. TURNOVER - net

	2007	2006
	----- (Rupees in '000) -----	
Local - manufactured	1,671,051	1,405,438
Local - trading	269,675	120,789
	<u>1,940,726</u>	<u>1,526,227</u>
Export	25,393	24,286
	<u>1,966,119</u>	<u>1,550,513</u>
Less:		
Returns	3,742	4,737
Rebates and allowances	56,605	11,174
Sales tax	248,888	199,215
	<u>309,235</u>	<u>215,126</u>
Net sales	<u>1,656,884</u>	<u>1,335,387</u>

## 23. COST OF SALES

	Note	2007	2006
		----- (Rupees in '000) -----	
Manufactured			
Raw materials consumed			
Opening stock		503,948	351,207
Purchases		729,865	885,509
Closing stock		<u>(407,909)</u>	<u>(503,948)</u>
		<u>825,904</u>	<u>732,768</u>
Export Rebate			
- Duties		(885)	(1,266)
- Central Excise Duty		(325)	(2,140)
		<u>(1,210)</u>	<u>(3,406)</u>
		<u>824,694</u>	<u>729,362</u>
Stores and spares consumed	23.1	59,765	57,429
Salaries, wages and benefits [including Rs. 2.628 million (2006: Rs. 2.700 million) in respect of bonus to workers]	23.2	100,309	97,362
Procured services		19,571	14,111
Fuel, water and power		46,792	42,873
Insurance		4,101	4,005
Traveling		1,268	567
Communication		466	557
Depreciation	3.1.1	34,263	32,757
Rent, rates and taxes		727	1,290
Repairs and maintenance		7,385	8,032
Technical assistance fee		7,166	6,988
Printing and stationery		623	880
Sundry expenses		2,155	2,009
Opening stock of work-in-process		36,242	26,628
Closing stock of work-in-process		<u>(37,616)</u>	<u>(36,242)</u>
Cost of goods manufactured		<u>1,107,911</u>	<u>988,608</u>
Opening stock of finished goods		142,974	130,736
Closing stock of finished goods		<u>(134,076)</u>	<u>(142,974)</u>
		<u>1,116,809</u>	<u>976,370</u>
Insurance claim		(9,500)	-
		<u>1,107,309</u>	<u>976,370</u>
Trading			
Opening stock		132,642	78,256
Purchases		176,525	118,580
		<u>309,167</u>	<u>196,836</u>
Closing stock		<u>(155,281)</u>	<u>(132,642)</u>
		<u>153,886</u>	<u>64,194</u>
		<u>1,261,195</u>	<u>1,040,564</u>



# Notes to the Financial Statements for the Year Ended June 30, 2007

## 23.1 Stores and spares consumed

	2007	2006
	----- (Rupees in '000) -----	
Opening stock	80,563	74,300
Purchases	64,899	64,035
Capitalised during the year	-	(343)
Closing stock	(85,697)	(80,563)
	59,765	57,429

## 23.2 Staff Retirement Benefits

Salaries, wages and other benefits include Rs. 3.489 million (2006: Rs. 3.088 million) in respect of staff retirement benefits (Provident fund contribution).

## 24. SELLING EXPENSES

	Note	2007	2006
		----- (Rupees in '000) -----	
Salaries and benefits	24.1	55,360	51,257
Repairs and maintenance		4,652	3,879
Depreciation	3.1.1	1,820	3,126
Advertising and sales promotion		8,326	18,885
Communication		2,333	2,065
Travelling		5,313	6,652
Transportation and other charges on local sales		91,852	75,416
Transportation and other charges on export sales		7,329	4,254
Freight subsidy on exports		(202)	(117)
		7,127	4,137
Fuel, water and power		741	440
Insurance		721	872
Fees and subscription		2,093	1,770
Sundry expenses		797	674
		181,135	169,173

### 24.1 Staff Retirement Benefits

Salaries and benefits include Rs. 2.034 million (2006: Rs. 2.363 million) in respect of staff retirement benefits (Provident fund contribution).

## 25. ADMINISTRATIVE EXPENSES

	Note	2007	2006
		----- (Rupees in '000) -----	
Salaries and benefits	25.1	26,505	22,118
Rent, rates and taxes [including Rs. 0.150 million (2006: Rs. 0.150 million) to related parties]		3,225	3,155
Procured services		4,679	3,525
Insurance		1,857	1,064
Depreciation	3.1.1	11,537	6,950
Repairs and maintenance		9,135	7,832
Printing, stationery and subscription		6,086	5,856
Communication		1,535	3,346
Traveling		5,413	6,753
Fuel, water and power		3,026	3,746
Legal and professional		2,605	5,670
Sundry expenses		2,004	2,150
		77,607	72,165

### 25.1 Staff Retirement Benefits

Salaries and benefits include Rs. 1.259 million (2006: Rs. 0.793 million) in respect of staff retirement benefits (Provident fund contribution).



# Notes to the Financial Statements for the Year Ended June 30, 2007

## 26. OTHER OPERATING EXPENSES

	Note	2007	2006
----- (Rupees in '000)-----			
Auditors' remuneration	26.1	645	378
Directors' fee		225	315
Audit Committee fee		30	65
Workers' Profits Participation Fund	19.2	2,687	617
Workers' Welfare Fund		1,019	-
Impairment loss on plant and machinery included in capital work in progress	3.2	5,987	-
Loss on "assets held for disposal" disposed during the year	26.2	1,912	-
Donations	26.3	50	649
Net provision for the year against doubtful debts and trade deposits	9.1 & 11.1	25,163	16,785
		<u>37,718</u>	<u>18,809</u>

### 26.1 Auditors' Remuneration

	2007	2006
----- (Rupees in '000)-----		
Audit fee	275	275
Special certifications and sundry advisory services	345	45
Out of pocket expenses	25	58
	<u>645</u>	<u>378</u>

### 26.2 Assets held for disposal

During the year ended June 30, 2006, the Company acquired certain assets for providing drilling services to the telecommunication sector. Due to technical reasons, the contract for services was transferred to another service provider. As of that balance sheet date an amount of Rs. 16.940 million was transferred from the fixed assets to assets held for disposal included in the stores and spares. During the year, the Company has disposed of such assets and incurred a loss of Rs. 1.912 million.

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

## 27. OTHER OPERATING INCOME

	Note	2007	2006
----- (Rupees in '000)-----			
Income from - investments		97	108
- employee loans		-	5
		<u>97</u>	<u>113</u>
Gain on disposal of fixed assets		3,388	2,113
Sale of scrap and waste		(90)	953
Net rental income	27.1	11,465	10,156
Deferred income amortized on sale and leaseback	18	2,053	2,054
Net income recognized on completion of turnkey project		-	9,120
Net income from services	27.2	4,399	3,556
Sundries [including Rs. Nil (2006: Rs. 0.004 million) received from a related party]		-	4
		<u>21,312</u>	<u>28,069</u>

### 27.1 Net Rental Income

	Note	2007	2006
----- (Rupees in '000)-----			
Rental income		13,546	11,419
Recoveries from tenants on account of utilities		-	2,606
Utility expense of rented property		(818)	(2,606)
Depreciation of rented property		(1,073)	(1,073)
Rates and taxes of rented property	3.1.1	(190)	(190)
		<u>11,465</u>	<u>10,156</u>



# Notes to the Financial Statements for the Year Ended June 30, 2007

## 27.2 Net income from services

Nature of Services	2007			2006		
	Revenue	Expenses	Income	Revenue	Expenses	Income
----- (Rupees in '000) -----						
Jointing	3,264	824	2,440	1,157	603	554
Drilling / boring	-	-	-	3,482	2,264	1,218
Aluminum cladding	2,339	640	1,699	2,318	534	1,784
Agriculture and Irrigation	749	489	260	-	-	-
	<u>6,352</u>	<u>1,953</u>	<u>4,399</u>	<u>6,957</u>	<u>3,401</u>	<u>3,556</u>

## 28. FINANCE COSTS

	Note	2007	2006
		----- (Rupees in '000) -----	
Mark-up on short-term borrowings		63,279	49,934
Interest on Workers' Profits Participation Fund	19.2	115	306
Financial charges on assets subject to finance leases		1,117	3,204
Bank charges		2,043	2,622
Income from bank deposits		(388)	(7,948)
Exchange gain - net		611	-
Others		87	-
		<u>66,864</u>	<u>48,118</u>

## 29. TAXATION

	2007	2006
	----- (Rupees in '000) -----	
Current - for the year	11,305	13,000
- prior year	(9,078)	(26,284)
	<u>2,227</u>	<u>(13,824)</u>
Deferred	5,410	10,148
	<u>7,637</u>	<u>(3,136)</u>

### 29.1 Relationship between Tax Expense and Accounting Profit

	2007	2006
	----- (Rupees in '000) -----	
Accounting profit before tax	49,928	11,412
Tax rate	35%	35%
Tax on accounting profit	17,475	3,994
Tax effect of:		
- Expenses that are not deductible in determining taxable profits	11,651	7,404
- Income exempt from tax	(34)	(38)
- Lower rate on certain income / FTR	2,213	5,099
- Prior year adjustment	(9,078)	(26,284)
- Minimum tax	992	6,047
- Brought forward tax loss	(16,259)	-
- Others	677	642
Tax expense for the current year	<u>7,637</u>	<u>(3,136)</u>



# Notes to the Financial Statements for the Year Ended June 30, 2007

## 30. EARNINGS PER SHARE - Basic and Diluted

	2007	2006
	----- (Rupees in '000) -----	
Net profit for the year after taxation	42,291	14,548
	----- (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	3.93	1.35

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

## 31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the 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	
	2007	2006	2007	2006	2007	2006
	----- (Rupees in '000) -----					
Managerial remuneration	6,170	2,373	-	-	15,289	16,138
Housing						
- Rent	537	270	-	-	2,670	2,572
- Utilities	617	237	-	-	1,530	1,616
- Other items	150	236	-	-	74	72
Medical	-	-	-	-	32	30
Retirement benefits	221	261	-	-	1,417	1,344
Provision for compensated absences	462	280	-	-	2,273	2,181
Severance pay	-	-	-	-	-	1,295
Provision for bonus	-	-	-	-	-	618
Others	679	481	99	213	413	1,016
	8,836	4,138	99	213	23,698	26,882
Number of persons	1	1	1	1	11	11

In addition to above, the chief executive and executives are provided with Company maintained cars.

Aggregate amount charged in the financial statements with respect to directors' fee for the year was Rs. 0.225 million (2006: Rs. 0.315 million).

## 32. CAPACITY AND PRODUCTION

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



# Notes to the Financial Statements for the Year Ended June 30, 2007

## 33. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise of local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel as disclosed in note 31, which are under the terms of their employment, are as follows:

			2007	2006
			(Rupees in '000)	
Relationship	Name of related party	Nature of transaction		
Associate	Berger Paints Pakistan Limited	Purchase and sale of goods	3,416	4,827
Associate	Sikander Private Limited	Rent paid	150	150
Associate	Dadex Eternit Limited - Provident Fund	Employer Contribution	6,782	6,244
Associate	First Dawood Investment Bank	Short-term Investment and interest	25,234	71,859
Associate	Trakker Private Limited	Expenditures on services	180	131
Associate	International Industrial Limited	Sale of goods	674	7
Associate	Crescent Textile Mills Limited	Sale of goods	1,374	-

## 34. CASH GENERATED FROM OPERATIONS

		Note	2007	2006
		(Rupees in '000)		
	Profit before taxation		49,928	11,412
	Adjustments for non cash charges and other items:			
	Depreciation		48,693	43,906
	Gain on disposal of fixed assets		(3,388)	(2,113)
	Interest income		(485)	(8,061)
	Share of loss of an associate	4.1	3,749	3,215
	Interest / mark-up		64,511	53,444
	Deferred income recognized		(2,053)	(2,053)
	Working capital changes	34.1	186,735	(168,767)
			<u>347,690</u>	<u>(69,017)</u>

### 34.1 Working capital changes

		2007	2006
		(Rupees in '000)	
	<i>(Increase) / decrease in current assets</i>		
	Stores and spare parts	11,806	(6,263)
	Stock-in-trade	80,924	(228,980)
	Trade debts	53,140	(2,621)
	Loans and advances	8,952	(132)
	Trade deposits and short-term prepayments	(1,624)	(3,238)
	Other receivables	(1,179)	(444)
		<u>152,019</u>	<u>(241,678)</u>
	<i>Increase in current liabilities</i>		
	Trade and other payables	34,716	72,911
		<u>186,735</u>	<u>(168,767)</u>



# Notes to the Financial Statements for the Year Ended June 30, 2007

## 35. FINANCIAL ASSETS AND LIABILITIES

### 35.1 Interest / yield rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company manages this risk through risk management strategies. Interest rate risk of the Company's financial assets and liabilities can be evaluated related from the following schedule:

	Interest/Mark-up Bearing			Non-interest Bearing			Total
	Maturity Upto One year	Maturity After One year	Sub-total	Maturity Upto One year	Maturity After One year	Sub-total	
(Rupees in '000)							
<b>Financial assets</b>							
Investments - held-to-maturity	-	490	490	-	-	-	490
Long-term loans	-	-	-	1,247	2,942	4,189	4,189
Long-term deposits	-	-	-	4,247	4,059	8,306	8,306
Trade debts	-	-	-	125,809	-	125,809	125,809
Loans and advances	-	-	-	15,181	-	15,181	15,181
Trade deposits	-	-	-	15,294	-	15,294	15,294
Other receivables	-	-	-	1,774	-	1,774	1,774
Cash and bank balances	-	-	-	8,646	-	8,646	8,646
<b>2007</b>	<b>-</b>	<b>490</b>	<b>490</b>	<b>172,198</b>	<b>7,001</b>	<b>179,199</b>	<b>179,689</b>
<b>Financial liabilities</b>							
Liabilities against assets subject to finance lease	9,568	-	9,568	-	-	-	9,568
Trade and other payables	-	-	-	382,788	-	382,788	382,788
Accrued interest / mark-up	-	-	-	6,252	-	6,252	6,252
Short-term borrowings	491,883	-	491,883	-	-	-	491,883
<b>2007</b>	<b>501,451</b>	<b>-</b>	<b>501,451</b>	<b>389,040</b>	<b>-</b>	<b>389,040</b>	<b>890,491</b>
<b>Off Balance Sheet items</b>							
<b>Financial liabilities</b>							
Letters of credit	-	-	-	119,521	-	119,521	119,521
Letters of guarantee	-	-	-	18,069	-	18,069	18,069
Import contracts	-	-	-	6,018	-	6,018	6,018
Local purchase contracts	-	-	-	90,060	-	90,060	90,060
<b>2007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>233,668</b>	<b>-</b>	<b>233,668</b>	<b>233,668</b>
<b>Financial assets</b>							
Investments - held-to-maturity	70	632	702	-	-	-	702
Long-term loans	-	-	-	1,410	4,500	5,910	5,910
Long-term deposits	-	-	-	7,607	8,251	15,858	15,858
Trade debts	-	-	-	178,949	-	178,949	178,949
Loans and advances	-	-	-	23,970	-	23,970	23,970
Trade deposits	-	-	-	13,346	-	13,346	13,346
Other receivables	-	-	-	595	-	595	595
Cash and bank balances	-	-	-	1,478	-	1,478	1,478
<b>2006</b>	<b>70</b>	<b>632</b>	<b>702</b>	<b>227,355</b>	<b>12,75</b>	<b>240,106</b>	<b>240,808</b>
<b>Financial liabilities</b>							
Liabilities against assets subject to finance lease	23,592	17,104	40,696	-	-	-	40,696
Trade and other payables	-	-	-	355,580	-	355,580	355,580
Accrued interest / mark-up	-	-	-	10,129	-	10,129	10,129
Short-term borrowings	582,711	-	582,711	-	-	-	582,711
<b>2006</b>	<b>606,303</b>	<b>17,104</b>	<b>623,407</b>	<b>365,709</b>	<b>-</b>	<b>365,709</b>	<b>989,116</b>
<b>Off Balance Sheet items</b>							
<b>Financial liabilities</b>							
Letters of credit	-	-	-	50,269	-	50,269	50,269
Letters of guarantee	-	-	-	21,345	-	21,345	21,345
Import contracts	-	-	-	5,154	-	5,154	5,154
Local purchase contracts	-	-	-	100,413	-	100,413	100,413
<b>2006</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>177,181</b>	<b>-</b>	<b>177,181</b>	<b>177,181</b>





# Notes to the Financial Statements for the Year Ended June 30, 2007

## 35.2 Effective yield / mark up rate

The effective yield / markup rates are disclosed in the respective notes to the financial statements.

## 35.3 Concentration of credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

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

The Company is exposed to credit risk on trade debts, loans and deposits. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable.

## 35.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Significant exposures to foreign currency risks are covered through forward exchange contracts, where considered appropriate by the Company.

## 35.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The management of the Company believes that it is not exposed to significant level of liquidity risk.

## 35.6 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

## 36. Accounting standards not yet effective

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment:

Standard or amendment	Effective from accounting period beginning on or after
IAS-1 Presentation of Financial Statements - amendments relating to capital disclosures	January 01, 2007
IAS-23 (Revised) Borrowing Costs	January 01, 2009
IAS-41 Agriculture	May 22, 2007
IFRS-2 Share based Payment	December 06, 2006
IFRS-5 Non-current Assets Held for Sale and Discontinued Operations	December 06, 2006
IFRS-6 Exploration for and Evaluation of Mineral Resources	December 06, 2006
IFRS-3 "Business Combination"	Will be effective for business combinations for which agreement date is on or after December 06, 2006.

In addition, interpretations in relation to certain IFRSs have been issued by the International Accounting Standards Board that are not yet effective.

The Company expects that the adoption of the above standards, amendments and interpretations will have no impact on the Company's financial statements in the period of initial application.



# Notes to the Financial Statements for the Year Ended June 30, 2007

## 37. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 24 September, 2007 by the Board of Directors of the Company.

## 38. DIVIDEND

Subsequent to the year ended June 30, 2007, the Board of Directors have proposed a final dividend of Rs. 3.00 per share, amounting to a total dividend of Rs. 32.292 million (2006: Rs. 1.75 per share amounting to a total dividend of Rs. 18.837 million). In addition, directors have also decided to transfer Rs. 10.417 million (2006: Rs. Nil) from unappropriated profit to general reserve. These appropriations will be approved in the forth coming annual general meeting. The financial statements for the year ended June 30, 2007 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

## 39. GENERAL

39.1 Amounts have been rounded off to the nearest rupee unless otherwise stated.

39.2 There are no material reclassifications of Corresponding figures.

MUHAMMAD HANIF IDREES  
Chief Financial Officer

SIKANDER DADA  
Chairman & Chief Executive

MUHAMMAD NAJAM ALI  
Director



## Pattern of Share Holding as at June 30, 2007

### Categories of Share Holders

### Number of Shares Held

### Percentage of Issued Capital

#### Associated Companies, Undertakings and Related Parties

	2,645,058	24.57
Bandenawaz Ltd	2,050	0.02
BSJS Balanced Fund Ltd	349,000	3.24
CDC Trustee Unit Trust of Pakistan	1,051,000	9.76
CDC Trustee UTP - Growth Fund	600,000	5.57
Jahangir Siddiqui & Co Ltd	46,900	0.44
Sikander Pvt Ltd	596,108	5.54

#### NIT

#### National Bank of Pakistan, Trustee Deptt

11,841	0.11
11,841	0.11

#### Directors, CEO & their Spouse and Minor Children

	955,608	8.88
Abdur Razzak Dada (Director)	1	0.00
Abu Talib H. K. Dada (Director)	310,469	2.88
Mrs. Halima w/o Abu Talib H.K. Dada	29,847	0.28
Maqbool H.H. Rahimtoola (Director)	5,300	0.05
Mohammad Ali Jameel (Director)	100	0.00
Muhammad Najam Ali (Director)	100	0.00
Qazi Sajid Ali (Director)	1	0.00
Rasheed Y. Chinoy (Director)	100	0.00
Shahzad M. Husain (Director)	4	0.00
Saad S. Faruqui (Director)	100	0.00
Sikander Dada (Chairman & CEO)	609,586	5.66

#### Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies.

	1,065,876	9.90
Habib Bank Ltd.	1,994	0.02
Habib Insurance Co Ltd	22,000	0.20
Ideal Life Assurance Company Ltd.	25	-
Jahangir Siddiqui Securities Service Ltd	1,040,536	9.67
Muslim Commercial Bank Ltd.	440	-
Pakistan Insurance Corporation	533	-
United Bank Ltd.	348	-

#### Shareholders holding ten percent or more voting interest in the company Province Ltd.

1,465,000	13.61
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#### Individuals

4,563,938	42.40
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#### Others

56,638	0.46
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#### TOTAL

10,763,959	100.00
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## Pattern of Share Holding as at June 30, 2007

Number of Share Holders	Share Holding		Total Shares Held
	From	To	
2,911	1	100	55,196
582	101	500	132,650
175	501	1,000	118,874
109	1,001	5,000	217,182
20	5,001	10,000	125,098
5	10,001	15,000	58,931
2	20,001	25,000	45,776
1	25,001	30,000	29,751
1	30,001	35,000	30,433
1	45,001	50,000	46,900
2	90,001	95,000	184,452
2	110,001	115,000	220,204
1	220,001	225,000	220,205
2	270,001	275,000	546,023
1	310,001	315,000	310,469
2	345,001	350,000	698,714
1	385,001	390,000	389,381
1	465,001	470,000	469,501
1	525,001	530,000	530,000
1	530,001	535,000	531,575
2	595,001	600,000	1,196,108
1	1,040,001	1,045,000	1,040,536
1	1,045,001	1,050,000	1,050,000
1	1,050,001	1,055,000	1,051,000
1	1,460,001	1,465,000	1,465,000
<u>3,827</u>			<u>10,763,959</u>

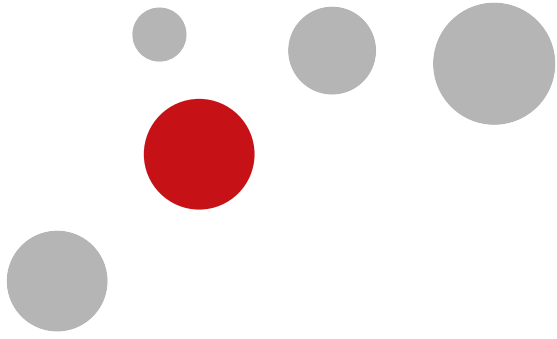
Categories of Share Holders	Number of Share Holders	Number of Shares Held	Percentage of Issued Capital
Individual	3,795	5,519,546	51.28
NIT	1	11,841	0.11
Associated Companies	6	2,645,058	24.57
Non-Banking Finance Institutions	1	1,040,536	9.67
Banks	3	2,782	0.03
Insurance Companies	3	22,558	0.21
Foreign Shareholding	1	1,465,000	13.61
Others	17	56,638	0.53
	<u>3,827</u>	<u>10,763,959</u>	<u>100.00</u>



## Last Nine Years at a Glance

Fiscal Years Ending June 30	Turnover	Profit After Taxation	Assets	Dividend		
				Amount	Percentage	
----- (Rupees in '000) -----						
2007	1,656,884	42,291	1,430,517	32,292	30.00%	
2006	1,335,387	14,548	1,492,196	18,837	17.50%	
2005	Restated	1,290,858	54,505	1,234,610	37,674	35.00%
2004	Restated	946,854	37,577	1,183,292	32,292	30.00%
2003		710,644	28,414	711,040	21,528	20.00%
2002	Restated	562,226	8,498	651,401	13,455	12.50%
2001		634,297	21,912	747,121	21,528	20.00%
2000		652,955	66,071	770,321	43,056	40.00%
1999		615,784	59,774	638,973	43,056	40.00%

Corresponding figures have been re-arranged and re-classified wherever necessary for the purpose of comparison.



# Form of Proxy



# Form of Proxy

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

## 48<sup>th</sup> 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)

who is/are also member(s) of Dadex Eternit Limited as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 48th Annual General Meeting of the Company to be held on October 29, 2007 and at any adjournment thereof.

As witness my/our hand/seal this \_\_\_\_\_ day of \_\_\_\_\_ 2007

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-75400, 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 shall 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





## Dadex Eternit Limited

Head Office:

Dadex House, 34-A/1, Block 6,

P.E.C.H.S., Shahrah-e-Faisal,

P.O. Box 20040,

Karachi 75400 - Pakistan

UAN: (9221) 111 000 789

Fax: (9221) 4313881, 4315725, 4315716

Dadex Karachi Factory:

Deh-22, Manghopir

Karachi 75890 - Pakistan

Tel: (9221) 6980030, 6974579- 8,

6980156, 6974984, 6946926

Fax: (9221) 6980025

Dadex Hyderabad Factory:

10, Badin Road

Hyderabad 71900 - Pakistan

Tel: (92223) 880613, 880813

Fax: (92223) 880623

**DADEX**

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

