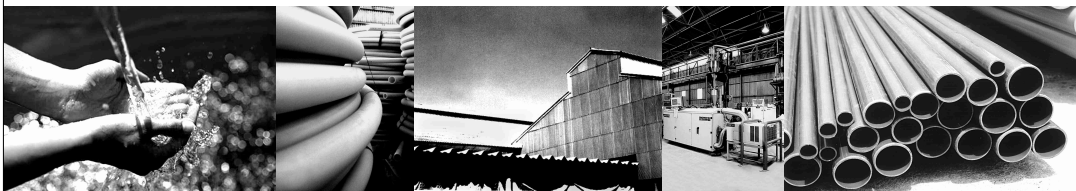


**DADEX**



Interim Financial Report (Unaudited)  
For The First Half - Year Ended  
December 31, 2004

## Company Information

### Board of Directors

MAQBOOL H.H. RAHIMTOOLA - **Chairman**  
ABDUR RAZZAK DADA  
(Alternate: TARIQ ALI JAFRI)  
ABU TALIB H.K. DADA  
ZAHID ZAHEER  
DR. MAHMOOD AHMED  
(Alternate: MUHAMMAD HANIF IDREES)  
GAZI SAJID ALI  
RASHEED Y. CHINYOY  
MUHAMMAD NAJAM ALI  
MOHAMMAD ALI JAMEEL  
SAAD S. FARUQUI

### Chief Executive

SIKANDER DADA

### Chief Financial Officer & Company Secretary

MUHAMMAD HANIF IDREES

### Board Audit Committee

ZAHID ZAHEER - **Chairman**  
ABU TALIB H.K. DADA  
GAZI SAJID ALI  
SIKANDER DADA

### Strategic Management Committee

SIKANDER DADA - **Chairman**  
AFAQ AHMED KAZI  
ANWAR-UL-HASAN  
MUHAMMAD HANIF IDREES  
MUHAMMAD HASAN  
S. SAJID NAZAR ALI  
SAQIB HABIB

### Auditors

FORD RHODES SIDAT HYDER & CO.  
**Chartered Accountants**

### Bankers

CITIBANK N.A.  
HABIB BANK LIMITED  
KASB BANK LIMITED  
METROPOLITAN BANK LIMITED  
MUSLIM COMMERCIAL BANK LIMITED  
OMAN INTERNATIONAL BANK S.A.O.G.  
PICIC COMMERCIAL BANK LIMITED  
PRIME COMMERCIAL BANK LIMITED  
STANDARD CHARTERED BANK  
THE HONG KONG & SHANGHAI BANKING  
CORPORATION LIMITED  
UNION BANK LIMITED

### Registered Office

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

### Website

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

**DADEX**

## Directors' Report

During the first half of the current financial year, the economic environment remained positive. There was pressure on interest rates and exchange rates due to adverse effect on fiscal balance caused by escalation in oil prices and higher credit off take by the private sector.

Taking advantage of the overall growth in the economy coupled with aggressive selling efforts your company managed to achieve an impressive overall sales growth in the second quarter over the first quarter and cumulatively for the first half over the corresponding period of last year.

This sales expansion is mainly on account of the volume growth, but prices remained under pressure due to competition from cheap and substandard import substitutes.

Despite volume growth, margins have not grown on account of inflationary trends and increase in prices of petroleum based raw materials. However, an overall impact is still positive with an earning per share of Rs. 2.05 (December 31, 2003: Rs. 1.79).

The economy is likely to grow at a faster pace but at the same time inflation and interest rate is also expected to rise. Pricing of the company's products will remain under pressure. Therefore, your company is focusing on preparedness by taking necessary actions so to take full benefit of this expected economic growth.

On behalf of the Board

Karachi, February 22, 2005

Sikander Dada  
Chief Executive

Maqbool H. H. Rahimtoola  
Chairman

**DADEX**

## Review Report To The Members

We have reviewed the annexed balance sheet of DADEX ETERNIT LIMITED as at December 31, 2004, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the "financial statements"), for half year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review. The financial statements of the Company for the year/period ended June 30, 2004 and December 31, 2003 were audited and reviewed respectively by another firm of Chartered Accountants, whose report dated September 18, 2004 and February 12, 2004 respectively, expressed unqualified opinion on those statements.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

KARACHI: February 22, 2005

FORD RHODES SIDAT HYDER & CO.  
CHARTERED ACCOUNTANTS

**DADEX**

## Balance Sheet As At December 31, 2004 (Unaudited)

	Note	Unaudited December 31, 2004	Audited (Restated) June 30, 2004
----- (Rupees '000) -----			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment			
Operating fixed assets	4	274,331	252,253
Capital work-in-progress	5	6,166	15,864
		<u>280,497</u>	<u>268,117</u>
Long-term investments	6	5,270	5,295
Long-term loans and advances		1,178	675
Long-term deposits		13,579	6,131
Deferred taxation		7,743	7,743
		<u>308,267</u>	<u>287,961</u>
<b>CURRENT ASSETS</b>			
Stores and spares		50,150	46,427
Stocks-in-trade		548,692	361,217
Trade debts		180,655	87,273
Loans and advances		18,958	18,828
Trade deposits and short-term prepayments		11,801	9,644
Interest accrued		1,941	2,570
Other receivables		13,849	638
Cash and bank balances	12	115,600	368,734
		<u>941,646</u>	<u>895,331</u>
<b>TOTAL ASSETS</b>		<u><u>1,249,913</u></u>	<u><u>1,183,292</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
20,000,000 (2004: 20,000,000) ordinary shares of Rs. 10/- each		<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid-up capital		107,640	107,640
Reserves		324,503	319,334
Unappropriated profit		25,648	41,575
		<u>350,151</u>	<u>360,909</u>
<b>Shareholder's equity</b>		<u>457,791</u>	<u>468,549</u>
<b>NON CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease	7	41,904	12,349
<b>CURRENT LIABILITIES</b>			
Trade and other payables		258,283	248,520
Mark-up accrued		4,067	1,814
Short-term borrowings		389,096	420,000
Current portion of liabilities against assets subject to finance leases	7	84,907	31,143
Taxation payable		13,865	917
		<u>750,218</u>	<u>702,394</u>
<b>COMMITMENTS</b>	8		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,249,913</u></u>	<u><u>1,183,292</u></u>

The annexed notes from 1 to 13 form an integral part of these financial statements.

Muhammad Hanif Idrees  
Chief Financial Officer

Sikander Dada  
Chief Executive

Maqbool H. H. Rahimtoola  
Chairman

**DADEX**

Profit & Loss Account (Unaudited)  
For The Half - Year Ended December 31, 2004

	Note	Half - Year Ended		Quarter Ended	
		December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
----- (Rupees '000) -----					
Turnover		589,181	432,501	318,575	257,906
Cost of sales		447,919	318,354	248,959	198,032
Gross profit		<u>141,262</u>	<u>114,147</u>	<u>69,616</u>	<u>59,874</u>
Administrative expenses and distribution cost		98,237	79,700	55,716	42,372
Operating profit		<u>43,025</u>	<u>34,447</u>	<u>13,900</u>	<u>17,502</u>
Other operating expenses	9	(3,248)	(2,842)	(774)	(1,596)
Finance cost		(6,193)	(3,770)	(4,266)	(1,523)
Other operating income		5,381	3,460	2,796	2,864
		<u>(4,060)</u>	<u>(3,152)</u>	<u>(2,244)</u>	<u>(255)</u>
Profit before taxation		<u>38,965</u>	<u>31,295</u>	<u>11,656</u>	<u>17,247</u>
Taxation		16,934	12,050	5,934	6,450
Profit after taxation		<u>22,031</u>	<u>19,245</u>	<u>5,722</u>	<u>10,797</u>
Earnings per share		<u>Rs. 2.05</u>	<u>Rs. 1.79</u>	<u>Rs. 0.53</u>	<u>Rs. 1.00</u>

The annexed notes from 1 to 13 form an integral part of these financial statements.

Muhammad Hanif Idrees  
Chief Financial Officer

Sikander Dada  
Chief Executive

Maqbool H. H. Rahimtoola  
Chairman

**DADEX**

## Cash Flow Statement (Unaudited) For The Half - Year Ended December 31, 2004

		Half - Year Ended	
	Note	December 31, 2004	December 31, 2003
----- (Rupees '000) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	11	(200,411)	(45,277)
Finance cost		(7,530)	(2,803)
Taxes paid		(3,986)	(1,860)
Long-term loans and advances – net		(503)	(11)
Long-term deposits – net		(7,448)	(883)
Net cash outflow from operating activities		(219,878)	(50,834)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for fixed capital expenditure		(59,804)	(5,274)
Proceeds from sale of investments		25	-
Proceeds from disposal of fixed assets		-	1,699
Interest received		5,749	422
Net cash outflow from investing activities		(54,030)	(3,153)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Liabilities against assets subject to finance lease paid		(65,559)	(19,130)
Borrowing under finance lease		148,878	-
Short-term borrowings obtained (net of repayments)		(50,947)	75,000
Dividend paid		(31,641)	(19,879)
Net cash inflow from financing activities		731	35,991
Net increase / (decrease) in cash and cash equivalents		(273,177)	(17,996)
Cash and cash equivalents at the beginning of the period		368,734	32,429
Cash and cash equivalents at the end of the period	12	95,557	14,433

The annexed notes from 1 to 13 form an integral part of these financial statements.

Muhammad Hanif Idrees  
Chief Financial Officer

Sikander Dada  
Chief Executive

Maqbool H. H. Rahimtoola  
Chairman

**DADEX**

## Statement of Changes in Equity (Unaudited) For The Half - Year Ended December 31, 2004

	RESERVES					Total
	Share Capital	Capital Reserve Share Premium	Revenue Reserve General	Net Unrealised Gain/ (Loss) On Hedging Instruments	Unappropriated Profit	
----- (Rupees '000) -----						
<b>Balance as at July 01, 2003</b>	107,640	5,655	313,345	-	3,998	430,638
Effect of change in accounting policy (note 3.2)						
Final dividend for the year ended June 30, 2003 declared subsequent to the year end	-	-	-	-	21,528	21,528
Transfer to general reserves for the year ended June 30, 2003 declared subsequent to the year end	-	-	(5,000)	-	5,000	-
<b>Balance as at July 01, 2003 (restated)</b>	<b>107,640</b>	<b>5,655</b>	<b>308,345</b>	<b>-</b>	<b>30,526</b>	<b>452,166</b>
Effect of change in accounting policy (note 3.2)						
Final dividend for the year ended June 30, 2003 declared subsequent to the year end	-	-	-	-	(21,528)	(21,528)
Appropriation for general reserves for the year ended June 30, 2003 declared subsequent to the year end	-	-	5,000	-	(5,000)	-
Profit after taxation for the half year ended December 31, 2003	-	-	-	-	19,245	19,245
<b>Balance as at December 31, 2003</b>	<b>107,640</b>	<b>5,655</b>	<b>313,345</b>	<b>-</b>	<b>23,243</b>	<b>449,883</b>
<b>Balance as at July 01, 2004</b>	<b>107,640</b>	<b>5,655</b>	<b>319,011</b>	<b>334</b>	<b>3,617</b>	<b>436,257</b>
Effect of change in accounting policy (note 3.2)						
Final dividend for the year ended June 30, 2004 declared subsequent to the year end	-	-	-	-	32,292	32,292
Appropriation for general reserves for the year ended June 30, 2004 declared subsequent to the year end	-	-	(5,666)	-	5,666	-
<b>Balance as at July 01, 2004 (restated)</b>	<b>107,640</b>	<b>5,655</b>	<b>313,345</b>	<b>334</b>	<b>41,575</b>	<b>468,549</b>
Effect of change in accounting policy (note 3.2)						
Final dividend for the year ended June 30, 2004 declared subsequent to the year end	-	-	-	-	(32,292)	(32,292)
Transfer to general reserves for the year ended June 30, 2004 declared subsequent to the year end	-	-	5,666	-	(5,666)	-
Net unrealised gain / (loss) on hedging instruments	-	-	-	(497)	-	(497)
Profit after taxation for the half year ended December 31, 2004	-	-	-	-	22,031	22,031
<b>Balance as at December 31, 2004</b>	<b>107,640</b>	<b>5,655</b>	<b>319,011</b>	<b>(163)</b>	<b>25,648</b>	<b>457,791</b>

The annexed notes from 1 to 13 form an integral part of these financial statements.

Muhammad Hanif Idrees  
Chief Financial Officer

Sikander Dada  
Chief Executive

Maqbool H. H. Rahimtoola  
Chairman

**DADEX**



## Notes to the Interim Financial Statements (Unaudited) For The Half - Year Ended December 31, 2004

### 1. NATURE AND STATUS OF BUSINESS

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, Shahah-e-Faisal, Karachi. The principal business of the company is manufacture and sale of construction material which mainly includes piping system and other allied products manufactured from chrysotile cement, rubber and plastics; and merchandising of imported fittings, accessories and other building products.

### 2. BASIS OF PRESENTATION

These financial statements are unaudited but subject to limited scope review by auditors and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2004 except for the change mentioned in note 3.2.

### 3.2 Change in accounting policy

During the period, the Securities and Exchange Commission of Pakistan (SECP) substituted the Fourth Schedule to the Companies Ordinance 1984, which is effective from the financial year ending on or after July 05, 2004. This has resulted in the change in accounting policy pertaining to recognition of dividend and other appropriations declared subsequent to the year/ period end. Dividend and other appropriations of profit are now recognized in the period in which these are declared. Till the previous year, dividend declared and appropriations made after the balance sheet date but before the authorization of financial statements for issue, were recognized as of the balance sheet date. The change in accounting policy has been accounted for retrospectively and comparative information have been restated in accordance with the benchmark treatment specified in IAS - 8 (Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies). Had there been no change in the accounting policy, the unappropriated profit would have been lower by Rs. 37,958 (thousand) [ June 30, 2003: Rs. 26,528 (thousand) ] and reserve would have been higher by Rs. 5,666 (thousand) [ June 30, 2003: Rs. 5,000 (thousand) ] and current liabilities would have been higher by Rs. 32,292 (thousand) [ 2003: Rs. 21,528 (thousand) ]. The effect of change in accounting policy has been reflected in the statement of changes in equity. The change in accounting policy has not resulted in any change in the profit after tax for the current period and for the prior periods.

### 4. OPERATING FIXED ASSETS

	December 31, 2004	June 30, 2004
----- (Rupees '000) -----		
4.1 Additions during the period / year		
Building	4,193	655
Plant & machinery	53,756	101,313
Furniture & fixture	-	69
Vehicles & transportation equipment	2,118	9,174
Office & factory equipment	598	2,210
	60,665	113,421
4.2 Disposals during the period / year (NBV)		
Vehicles and transportation equipment	-	780

### 4.3 Transfers from owned assets to assets under finance lease due to sale and leaseback transaction

	Cost	Accumulated Depreciation	Written Down Value
----- (Rupees '000) -----			
Plant & machinery	169,521	29,596	139,925
Motor vehicles	11,781	3,302	8,479
Office equipment	613	139	474
	181,915	33,037	148,878

**DADEX**

## Notes to the Interim Financial Statements (Unaudited) For The Half - Year Ended December 31, 2004

### 4.4 Depreciation charged during the period / year

	December 31, 2004	June 30, 2004
	----- (Rupees '000) -----	
Owned assets	18,752	52,534
Assets under finance lease	19,835	13,517
	<u>38,587</u>	<u>66,051</u>
<b>5. CAPITAL WORK-IN-PROGRESS</b>		
Advance against purchase of fixed assets		
- Plant and machinery	1,431	13,487
- Vehicles	760	939
Civil works	-	1,438
Capital spares in hand	3,975	-
	<u>6,166</u>	<u>15,864</u>
<b>6. LONG-TERM INVESTMENTS</b>		
Held to maturity	270	295
An associated undertaking	5,000	5,000
	<u>5,270</u>	<u>5,295</u>

### 7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The company has entered into sale and lease-back agreements for lease of various fixed assets. The liabilities under these arrangements are payable by the year 2007 and are subject to finance charge at compounded annual rates from 4.65% to 11.7% (2003: 11.02% to 16%). The company intends to exercise its option to purchase the leased assets upon completion of the leased periods.

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

	December 31, 2004	June 30, 2004
	----- (Rupees '000) -----	
Half - Year / Year to June 30, 2005	68,053	32,362
Year to June 30, 2006	33,162	6,203
Year to June 30, 2007	26,799	6,580
Half - Year to December 31, 2007	3,738	-
	<u>131,752</u>	<u>45,145</u>
Less: Financial charges not yet due	4,941	1,653
	<u>126,811</u>	<u>43,492</u>
Less: Current portion shown under current liabilities	84,907	31,143
	<u>41,904</u>	<u>12,349</u>

**DADEX**

## Notes to the Interim Financial Statements (Unaudited) For The Half - Year Ended December 31, 2004

### 8. COMMITMENTS

	December 31, 2004	June 30, 2004
	----- (Rupees '000) -----	
Letters of guarantee	35,566	79,559
Letters of credit	24,140	117,272
Import contracts	57	19,326
Local purchase contracts	3,356	7,155
	<u>63,119</u>	<u>223,312</u>

### 9. OTHER OPERATING EXPENSES

	Half - Year Ended December 31, 2004	December 31, 2003
	----- (Rupees '000) -----	
Other charges	388	522
Workers' Profit Participation Fund	2,106	1,681
Workers' Welfare Fund	754	639
	<u>3,248</u>	<u>2,842</u>

### 10. 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, which are under the terms of their employment are as follows:

	Half - Year Ended December 31, 2004	December 31, 2003
	----- (Rupees '000) -----	
Sale of goods	220	392
Purchase of goods	711	1,322
Income from services rendered	300	90
Expenditure for services	69	94
Rent paid / payable	170	170
Term deposits with a bank	30,000	-
Interest received / receivable	485	859
Insurance claim	-	235
Contribution to recognized provident fund	2,586	2,136

All transactions with related parties are carried out at arm's length prices using the methods prescribed under Companies Ordinance, 1984.

**DADEX**

## Notes to the Interim Financial Statements (Unaudited) For The Half - Year Ended December 31, 2004

### 11. CASH GENERATED FROM OPERATIONS

	Note	Half - Year Ended	
		December 31, 2004	December 31, 2003
----- (Rupees '000) -----			
Profit before taxation		38,965	31,294
Adjustments for non cash charges and other items:			
Depreciation		38,587	22,424
Profit on disposal of fixed assets		-	(750)
Income from investments and others		(5,120)	(888)
Interest / mark-up expense		9,785	3,127
Working capital changes	11.1	(282,628)	(100,484)
		<u>(200,411)</u>	<u>(45,277)</u>

#### 11.1 Working capital changes

	----- (Rupees '000) -----	
(Increase) / decrease in current assets		
Stores and spares	(3,723)	(2,183)
Stock-in-trade	(187,475)	(4,212)
Trade debts	(93,382)	(80,282)
Loans and advances	(130)	(10,620)
Trade deposits and short-term prepayments	(2,157)	(1,364)
Other receivables	(13,545)	(148)
	<u>(300,412)</u>	<u>(98,809)</u>
Increase in current liabilities		
Trade and other payables	17,784	(1,675)
	<u>(282,628)</u>	<u>(100,484)</u>

### 12. CASH AND CASH EQUIVALENTS

	December 31, 2004	June 30, 2004
----- (Rupees '000) -----		
Cash and bank balances	115,600	368,734
Short-term running finances utilized under mark-up arrangement	(20,043)	-
	<u>95,557</u>	<u>368,734</u>

### 13. GENERAL

- 13.1 The figures of the profit and loss account for the quarters ended December 31, 2004 and December 31, 2003 have not been subject to a limited scope review, as the scope of the review covered only the cumulative figures for the half year ended December 31, 2004.
- 13.2 Due to certain changes made by the Securities & Exchange Commission of Pakistan in the Fourth Schedule to the Companies Ordinance, 1984 vide SRO 589(I)/2004 dated July 05, 2004, previous period's figures have been rearranged or reclassified to the extent possible for the purpose of comparison.
- 13.3 The format of the Balance Sheet has been revised in accordance with the format given in the International Accounting Standard (IAS) - 1, which shows total assets and total equity and liabilities.
- 13.4 These financial statements were authorised for issue by the Board of Directors on February 22, 2005.
- 13.5 Amounts have been rounded off to the nearest thousand rupees unless otherwise stated.

Muhammad Hanif Idrees  
Chief Financial Officer

Sikander Dada  
Chief Executive

Maqbool H. H. Rahimtoola  
Chairman

**DADEX**

## **BOOK POST**

### **Dadex Eternit Limited**

Dadex House, 34-A/1, Block 6,  
P.E.C.H.S., Shahrah-e-Faisal,  
P.O.Box 20040,  
Karachi 75400 - Pakistan

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