

Half Year Ended Report  
December 31, 2010  
(Un-audited)

**DADEX**

Dadex Eternit Limited

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

## **Company Information**

<b>Board of Directors</b>	Abu Talib H.K. Dada- Chairman Maqbool H.H. Rahimtoola Qazi Sajid Ali Shahzad M. Husain Samad Dada Zulfiqar Ali Lakhani Jahangir Siddiqui Rasheed Y. Chinoy Mohammad Suleman Kanjiani Mohsin Ashfaque (Alternate: Kamal Afsar)
<b>Chief Executive Officer</b>	Sikander Dada
<b>Acting Chief Financial Officer</b>	Muhammad Yousuf
<b>Company Secretary</b>	Amber Saeed
<b>Board Audit Committee</b>	Qazi Sajid Ali – Chairman Samad Dada Mohammad Suleman Kanjiani
<b>Management Team</b>	Sikander Dada- CEO Rizwan Amjed - Director (Operations) Suhail Nadeem - Director (Marketing & Sales) Tanveer Saleem- Director (Technical Services & Quality Assurance) Muhammad Yousuf- Acting Chief Financial Officer Amber Saeed- Company Secretary
<b>Auditors</b>	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants
<b>Bankers</b>	Habib Bank Limited Habib Metropolitan Bank Limited HSBC Bank Middle East Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan Oman International Bank <small>S.A.O.G</small> Standard Chartered Bank (Pakistan) Limited United Bank Limited

**Legal Advisor**

SurrIDGE & Beecheno  
3rd Floor Finlay House  
I.I. Chundrigar Road,  
Karachi, Pakistan

**Registered Office**

Dadex House, 34-A/1, Block 6, P.E.C.H.S.,  
Shahrah-e-Faisal, Karachi- 75400  
Tel: (92-21) 111000789  
Fax: (92-21) 34315716, 34315725  
Email: [info@dadex.com.pk](mailto:info@dadex.com.pk)

**Share Registrar**

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

**Web Site**

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

## AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying condensed interim balance sheet of Ddex Eternit Limited (the Company) as at 31 December 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (herein-after referred to as "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Emphasis of Matters

We draw attention to the following:

- i) note 18.1 to the condensed interim financial statements, wherein it has been fully explained that the Honorable High Court of Sindh in its order dated 14 April 2010 ordered that the remuneration relating to the son of Chief Executive shall not be approved till the next date of hearing. Accordingly, these condensed interim financial statements for the periods ended 31 December 2010 and 31 December 2009 have been approved by the directors at their meeting held on 25 February 2011 and 29 June 2010 with the exception of his remuneration charged in these condensed interim financial statements. Further, the matter relating to compliance with requirements of section 188(1)(c)(i) of the Companies Ordinance, 1984 is also pending decision by the Honorable High Court of Sindh; and
- ii) notes 18.1 and 23.2 to the condensed interim financial statements, wherein it has been stated that during the period from 19 May 2009 to 25 January 2010 (for a period of approximately eight months), members of the Board of Directors (the Board) were restrained by the Honorable High Court of Sindh from attending meetings of the Board or its various committees. Accordingly, in such period the Chief Executive Officer (CEO) continued to act in his capacity as CEO as stated in note 23.2.

Our report is not qualified in respect of above matters.

Chartered Accountants  
Date: 25 February 2011  
Karachi

A member firm of Ernst & Young Global Limited

## DIRECTORS' REVIEW

During the half year under review, the economic scenario remained extremely challenging. Shortage of funds for public sector development adversely affected the company sales.

Furthermore, the increase in the prices of raw materials, fuel, electricity and continuous depreciation of rupee against US dollar led to an increase in the cost of doing business, the impact of which could not be passed on to the customer due to tough competition. The overall construction markets remained depressed; both in terms of price and demand, resulting in a lower turnover by 6.5%, as compared to the corresponding period of the last year. The other factors explained above, have resulted in a negative earning per share of Rs.(3.04) (December 31, 2009: (Rs. 0.34) .

In spite of this there are various positive factors as compared to corresponding period of last year. Working capital was better managed leading to reduction of finance cost. Administrative and other operating also showed reduction as measures taken to control costs started showing their positive effects. There is an encouraging upward trend in sales volumes of thermoplastic products. Better performance in the thermoplastic products' market, being a competitive market; indicate increased effectiveness of Company's sales team in the market. Decline in company's turnover is primarily attributed to the low demand of chrysotile cement pipes, which are used in government public sector development schemes which was affected due to massive cut backs in PSDP.

However, the building construction industry and infrastructure development is likely to pick up in the near future and looking ahead we are confident that your Company is well poised to meet anticipated challenges through operational excellence and cost optimization, through exploring the cost effective and environmental friendly options for generating power. Your Management team will continue to focus on broadening customer base, exploring export markets with stringent control on expenditures and tighten of working capital management in order to achieve sustainable profits in the coming periods.

All the three manufacturing sites obtained ISO 14001: 2004 and OHSAS 18001: 2007 Certificates after a series of HSE Audits conducted by SGS. These certificates are a source of reassurance that adequate HSE Systems and Procedures are in place at all manufacturing sites of the Company, for safe handling of Men, Material, Machine and Environment during manufacturing of Company's Products.

It would be important to note that during its 52 year history the company has had very few years of loss. In fact as recently as 2008, the company had one of its best years with record turnover and declaring a handsome dividend to its shareholders. In fact under the present economic scenario of the country the results of the company are not entirely surprising but we are optimistic for the future and your Directors are hopeful that with the importunate and concerted efforts, the Company would achieve the improved results in near future.

**Statement under Section 241 (2) of the Companies Ordinance 1984 (“CO”)**

The Chief Executive Officer (“CEO”) of the Company, Mr. Sikander Dada was on an outstation travel on a work related commitment, he fell ill and was advised by the Doctor to take rest for few days, due to this he could not return to Pakistan to attend the Board of Directors Meeting held on February 25, 2011. Therefore, the requirement of section 241 (1) of CO could not be complied with. As per the requirement of section 241 (2) of the CO, the 03 Directors namely, Mr. Maqbool H. H. Rahimtoola, Mr. Shahzad M. Husain & Mr. Qazi Sajid Ali have been authorized by the Board to sign the Financial Statements and Directors Review report for the half year ended December 31, 2010, in absence of the CEO.

On behalf of the Board

**Maqbool H.H. Rahimtoola**  
Director

**Shahzad M. Husain**  
Director

**Qazi Sajid Ali**  
Director

Karachi: February 25, 2011

DADEX ETERNIT LIMITED  
CONDENSED INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2010

		December 31, 2010 (Unaudited)	June 30 2010 (Audited)
		----- (Rupees in '000) -----	
<b>ASSETS</b>			
<b>NON-CURRENT ASSET</b>			
	5	317,445	345,066
Property, plant and equipment		2,203	5,653
Intangible assets		13,933	14,691
Investment property	6	-	80
Long-term investment		3,911	3,769
Long-term loans		6,732	6,730
Long-term deposits		<u>344,224</u>	<u>375,989</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		40,995	48,101
Stock-in-trade	7	844,603	783,211
Trade debts	8	143,249	110,200
Loans and advances	9	68,078	16,647
Trade deposits and short-term prepayments		15,792	11,665
Accrued interest and other receivables		2,114	2,672
Taxation – net		52,344	50,628
Cash and bank balances		2,763	38,001
		1,169,938	1,061,125
<b>TOTAL ASSETS</b>		<u>1,514,162</u>	<u>1,437,114</u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital		107,640	107,640
Reserves		380,313	413,239
		<u>487,953</u>	<u>520,879</u>
<b>NON-CURRENT LIABILITY</b>			
Deferred liability		14,071	22,537
<b>CURRENT LIABILITIES</b>			
Trade and other payables		459,204	523,449
Accrued mark-up		11,742	11,729
Short-term borrowings	10	506,328	288,056
Current portion of long-term financing		30,000	60,000
Sales tax and excise duty payable – net		4,527	1,999
Derivatives	11	337	8,465
		1,012,138	893,698
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,514,162</u>	<u>1,437,114</u>

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

**Statement under Section 241 (2) of the Companies Ordinance 1984 ("CO")**

The Chief Executive Officer ("CEO") of the Company, Mr. Sikander Dada was on an outstation travel on a work related commitment, he fell ill and was advised by the Doctor to take rest for few days, due to this he could not return to Pakistan to attend the Board of Directors Meeting held on February 25, 2011. Therefore, the requirement of section 241 (1) of CO could not be complied with. As per the requirement of section 241 (2) of the CO, the 03 Directors namely, Mr. Maqbool H. H. Rahimtoola, Mr. Shahzad M. Husain & Mr. Qazi Sajid Ali have been authorized by the Board to sign the Financial Statements and Directors Review report for the half year ended December 31, 2010, in absence of the CEO.

\_\_\_\_\_  
Muhammad Yousuf  
Acting CFO

\_\_\_\_\_  
Maqbool H. H. Rahimtoola  
Director

\_\_\_\_\_  
Shahzad M. Husain  
Director

\_\_\_\_\_  
Qazi Sajid Ali  
Director

DADEX ETERNIT LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)

Note	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	(Rupees in `000)			
<b>Turnover – net</b>	<b>858,283</b>	917,663	<b>433,897</b>	460,926
Cost of sales	13 <b>(706,106)</b>	(707,168)	<b>(348,750)</b>	(358,187)
<b>Gross profit</b>	<u>152,177</u>	<u>210,495</u>	<u>85,147</u>	<u>102,739</u>
Distribution cost	<b>(122,369)</b>	(124,580)	<b>(66,046)</b>	(69,029)
Administrative expenses	<b>(54,710)</b>	(60,575)	<b>(24,228)</b>	(29,720)
Other operating expenses	14 <b>(3,129)</b>	(6,177)	<b>(6,000)</b>	(2,122)
Other operating income	15 <b>23,586</b>	16,442	<b>16,200</b>	8,533
<b>Operating (loss) / profit</b>	<u>(4,445)</u>	<u>35,605</u>	<u>5,073</u>	<u>10,401</u>
Finance cost	16 <b>(24,575)</b>	(39,790)	<b>(14,534)</b>	(19,670)
Share of loss on investment in an associate	6.2 <b>(80)</b>	-	<b>(80)</b>	-
<b>Loss before taxation</b>	<u>(29,100)</u>	<u>(4,185)</u>	<u>(9,541)</u>	<u>(9,269)</u>
Taxation	17 <b>(3,577)</b>	485	<b>(11,730)</b>	(774)
<b>Loss for the period</b>	<u>(32,677)</u>	<u>(3,700)</u>	<u>(21,271)</u>	<u>(10,043)</u>
<b>Loss per share - Basic and diluted</b>	<u>Rs. (3.04)</u>	<u>Re. (0.34)</u>	<u>Rs. (1.98)</u>	<u>Re. (0.93)</u>

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

**Statement under Section 241 (2) of the Companies Ordinance 1984 ("CO")**

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Muhammad Yousuf  
Acting CFO

Maqbool H.H. Rahimtoola  
Director

Shahzad M. Husain  
Director

Qazi Sajid Ali  
Director



DADEX ETERNIT LIMITED  
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE HALF YEAR ENDED DECEMBER 31, 2010  
 (UNAUDITED)

Note	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
(Rupees in `000)				
<b>Loss for the period</b>	<b>(32,677)</b>	<b>(3,700)</b>	<b>(21,271)</b>	<b>(10,043)</b>
<b>Other comprehensive (loss) / income for the period</b>				
Net movement in cash flow hedge	11 1,028	542	642	423
Income tax effect	(314)	(167)	(314)	(131)
	714	375	328	292
Net loss on cash flow hedge	11 (963)	(839)	(367)	(210)
	(249)	(464)	(39)	82
<b>Total comprehensive loss for the period</b>	<b>(32,926)</b>	<b>(4,164)</b>	<b>(21,310)</b>	<b>(9,961)</b>

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 Shahzad M. Husain  
 Director

\_\_\_\_\_  
 Qazi Sajid Ali  
 Director

DADEX ETERNIT LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)

	Note	Half year ended	
		December 3 2010	December 3 2009
----- (Rupees in '00) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in) / generated from operations	19	(177,688)	119,084
Taxes paid		(14,071)	(15,115)
Long-term loans and advances – net		(142)	147
Long-term deposits – net		(2)	(2,477)
<b>Net cash (used in) / generated from operating activities</b>		<b>(191,903)</b>	<b>101,639</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure (net of receipt and payable amounting to Rs.0.038 million and Rs. 0.055 million)		(2,292)	(3,923)
Proceeds from disposal of fixed assets		2,890	451
Interest received		1	258
<b>Net cash flows from / (used in) investing activities</b>		<b>599</b>	<b>(3,214)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term financing		(30,000)	(30,000)
Short-term borrowing obtained (net of repayments)		218,272	(10,948)
Interest / mark-up paid		(24,562)	(45,428)
Payment for derivative financial instruments - cross currency swap		(6,651)	(5,739)
Payment for cash flow hedge – interest rate swap		(973)	(1,233)
Dividends paid	20	(20)	(17)
<b>Net cash flows from / (used in) financing activities</b>		<b>156,066</b>	<b>(93,365)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(35,238)</b>	<b>5,060</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>38,001</b>	<b>850</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>2,763</b>	<b>5,910</b>

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DADEX ETERNIT LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)

	Issued, subscribed and paid-up capital	Capital reserves (for issue of bonus share)	Reserves			Total	Total
			Revenue reserves		Other (note 11)		
			General	Unappr- opriated profit / (loss)			
(Rupees in '000)							
<b>Balance as at July 1, 2009</b>	107,640	5,655	370,000	25,136	(3,130)	397,661	505,301
Effect of prior year adjustment (note 22.1)	-	-	-	6,706	-	6,706	6,706
<b>Balance as at July 1, 2009 – Restated</b>	107,640	5,655	370,000	31,842	(3,130)	404,367	512,007
Transfer to general reserve for the year ended June 30, 2009	-	-	25,000	(25,000)	-	-	-
Loss for the period	-	-	-	(3,700)	-	(3,700)	(3,700)
Other comprehensive loss for the period, net of tax	-	-	-	-	(464)	(464)	(464)
Total comprehensive loss for the period ended December 31, 2009	-	-	-	(3,700)	(464)	(4,164)	(4,164)
<b>Balance as at December 31, 2009</b>	<u>107,640</u>	<u>5,655</u>	<u>395,000</u>	<u>3,142</u>	<u>(3,594)</u>	<u>400,203</u>	<u>507,843</u>
<b>Balance as at July 1, 2010</b>	107,640	5,655	395,000	16,858	(4,274)	413,239	520,879
Transfer to general reserve for the year ended June 30, 2010	-	-	-	-	-	-	-
Loss for the period	-	-	-	(32,677)	-	(32,677)	(32,677)
Other comprehensive loss for the period, net of tax	-	-	-	-	(249)	(249)	(249)
Total comprehensive loss for the period ended December 31, 2010	-	-	-	(32,677)	(249)	(32,926)	(32,926)
<b>Balance as at December 31, 2010</b>	<u>107,640</u>	<u>5,655</u>	<u>395,000</u>	<u>(15,819)</u>	<u>(4,523)</u>	<u>380,313</u>	<u>487,953</u>

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

**Statement** under Section 241 (2) of the Companies Ordinance 1984 ("CO")

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Maqbool H.H. Rahimtoola  
Director

Shahzad M. Husain  
Director

Qazi Sajid Ali  
Director

DADEX ETERNIT LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010

**1. NATURE AND STATUS OF BUSINESS**

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

**2. STATEMENT OF COMPLIANCE**

This condensed interim financial report of the Company for the six months period ended 31 December 2010 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

**3. BASIS OF PRESENTATION**

**3.1** These condensed interim financial statements are un-audited but subject to limited scope review by the auditors and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 (the Ordinance). These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2010.

**3.2** The figures of the condensed interim profit and loss account for the quarters ended December 31, 2010 and December 31, 2009 and notes forming a part thereof have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the half years ended December 31, 2010 and 2009.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended June 30, 2010, except as follows:

The Company has adopted the following amended IFRS and related interpretations which became effective during the period:

IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

In April 2009, International Accounting Standards Board issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are made in the following standards:

IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements

IAS 7 - Statement of Cash Flows

IAS 17 - Leases

IAS 36 - Impairment of Assets

IAS 39 - Financial Instruments: Recognition and measurement

The adoption of the above standards, amendments / improvements and interpretations did not have any material effect on the condensed interim financial statements of the Company.

	Note	December 31, 2010 (Unaudited) ----- (Rupees in `000) -----	June 30, 2010 (Audited)
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	<b>310,390</b>	337,754
Capital work-in-progress	5.2	<b>7,055</b>	7,312
		<b><u>317,445</u></b>	<u>345,066</u>
<b>5.1 The following is the movement in operating fixed assets during the period/year:</b>			
Opening balance		<b>337,754</b>	392,244
Add: Additions during the period/year	5.1.1	<b>2,604</b>	7,734
		<b>340,358</b>	399,978
Less: Disposals during the period / year (WDV)	5.1.2	<b>28</b>	306
Depreciation charge for the period / year	5.1.3	<b>29,940</b>	61,918
Operating fixed assets (WDV)		<b><u>310,390</u></b>	<u>337,754</u>
<b>5.1.1 Additions including transfers during the period / year</b>			
Building		<b>1,094</b>	684
Plant and machinery		-	1,525
Vehicle and transportation equipment		-	4,153
Office and factory equipment		<b>1,510</b>	1,372
	12.1	<b><u>2,604</u></b>	<u>7,734</u>
<b>5.1.2 Disposals during the period / year – at WDV</b>			
Vehicle and transportation equipment (costing Rs.3.194 million (June 30, 2010: Rs.1.949 million)		<b>28</b>	265
Office and factory equipments (costing Rs.Nil (June 30, 2010: Rs.0.057 million)		-	41
		<b><u>28</u></b>	<u>306</u>
<b>5.1.3 Depreciation charged during the period / year</b>			
Cost of sales	13	<b>24,364</b>	49,070
Distribution cost		<b>2,634</b>	5,235
Administrative expenses		<b>2,942</b>	7,613
		<b><u>29,940</u></b>	<u>61,918</u>
<b>5.2 Capital work-in-progress</b>			
Plant and machinery		<b>13,979</b>	13,979
Impairment loss on plant and machinery		<b>(7,387)</b>	(7,387)
		<b>6,592</b>	6,592
Advance against purchase of operating fixed assets	5.2.1	<b>463</b>	720
		<b><u>7,055</u></b>	<u>7,312</u>

**5.2.1** During the period, additions of Rs.1.717 million were made to capital work-in-progress, assets of Rs.1.936 million were transferred to operating fixed assets and advance of Rs.0.038 million were refunded to the Company.

#### **6. LONG-TERM INVESTMENT – Equity method**

**6.1** The Company has 48.04 (June 30, 2010: 48.04) percent shareholding [i.e. 625,000 (June 30, 2010: 625,000) in the ordinary shares of Rs.10/- each] of Berdex Construction Chemicals (Private) Limited (Berdex). Berdex is engaged in marketing and distribution of construction chemicals in Pakistan. The investment in Berdex amounted to Rs.5 million.

**6.2** The Company has recognised the share of loss in Berdex to the extent of carrying value of the Company's investment in Berdex. As at December 31, 2010, based on unaudited financial statements of the Berdex for six months period, Berdex has reported loss of Rs.1.682 million and accumulated losses of Rs.15.772 million [(June 30, 2010: audited reported profits of Rs.1.644 million and accumulated losses of Rs.14.090 million)]. The Company's unrecognised share of loss in the associate amounted to Rs.0.728 million (June 30, 2010: Nil) as it exceeds its interest in the associate.

		December 31, 2010 (Unaudited)	June 30, 2010 (Audited)
	Note	----- (Rupees in `000) -----	
<b>7. STOCK-IN-TRADE</b>			
Raw materials			
- in hand	7.1	<b>209,342</b>	277,163
- in transit		<b>199,603</b>	55,155
		<b>408,945</b>	332,318
Work-in-process		<b>67,531</b>	104,734
Finished goods			
- Manufactured	7.2	<b>237,195</b>	216,548
- Trading [including in transit of Rs.2.8 million (June 30, 2010: Rs.12.3 million)]	7.3	<b>130,932</b>	129,611
		<b>368,127</b>	346,159
		<b>844,603</b>	783,211

**7.1** Includes products costing Rs.26.29 million (June 30, 2010: Rs.42.19 million) which are carried at net realizable value of Rs. 18.91 million (June 30, 2010: Rs.30.84 million).

**7.2** Includes products costing Rs.71.12 million (June 30, 2010: Rs.49.37 million) which are carried at net realizable value of Rs.50.84 million (June 30, 2010: Rs.31.85 million).

**7.3** Includes products costing Rs.73.13 million (June 30, 2010: Rs.82.93 million) which are carried at net realizable value of Rs.50.98 million (June 30, 2010: Rs.59.30 million).

#### **8. TRADE DEBTS**

The carrying value of the trade debts is adjusted after taking the effect of the provision of Rs.118.614 million (June 30, 2010: Rs.124.586 million). Such provision includes an amount of Rs.15.632 million (June 30, 2010: Rs.15.633 million) recoverable from an ex-employee who had reportedly collected the amount from customers and did not surrender the same to the Company. A law suit has been filed against the ex-employee to recover the above amount.

#### **9. LOANS AND ADVANCES**

Included herein advance given to various local suppliers amounting to Rs.64.961 million (June 30, 2010: Rs.14.477 million) on account of purchase of raw materials.

		December 31, 2010 (Unaudited)	June 30, 2010 (Audited)
	Note	----- (Rupees in `000) -----	
<b>10. SHORT-TERM BORROWINGS - secured</b>			
Running finances under mark-up arrangements		<b>304,602</b>	199,086
Foreign currency term finances		<b>88,789</b>	10,190
Finance against Trust Receipts		<b>50,937</b>	-
Export refinance		<b>12,000</b>	28,780
Money market loan		<b>50,000</b>	50,000
	10.1	<b>506,328</b>	288,056

**10.1** Represents facilities obtained from various commercial banks amounting to Rs.730 million (June 30, 2010: Rs.990 million) out of which Rs.223.70 million (June 30, 2010: Rs.701.944 million) remains unutilized as at the balance sheet date. The principal terms and conditions of the outstanding loans have remained the same as disclosed in the financial statements of the Company for the year ended June 30, 2010 except for finance against trust receipts that carry mark-up ranging from 3 months LIBOR to 6 months KIBOR plus 1.25 percent per annum (June 30, 2010: Nil) and are repayable latest by March 03, 2011. These facilities are secured by the creation of a first pari passu charged against hypothecation of the Company's stock-in-trade and trade debts.

		December 31, 2010 (Unaudited)	June 30, 2010 (Audited)
	Note	----- (Rupees in `000) -----	
<b>11. DERIVATIVES</b>			
Cross currency swap		-	7,100
Interest rate swap	11.1	<b>337</b>	1,365
		<b>337</b>	8,465

**11.1** The principal terms and conditions of the interest rate swap have remained the same as disclosed in the financial statements of the Company for the year ended June 30, 2010.

## 12. CONTINGENCIES AND COMMITMENTS

### 12.1 Contingencies

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

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

As mentioned above, during the year ended June 30, 2010, the Company has filed Applications for becoming a party to the Petitions and restraining the members who are Parties to the Petitions from the sale and purchase of shares of the Company. In addition, certain applications have been filed by the Company / members of the Company seeking to stay the Board Meeting and Annual General Meeting (AGM) of the Company and alleging violations of a Court Order. The Court in its Order dated June 17, 2010 has disposed off the Application pertaining to becoming a party to the petitions in favor of the Company. However, except for the above, the remaining Applications are pending before the Court for hearing.

As per legal counsel of the Company, no significant damages have been claimed by the Plaintiffs in the Suit against the Company other than for recovery on behalf of the Company including certain amounts allegedly paid to a related party and an ex-employee (see note 8). The legal counsel further states that since no damages have been claimed by the Plaintiffs against the Company in the above Suit, it would appear that the Suit and its related Applications would have no financial exposure to the Company.

December 31, 2010 (Unaudited)	June 30, 2010 (Audited)
-----	-----
----- (Rupees in `000) -----	

### 12.2 Commitments

Commitments are as follows:

Letters of guarantee issued by banks	<b>99,391</b>	96,232
Letters of credit	<b>5,340</b>	19,553
Post dated cheques	<b>25,841</b>	98,883
Import contracts	<b>10,994</b>	47,042
Local purchase contract	<b>4,458</b>	5,214
	<b><u>146,024</u></b>	<u>266,924</u>

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

	December 31, 2010 (Unaudited)	June 30, 2010 (Audited)
	-----	-----
----- (Rupees in `000) -----		
Not later than one year	<b>27,488</b>	20,167
Later than one year to five years	<b>72,233</b>	60,896
	<b><u>99,721</u></b>	<u>81,063</u>

	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009

Note ----- (Rupees in `000) -----

### 13. COST OF SALES

#### Manufactured

Raw materials consumed				
Opening stock	332,318	359,147	250,737	369,928
Purchases	544,951	493,723	408,583	208,383
Closing stock	(408,945)	(316,164)	(408,945)	(316,164)
	7			
	468,324	536,706	250,375	262,147
Export rebate				
- Duties	(218)	(1,093)	(82)	(570)
	468,106	535,613	250,293	261,577

#### Stores, spare parts and loose tools consumed

Salaries, wages and benefits [including Rs.1.588 million (December 31, 2009: Rs.1.208 million) in respect of bonus to workers]	58,712	60,340	31,579	32,012
Procured services	13,971	16,268	6,460	8,271
Fuel, water and power	36,533	31,773	15,013	13,465
Insurance	3,013	2,777	1,513	917
Traveling	217	149	100	98
Communication	627	446	315	196
Depreciation	24,364	24,510	12,192	12,250
Rent, rates and taxes	1,277	1,192	478	582
Repairs and maintenance	9,085	11,393	4,584	4,193
Technical assistance fee	4,203	5,435	2,432	2,885
Printing and stationery	368	460	165	194
Sundry expenses	692	890	280	496
	177,057	184,013	90,060	89,084

Opening stock of work-in-process	104,734	84,084	60,482	100,146
Closing stock of work-in-process	(67,531)	(114,961)	(67,531)	(114,961)
Cost of goods manufactured	7			
	682,366	688,749	333,304	335,846
Opening stock of finished goods	216,548	207,853	231,779	227,907
Closing stock of finished goods	(237,195)	(236,234)	(237,195)	(236,234)
	7			
	661,719	660,368	327,888	327,519

#### Trading

Opening stock	129,612	195,207	132,959	203,047
Purchases	52,117	40,256	21,984	15,283
	181,729	235,463	154,943	218,330
Closing stock	(130,932)	(186,181)	(130,931)	(186,181)
	7			
	50,797	49,282	24,012	32,149
Sale of scrap	(6,410)	(2,482)	(3,150)	(1,481)
	706,106	707,168	348,750	358,187

### 14. OTHER OPERATING EXPENSES

Included herein is exchange loss (net) amounting to Rs.2.615 million (December 31, 2009: Rs.5.048 million).

### 15. OTHER OPERATING INCOME

Includes reversal of provision against doubtful debts (net) amounting to Rs.5.972 million (December 31, 2009: provision against doubtful debts (net) amounting to Rs. 0.877 million).

### 16. FINANCE COST

Included herein is mark-up on long-term financing and short-term borrowings amounting to Rs.3.249 million and Rs.20.258 million (December 31, 2009: Rs.7.850 million and Rs.30.599 million) respectively.



	Half year ended	
	December 31, 2010	December 31, 2009
	----- (Rupees in `000) -----	
17. TAXATION		
Current	12,357	7,192
Deferred	(8,780)	(7,677)
	3,557	(485)

#### 18. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise of associated companies, group companies, staff retirement funds, chief executive, directors and key management personnel. The transactions and balances with related parties and associated undertakings are as follows:

Name of related party	Nature of transaction	Note	Half year ended	
			December 31, 2010	December 31, 2009
			----- (Rupees in `000) -----	
Transactions with associated companies due to common directorship:				
Berger Paints Pakistan Limited	Purchase and sale of goods		318	833
Sikandar Private Limited	Rent paid		290	264
Century Insurance Company Limited (CICL)	General Insurance Insurance premium paid to New Jubilee Insurance Company Limited (CICL is co-insurer with 25% share).		2,581	-
<b>Staff retirement benefits</b>				
Dadex Eternit Limited - Provident Fund	Employer Contribution		4,954	4,917
<b>Key management personnel</b>				
Sikandar Dada (Chief Executive)	Salary and other employment benefits		4,073	3,287
Danish Dada (Director)	Salary and other employment benefits	18.1	-	2,145

**18.1** Mr. Danish Dada was an employee since May 06, 2008 and then was elected as a director at the election of directors held at the Extraordinary General Meeting on July 10, 2008. After his election as a director, the monthly remuneration being paid to him as an employee remained unchanged. As regards to non-compliance with section 218 of the Ordinance, relating to disclosure of interest, the legal counsel states, "it was well within the knowledge of all concerned that Mr. Sikander Dada is the father of Mr. Danish Dada and thus had constructive notice about the interest of Mr. Danish Dada in the appointment of Mr. Sikander Dada as the Chief Executive of the Company." Mr. Danish Dada resigned on March 17, 2010 from the directorship of the Company.

During the previous year, the directors representing 38% shareholding (as at December 31, 2010 and till the date of issuance of these financial statements, Mahvash & Jahangir Siddiqui Foundation, Jahangir Siddiqui Securities Services Limited, Jahangir Siddiqui & Sons Limited, Jahangir Siddiqui and Ali Jahangir Siddiqui are the shareholders of the 38% shareholding) filed an application under Suit No. 166 of 2009 pending, in the High Court of Sindh for restraining the Company "from approving the accounts for the year ending 30.06.2009" at the Board meeting on 15.04.10 or thereafter and/or the general body meeting". The Court has issued the following Order dated 14.04.2010 on the said application:

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

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

Accordingly, the remuneration of the director aggregating to Rs.7.479 million for the years ended June 30, 2009 and June 30, 2010, was not considered and hence not approved by the Board of Directors / Members of the Company.

	Note	Half year ended	
		December 31, 2010	December 31, 2009
----- (Rupees in `000) -----			
<b>19. CASH (USED IN) / GENERATED FROM OPERATIONS</b>			
Loss before taxation		<b>(29,100)</b>	(4,185)
Adjustments for non cash charges and other items:			
Depreciation – operating fixed assets	5.1.3	<b>29,940</b>	30,868
Depreciation – investment property		<b>758</b>	758
Amortization		<b>3,450</b>	3,450
Gain on disposal of fixed assets – net		<b>(2,862)</b>	(433)
Interest income		<b>(1)</b>	(249)
(Gain) / loss on fair value of cross currency swap		<b>(441)</b>	541
Share of loss on investment in an associate		<b>80</b>	-
Interest / mark-up expense		<b>24,575</b>	39,790
Reversal of provision against doubtful debts - net of provision	15	<b>(5,972)</b>	-
Working capital changes	19.1	<b>(198,115)</b>	48,544
		<b>(177,688)</b>	119,084

**19.1 Working capital changes**

***Decrease / (increase) in current assets***

Stores, spare and loose tools		<b>7,106</b>	1,486
Stock-in-trade		<b>(61,392)</b>	(7,249)
Trade debts		<b>(27,077)</b>	22,265
Loans and advances		<b>(51,431)</b>	4,086
Trade deposits and short-term prepayments		<b>(4,127)</b>	(1,372)
Other receivables		<b>558</b>	(6,605)
		<b>(136,363)</b>	12,611

***(Decrease) / increase in current liabilities***

Trade and other payables		<b>(64,280)</b>	27,071
Sales tax and excise duty payable (net)		<b>2,528</b>	8,862
		<b>(61,752)</b>	35,933
		<b>(198,115)</b>	48,544

**20. DIVIDEND PAID**

**Declared and paid during the six months period**

Final cash dividend Nil (December 31, 2009: Nil)	<b>20</b>	17
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**21. INFORMATION ABOUT OPERATING SEGMENTS**

	Chrysotile Cement	Plastic	Others	Total
	----- (Rupees in `000) -----			
<b>Half year ended</b>				
<b><u>December 31, 2010</u></b>				
<b>TURNOVER – net</b>	<b><u>374,815</u></b>	<b><u>472,428</u></b>	<b><u>11,040</u></b>	<b><u>858,283</u></b>
<b>RESULT</b>				
Segment result	<b><u>5,090</u></b>	<b><u>(27,015)</u></b>	<b><u>(1,682)</u></b>	<b>(23,607)</b>
Unallocated expense				
Other operating expenses				<b>(3,129)</b>
Other operating income				<b>22,291</b>
Finance cost				<b>(24,575)</b>
Share of loss on investment in an associate				<b>(80)</b>
Taxation				<b>(3,577)</b>
Loss for the period				<b><u>(32,677)</u></b>

	<b>Chrysotile</b>			Total
	Cement	Plastic	Others	
	----- (Rupees in '000) -----			
Half year ended <u>December 31, 2009</u>				
TURNOVER – net	<u>463,951</u>	<u>447,028</u>	<u>6,684</u>	<u>917,663</u>
<b>RESULT</b>				
Segment result	<u>51,549</u>	<u>(24,514)</u>	<u>46</u>	27,081
<b>Unallocated expense</b>				
Other operating expenses				(6,177)
Other operating income				14,701
Finance cost				(39,790)
Share of profit on investment in an associate				-
Taxation				485
Loss for the period				<u>(3,700)</u>
<b>ASSETS AND LIABILITIES</b>				
<u>December 31, 2010</u>				
Segment assets	<u>488,631</u>	<u>832,447</u>	<u>15,377</u>	1,336,455
Unallocated corporate assets				<u>177,707</u>
Total assets				<u>1,514,162</u>
Segment liabilities	<u>211,729</u>	<u>116,126</u>	<u>397</u>	328,252
Unallocated corporate liabilities				<u>697,957</u>
Total liabilities				<u>1,026,209</u>
<u>June 30, 2010</u>				
Segment assets	<u>399,899</u>	<u>797,838</u>	<u>27,727</u>	1,225,464
Unallocated corporate assets				<u>211,650</u>
Total assets				<u>1,437,114</u>
Segment liabilities	<u>173,039</u>	<u>204,167</u>	<u>568</u>	377,774
Unallocated corporate liabilities				<u>538,461</u>
Total liabilities				<u>916,235</u>

## 21.1 Geographical information

### Turnover

The Company's turnover represents local and export sales of Rs.831.200 million and Rs.27.083 million (December 31, 2009: Rs. 890.909 million and Rs. 26.755 million) respectively.

	<b>December 31,</b> 2010 (Unaudited)	June 30, 2010 (Audited)
	----(Rupees in '000) ----	
Non-Current assets		
Pakistan	<u>344,224</u>	<u>375,989</u>

## 22. CORRESPONDING FIGURES

22.1 Corresponding figures, wherever necessary, have been rearranged in line with restatement of liability for custom duty on certain raw materials computed on the basis of normal tax rates as reported in the Company's annual published financial statements for the year ended June 30, 2010.

	<b>As reported</b> in condensed interim for the period ended 31 December 2009	Effect of prior period adjustment	Restated amount
	----- (Rupees in '000) -----		
<u>Profit and loss account</u>			
Cost of sales	710,633	<b>(3,465)</b>	707,168
Taxation	(1,698)	<b>1,213</b>	(485)
(Loss) / profit for the period	(5,952)	<u><b>2,252</b></u>	(3,700)
Earnings per share – basic and diluted	Re. (0.55)	<b>Re. 0.21</b>	Re.(0.34)

**23. DATE OF AUTHORISATION FOR ISSUE**

**23.1** These condensed interim financial statements were authorised for issue on February 25, 2011 by the Board of Directors of the Company.

**23.2** During the period from May 19, 2009 to January 25, 2010 (for a period of approximately eight months), the members of the Board of Directors (the Board) were restrained from attending the meetings of the Board as directors or its various committees as a consequence of the Orders issued by the Honorable High Court of Sindh (Court) in the petitions referred in note 12.1. In view of such restraint, over which the Company had no control, the powers which had to be exercised by the Board, as required, were not possible. During that period the Chief Executive (CEO) continued to act in his capacity as CEO based on the powers incidental to his appointment as a CEO under the Companies Ordinance, 1984 and the Power of Attorney executed in his name dated March 30, 1989. The above restraint placed on the Board was removed by the Court on January 25, 2010, whereby the Board became functional again.

**24. GENERAL**

**24.1** Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

**24.2 Statement under Section 241 (2) of the Companies Ordinance 1984 ("CO")**

The Chief Executive Officer ("CEO") of the Company, Mr. Sikander Dada was on an outstation travel on a work related commitment, he fell ill and was advised by the Doctor to take rest for few days, due to this he could not return to Pakistan to attend the Board of Directors Meeting held on February 25, 2011. Therefore, the requirement of section 241 (1) of CO could not be complied with. As per the requirement of section 241 (2) of the CO, the 03 Directors namely, Mr. Maqbool H. H. Rahimtoola, Mr. Shahzad M. Husain & Mr. Qazi Sajid Ali have been authorized by the Board to sign the Financial Statements and Directors Review report for the half year ended December 31, 2010, in absence of the CEO.

\_\_\_\_\_  
Muhammad Yousuf  
Acting CFO

\_\_\_\_\_  
Maqbool H .H. Rahimtoola  
Director

\_\_\_\_\_  
Shahzad M. Husain  
Director

\_\_\_\_\_  
Qazi Sajid Ali  
Director