

# Quarterly Report



Interim Financial Report (Unaudited)

For The First Quarter Ended  
September 30, 2005

**DADEX**

# Company Information

|  |  |
|--|--|
| Board of Directors                             | MAQBOOL H.H. RAHIMTOOLA - Chairman<br>ABDUR RAZZAK DADA<br>(Alternate: MUHAMMAD HANIF IDREES)<br>ABU TALIB H.K. DADA<br>ZAHID ZAHEER<br>QAZI SAJID ALI<br>RASHEED Y. CHINYOY<br>MUHAMMAD NAJAM ALI<br>MOHAMMAD ALI JAMEEL<br>SAAD S. FARUQUI<br>TARIQ ALI JAFRI  |
| Chief Executive                                | SIKANDER DADA  |
| Chief Financial Officer<br>& Company Secretary | MUHAMMAD HANIF IDREES  |
| Board Audit Committee                          | ZAHID ZAHEER - Chairman<br>ABU TALIB H.K. DADA<br>QAZI SAJID ALI<br>SIKANDER DADA  |
| Strategic Management Committee                 | SIKANDER DADA - Chairman<br>ANWAR-UL-HASAN<br>MUHAMMAD HASAN<br>MUHAMMAD HANIF IDREES<br>AFAQ AHMED KAZI<br>S. SAJID NAZAR ALI<br>SAQIB HABIB  |
| Auditors                                       | FORD RHODES SIDAT HYDER & CO.<br>Chartered Accountants   |
| Bankers  | CITIBANK N.A.<br>HABIB BANK LIMITED<br>KASB BANK LIMITED<br>METROPOLITAN BANK LIMITED<br>NATIONAL BANK OF PAKISTAN<br>OMAN INTERNATIONAL BANK S.A.O.G.<br>PICIC COMMERCIAL BANK LIMITED<br>PRIME COMMERCIAL BANK LIMITED<br>STANDARD CHARTERED BANK<br>THE HONG KONG & SHANGHAI BANKING CORPORATION LIMITED<br>UNION BANK LIMITED<br>UNITED BANK LIMITED |
| Registered Office                              | DADEX HOUSE, 34-A/1, BLOCK 6, P.E.C.H.S.,<br>SHAHRAH-E-FAISAL, KARACHI - 75400   |
| Website  | <a href="http://www.dadex.com">www.dadex.com</a>   |

# Directors' Report

We in Dadex join the country in great sadness, and pray to Almighty Allah to help those affected by the devastating earthquake in our northern regions and your company will be making a suitable contribution to the President's Relief Fund For Earthquake Victims.

The quarter under review was difficult, due to heavy increase in oil prices and costs of raw materials, rising interest rates due to tighter monetary policy, declining foreign exchange reserves and intense competition.

Sound macroeconomic fundamentals provided support to the Government in maintaining the economic growth and meeting the revenue targets in the first quarter. However, sustained economic growth and rising inflation in wake of high oil prices remains a challenge.

In spite of the difficult economic environment, your company managed to maintain its turnover over the corresponding period of last year. However, this level of revenue could not cope up with the difficulties encountered, mentioned above, resulting in lower earnings per share.

Anticipating the situation of intense competition in the piping division, your company has embarked upon a number of business diversification plans, results of which will show in the future. This would be in addition to the measures your company plans to initiate to overcome the impacts of eroding gross margins.

On behalf of the Board

Karachi: October 24, 2005

SIKANDER DADA  
Chief Executive

ZAHID ZAHEER  
Director

# Balance Sheet as at September 30, 2005

|   | Note | September 30, 2005<br>(Unaudited) | June 30, 2005<br>(Audited) |
|---|------|-----------------------------------|----------------------------|
| ----- (Rupees in '000) -----  |      |                                   |                            |
| <b>ASSETS</b>   |      |                                   |                            |
| <b>NON- CURRENT ASSETS</b>  |      |                                   |                            |
| Fixed Assets - Property, plant and equipment  | 4    | 283,679                           | 298,024                    |
| Long-term investments   | 5    | 5,356                             | 5,356                      |
| Long-term loans and advances  |      | 1,694                             | 1,488                      |
| Long-term deposits  |      | 15,305                            | 15,305                     |
| <b>TOTAL NON-CURRENT ASSETS</b>   |      | <u>306,034</u>                    | <u>320,173</u>             |
| <b>CURRENT ASSETS</b>   |      |                                   |                            |
| Stores and spares   |      | 65,313                            | 58,061                     |
| Stocks-in-trade   |      | 665,391                           | 586,826                    |
| Trade debts   |      | 170,249                           | 176,328                    |
| Loans and advances  |      | 25,770                            | 25,353                     |
| Trade deposits and short-term prepayments   |      | 6,268                             | 4,357                      |
| Accrued markup  |      | 1,223                             | 275                        |
| Other receivables   |      | -                                 | 147                        |
| Current portion of long term investment   |      | 492                               | 492                        |
| Cash and bank balances  |      | 375,110                           | 59,800                     |
| <b>TOTAL CURRENT ASSETS</b>   |      | <u>1,309,816</u>                  | <u>911,639</u>             |
| <b>TOTAL ASSETS</b>   |      | <u><u>1,615,850</u></u>           | <u><u>1,231,812</u></u>    |
| <b>EQUITY AND LIABILITIES</b>   |      |                                   |                            |
| <b>SHARE CAPITAL AND RESERVES</b>   |      |                                   |                            |
| Authorised capital<br>20,000,000 (June 2005: 20,000,000) ordinary shares of Rs. 10/- each |      | <u>200,000</u>                    | <u>200,000</u>             |
| Issued, subscribed and paid-up capital  |      | <u>107,640</u>                    | <u>107,640</u>             |
| Reserves  |      | <u>383,683</u>                    | <u>381,279</u>             |
| Shareholders' equity  |      | <u>491,323</u>                    | <u>488,919</u>             |
| <b>NON-CURRENT LIABILITIES</b>  |      |                                   |                            |
| Deferred income   |      | 3,593                             | 4,107                      |
| Liabilities against assets subject to finance lease                                       | 6    | 34,238                            | 40,901                     |
| Deferred Taxation   |      | <u>14,588</u>                     | <u>14,588</u>              |
|   |      | 52,419                            | 59,596                     |
| <b>CURRENT LIABILITIES</b>  |      |                                   |                            |
| Trade and other payables  |      | 277,388                           | 275,090                    |
| Accrued interest / mark-up  |      | 8,987                             | 4,553                      |
| Short-term borrowings - Secured   |      | 736,321                           | 329,697                    |
| Current portion of liabilities against assets<br>subject to finance leases                | 6    | 37,321                            | 49,733                     |
| Sales tax payable   |      | 1,946                             | 16,272                     |
| Taxation Payable  |      | <u>10,145</u>                     | <u>7,952</u>               |
| <b>Total Current Liabilities and Provisions</b>   |      | <u>1,072,108</u>                  | <u>683,297</u>             |
| <b>CONTINGENCIES AND COMMITMENTS</b>  |      |                                   |                            |
|   | 7    | -                                 | -                          |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |      | <u><u>1,615,850</u></u>           | <u><u>1,231,812</u></u>    |

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

MUHAMMAD HANIF IDREES  
Chief Financial Officer

SIKANDER DADA  
Chief Executive

ZAHID ZAHEER  
Director

# Profit and Loss Account (Unaudited)

## For The First Quarter Ended September 30, 2005

|                                       | 3 Months Ended<br>September 30, 2005 | 3 Months Ended<br>September 30, 2004 |
|---------------------------------------|--------------------------------------|--------------------------------------|
|                                       | ----- (Rupees in '000) -----         |                                      |
| Turnover                              | 276,643                              | 270,606                              |
| Cost of Sales                         | <u>(215,962)</u>                     | <u>(197,925)</u>                     |
| Gross profit                          | 60,681                               | 72,681                               |
| Selling expenses                      | (28,580)                             | (23,027)                             |
| Administrative expenses               | (20,178)                             | (20,529)                             |
| Other operating expenses              | (604)                                | (2,474)                              |
| Other operating income                | <u>3,095</u>                         | <u>2,585</u>                         |
| Operating profit                      | 14,414                               | 29,236                               |
| Finance costs                         | <u>(8,748)</u>                       | <u>(1,927)</u>                       |
| Profit before taxation                | 5,666                                | 27,309                               |
| Taxation                              | <u>(3,500)</u>                       | <u>(11,000)</u>                      |
| Profit after taxation                 | <u><u>2,166</u></u>                  | <u><u>16,309</u></u>                 |
|                                       | ----- (Rupees) -----                 |                                      |
| Earning per share - Basic and diluted | <u><u>0.20</u></u>                   | <u><u>1.52</u></u>                   |

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

MUHAMMAD HANIF IDREES  
Chief Financial Officer

SIKANDER DADA  
Chief Executive

ZAHID ZAHEER  
Director

# Cash Flow Statement (Unaudited)

## For The First Quarter Ended September 30, 2005

|  | Note | 3 Months Ended<br>September 30, 2005 | 3 Months Ended<br>September 30, 2004 |
|--|------|--------------------------------------|--------------------------------------|
| ----- (Rupees in '000) -----                           |      |                                      |                                      |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>             |      |                                      |                                      |
| Cash (used) in operations                              | 9    | (61,299)                             | (94,022)                             |
| Finance Cost   |      | (6,783)                              | (3,051)                              |
| Taxes paid   |      | (1,309)                              | (2,256)                              |
| Long - term loans and advances - net                   |      | (206)                                | (168)                                |
| Long-term deposits - net                               |      | -                                    | (4,948)                              |
| Net cash outflow from operating activities             |      | (69,597)                             | (104,445)                            |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>             |      |                                      |                                      |
| Fixed capital expenditure                              |      | (4,504)                              | (41,886)                             |
| Proceeds from disposal of fixed assets                 |      | 25                                   | -                                    |
| Interest received                                      |      | 1,852                                | 3,490                                |
| Net cash outflow from investing activities             |      | (2,627)                              | (38,396)                             |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>             |      |                                      |                                      |
| Borrowing against assets subject to finance lease paid |      | (19,075)                             | 70,340                               |
| Short-term borrowings (repaid) / obtained              |      | 406,624                              | (58,461)                             |
| Dividends paid   |      | (15)                                 | (4)                                  |
| Net cash (outflow) / inflow from financing activities  |      | 387,534                              | 11,875                               |
| Net (decrease) / increase in cash and cash equivalents |      | 315,310                              | (130,966)                            |
| Cash and cash equivalents at the beginning of the year |      | 59,800                               | 368,734                              |
| Cash and cash equivalents at the end of the year       |      | 375,110                              | 237,768                              |

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

MUHAMMAD HANIF IDREES  
Chief Financial Officer

SIKANDER DADA  
Chief Executive

ZAHID ZAHEER  
Director

# Statement of Changes in Equity (Unaudited)

## For The First Quarter Ended September 30, 2005

|  | RESERVES                     |                               |                         |  |                       |                | Total          |
|--|------------------------------|-------------------------------|-------------------------|--|-----------------------|----------------|----------------|
|  | Share Capital                | Capital Reserve Share Premium | Revenue Reserve General | Net Unrealised Gain on Hedging Instruments | Unappropriated Profit | Sub Total      |                |
|  | ----- (Rupees in '000) ----- |                               |                         |  |                       |                |                |
| Balance as at July 01, 2004  | 107,640                      | 5,655                         | 313,345                 | 334  | 41,575                | 360,909        | 468,549        |
| 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  | -                            | -                             | -                       | (334)                                      | -                     | (334)          | (334)          |
| Profit after taxation for the quarter ended September 30, 2004                                   | -                            | -                             | -                       | -  | 16,309                | 16,309         | 16,309         |
| Balance as at September 30, 2004   | <u>107,640</u>               | <u>5,655</u>                  | <u>319,011</u>          | <u>-</u>                                   | <u>52,218</u>         | <u>376,884</u> | <u>484,524</u> |
| Balance as at July 01, 2005  | 107,640                      | 5,655                         | 319,011                 | (238)                                      | 56,851                | 381,279        | 488,919        |
| Net unrealised gain/ (loss) on hedging instruments   | -                            | -                             | -                       | 238  | -                     | 238            | 238            |
| Profit after taxation for the quarter ended September 30, 2005                                   | -                            | -                             | -                       | -  | 2,166                 | 2,166          | 2,166          |
| Balance as at September 30, 2005   | <u>107,640</u>               | <u>5,655</u>                  | <u>319,011</u>          | <u>-</u>                                   | <u>59,017</u>         | <u>383,683</u> | <u>491,323</u> |

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

MUHAMMAD HANIF IDREES  
Chief Financial Officer

SIKANDER DADA  
Chief Executive

ZAHID ZAHEER  
Director

# Notes to the Interim Financial Statements (Unaudited) For The First Quarter Ended September 30, 2005

## 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, 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; and merchandising of imported fittings, accessories and other building products.

## 2. BASIS OF PRESENTATION

These financial statements are unaudited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984. These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984, directives issued by the Securities & Exchange Commission of Pakistan (SECP) and International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan.

Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the SECP differ with the requirements of IAS 34, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

## 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, 2005.

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

|   | Note | September 30,<br>2005 | June 30,<br>2005 |
|---|------|-----------------------|------------------|
| ----- (Rupees in '000) -----                  |      |                       |                  |
| Fixed Assets                                  |      | 272,652               | 284,808          |
| Capital work-in Progress                      | 4.4  | 11,027                | 13,216           |
|   |      | <u>283,679</u>        | <u>298,024</u>   |
| <b>4.1 Additions during the period / year</b> |      |                       |                  |
| Land  |      | -                     | 23,252           |
| Building                                      |      | 359                   | 9,847            |
| Plant & machinery                             |      | 3,747                 | 62,055           |
| Furniture & fixture                           |      | 100                   | 228              |
| Vehicles & transportation Equipment           |      | 827                   | 12,353           |
| Office and factory equipment                  |      | 275                   | 1,293            |
|   |      | <u>5,308</u>          | <u>109,028</u>   |
| <b>4.2 Disposals during the period (NBV)</b>  |      |                       |                  |
| Motor Vehicle                                 |      | -                     | 645              |



# Notes to the Interim Financial Statements (Unaudited) For The First Quarter Ended September 30, 2005

## 4.4 CAPITAL WORK IN PROGRESS

|  | September 30,<br>2005        | June 30,<br>2005 |
|--|------------------------------|------------------|
|  | ----- (Rupees in '000) ----- |                  |
| Advance against purchase of fixed assets |                              |                  |
| - Plant and machinery                    | 2,559                        | 8,510            |
| - Vehicles                               | 2,884                        | 1,840            |
| - Civil Works                            | 3,282                        | 2,854            |
| - Others                                 | 2,302                        | 12               |
|  | <u>11,027</u>                | <u>13,216</u>    |

## 5. LONG TERM INVESTMENTS

|  | September 30,<br>2005        | June 30,<br>2005 |
|--|------------------------------|------------------|
|  | ----- (Rupees in '000) ----- |                  |
| Defence saving certificates - held to maturity | 270                          | 270              |
| Accrued Interest                               | 578                          | 578              |
|  | 848                          | 848              |
| Maturity within next twelve months             | (492)                        | (492)            |
|  | <u>356</u>                   | <u>356</u>       |
| Shares in an associated undertaking            | 5,000                        | 5,000            |
|  | <u>5,356</u>                 | <u>5,356</u>     |

## 6. 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 agreements are payable by the year 2008 and are subject to finance charge at compounded annual rates ranging from 4.65% to 6.90% (2005: 4.65% to 11.7%).

The period in which these payments will become due are as follows:

|   | September 30,<br>2005        | June 30,<br>2005 |
|---|------------------------------|------------------|
|   | ----- (Rupees in '000) ----- |                  |
| Quarter / Year to June 30, 2006                 | 32,775                       | 52,892           |
| Year to June 30, 2007                           | 32,362                       | 32,454           |
| Year to June 30, 2008                           | 9,727                        | 9,727            |
|   | <u>74,864</u>                | <u>95,073</u>    |
| Financial charges not yet due                   | (3,305)                      | (4,439)          |
|   | <u>71,559</u>                | <u>90,634</u>    |
| Current portion shown under current liabilities | (37,321)                     | (49,733)         |
|   | <u>34,238</u>                | <u>40,901</u>    |

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

# Notes to the Interim Financial Statements (Unaudited) For The First Quarter Ended September 30, 2005

## 7. COMMITMENTS

|                          | September 30,<br>2005       | June 30,<br>2005 |
|--------------------------|-----------------------------|------------------|
|                          | ----- (Rupees in '000)----- |                  |
| Letter of guarantee      | 45,042                      | 48,548           |
| Letter of credit         | 58,824                      | 1,968            |
| Imports Contract         | 12,794                      | 1,863            |
| Local purchase contracts | 20,722                      | 16,224           |
|                          | <u>137,382</u>              | <u>68,603</u>    |

## 8 TRANSACTIONS WITH RELATED PARTIES

|  | September 30,<br>2005       | June 30,<br>2005 |
|--|-----------------------------|------------------|
|  | ----- (Rupees in '000)----- |                  |
| Associated companies                     |                             |                  |
| Income from services rendered            | -                           | 91               |
| Rent paid / payable                      | 210                         | 339              |
| Other related parties                    |                             |                  |
| Purchase of goods                        | 635                         | 2,608            |
| Sale of goods                            | 7                           | 404              |
| Contribution to employees provident fund | 1,391                       | 5,225            |
| Bank deposits made and encashed          | 45,000                      | 90,000           |

All transactions with related parties are carried by the Company at arms length prices.

## 9. CASH GENERATED FROM OPERATIONS

|   | Note | September 30,<br>2005       | September 30,<br>2004 |
|---|------|-----------------------------|-----------------------|
|   |      | ----- (Rupees in '000)----- |                       |
| Cash from / (used) from operations                |      |                             |                       |
| Profit before taxation                            |      | 5,666                       | 27,309                |
| Adjustments for non cash charges and other items: |      |                             |                       |
| Depreciation                                      |      | 17,464                      | 16,513                |
| Profit on disposal of fixed assets - net          |      | (25)                        | -                     |
| Interest income                                   |      | (2,800)                     | (3,342)               |
| Deferred income amortized                         |      | (513)                       | -                     |
| Interest / markup expense                         |      | 11,218                      | 5,027                 |
| Working capital changes                           | 9.1  | (92,309)                    | (139,530)             |
|   |      | <u>(66,965)</u>             | <u>(121,331)</u>      |
|   |      | <u>(61,299)</u>             | <u>(94,022)</u>       |

# Notes to the Interim Financial Statements (Unaudited) For The First Quarter Ended September 30, 2005

## 9.1 Working capital changes

| Note   | September 30,<br>2005        | September 30,<br>2004 |
|--|------------------------------|-----------------------|
|  | ----- (Rupees in '000) ----- |                       |
| (Increase) / decrease in current assets      |                              |                       |
| Stores and spares                            | (7,253)                      | 901                   |
| Stock in trade                               | (78,564)                     | (82,056)              |
| Trade debts                                  | 6,079                        | (68,161)              |
| Loans and advances                           | (417)                        | (3,566)               |
| Trade deposits and short term prepayments    | (1,911)                      | (1,856)               |
| Other receivable (net)                       | 147                          | (187)                 |
|  | (81,918)                     | (154,924)             |
| (Decrease) / Increase in current liabilities | (10,390)                     | 15,394                |
|  | <u>(92,309)</u>              | <u>(139,530)</u>      |

## 10. Date of Authorization of issue

These financial statements were authorised for issue on October 24, 2005 by the Board of the Company.

## 11. Corresponding Figures

Due to revision of the Fourth Schedule of the Companies Ordinance 1984, previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison. Consequently, following significant corresponding figures have been changed:

- Capital Work-in-progress has been reclassified and shown as part of property, plant and equipment in Fixed Assets.
- Accrued markup is shown as a separate item on the balance sheet.
- Administrative and selling expenses are shown separately as administrative expenses and selling expenses respectively.
- In addition to the above figures, comparative information has also been restated in order to comply with changes in accounting policy regarding recognition of dividend and other appropriations declared subsequent to the year end.

## 12. GENERAL

Amounts have been rounded off to the nearest thousand rupees unless otherwise stated.

MUHAMMAD HANIF IDREES  
Chief Financial Officer

SIKANDER DADA  
Chief Executive

ZAHID ZAHEER  
Director

# BOOK POST

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## Dadex Eternit Limited

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