

Half Year Report



Interim Financial Report (Unaudited)

For The Half Year Ended
December 31, 2005

DADEX

Company Information

Board of Directors	MAQBOOL H.H. RAHIMTOOLA - Chairman ABDUR RAZZAK DADA (Alternate: MUHAMMAD HANIF IDREES) ABU TALIB H.K. DADA ZAHID ZAHEER QAZI SAJID ALI SHAHZAD M. HUSAIN RASHEED Y. CHINYOY MUHAMMAD NAJAM ALI MOHAMMAD ALI JAMEEL SAAD S. FARUQUI
Chief Executive	SIKANDER DADA
Chief Operating Officer	IMTIAZ H. ZAIDI
Chief Financial Officer & Company Secretary	MUHAMMAD HANIF IDREES
Board Audit Committee	ZAHID ZAHEER - Chairman ABU TALIB H.K. DADA QAZI SAJID ALI SIKANDER DADA
Strategic Management Committee	SIKANDER DADA - Chairman IMTIAZ H. ZAIDI ANWAR-UL-HASAN MUHAMMAD HANIF IDREES AFAQ AHMED KAZI S. SAJID NAZAR ALI SAQIB HABIB
Divisional Heads	
Optic Fibre Cable Laying Division	MUHAMMAD HASAN
Agricultural & Irrigation Division	AWAIS BIN NASIM
Architectural Cladding & Curtain Wall Division	ASIM MUHAMMAD KHAN
Auditors	FORD RHODES SIDAT HYDER & CO. Chartered Accountants
Bankers	CITIBANK N.A. HABIB BANK LIMITED KASB BANK LIMITED METROPOLITAN BANK LIMITED NATIONAL BANK OF PAKISTAN 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 UNITED 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

Directors' Report

Half year under review witnessed an economic scenario of rising inflation, increasing oil prices and declining foreign exchange reserves leading to tighter monetary policy and increase in rates of borrowings. Catastrophe caused by earthquake may also cause some dent in the economic growth. Controlling inflation along with achieving targets of economic growth rate remains a daunting task for the government.

The difficult economic circumstances have also affected your company's performance making it difficult to maintain its turnover to the level of the corresponding period. Increasing rates of borrowings has caused a heavy drain on the profitability. Further, the costs associated with the nurturing of business diversification initiatives have also caused a burden on the profitability. Consequently, earning per share reduced to Rs.1.14 (December 31, 2004 - restated: Rs.2.57).

Steps initiated to offset the impact of rising financial charges in addition to increasing emphasis on cost efficiencies will contribute to enhancing the company's profitability.

On Behalf of the Board

Karachi: February 22, 2006

SIKANDER DADA
Chief Executive

MAQBOOL H. H. RAHIMTOOLA
Chairman

REVIEW REPORT TO THE MEMBERS

We have reviewed the accompanying balance sheet of DADEX ETERNIT LIMITED at December 31, 2005, 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.

We conducted our review in accordance with the International Standard on Review Engagement 2400 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 accompanying financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

KARACHI: February 22, 2006

FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS

Balance Sheet as at December 31, 2005 (Unaudited)

	Note	December 31, 2005 (Unaudited)	June 30, 2005 Audited (restated)
----- (Rupees in '000) -----			
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets - Property, plant and equipment	4	288,392	284,808
Capital work-in-progress	5	13,498	11,355
Spares held for capitalization		1,861	1,861
		303,751	298,024
Long-term investment	6	6,614	8,154
Long-term loans and advances		3,147	1,488
Long-term deposits		15,454	15,305
		328,966	322,971
CURRENT ASSETS			
Stores and spares		60,146	58,061
Stocks-in-trade		813,825	586,826
Trade debts		181,455	176,328
Loans and advances		26,184	25,353
Trade deposits and short-term prepayments		5,278	4,357
Accrued markup		859	275
Other receivables		372	147
Current portion of long term investment		492	492
Advance sales tax		9,843	-
Cash and bank balances		97,125	59,800
		1,195,579	911,639
TOTAL ASSETS		1,524,545	1,234,610
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised share capital			
20,000,000 (2005: 20,000,000) ordinary shares of Rs. 10/- each		200,000	200,000
Issued, subscribed and paid-up capital			
10,764,000 (2005: 10,764,000) Ordinary shares of Rs. 10/- each		107,640	107,640
Reserves		358,917	384,077
Shareholders' equity		466,557	491,717
NON-CURRENT LIABILITIES			
Deferred income		3,080	4,107
Liabilities against assets subject to finance lease		34,238	40,901
Deferred Taxation		14,588	14,588
		51,906	59,596
CURRENT LIABILITIES			
Trade and other payables		296,273	275,090
Mark-up accrued		12,303	4,553
Short-term borrowings		664,094	329,697
Current portion of liabilities against assets		25,594	49,733
subject to finance leases		-	16,272
Sales tax payable		7,818	7,952
Taxation Payable		1,006,082	683,297
COMMITMENTS	7	-	-
TOTAL EQUITY AND LIABILITIES		1,524,545	1,234,610

The annexed notes from 1 to 10 form an integral part of these interim financial statements.

MUHAMMAD HANIF IDREES
Chief Financial Officer

SIKANDER DADA
Chief Executive

MAQBOOL H. H. RAHIMTOOLA
Chairman

DADEX Half Yearly Report

Profit and Loss Account (Unaudited) For The Half Year Ended December 31, 2005

Note	Half Year Ended		Quarter Ended	
	December 31, 2005	December 31, 2004 (restated)	December 31, 2005	December 31, 2004 (restated)
----- (Rupees in '000) -----				
Turnover	581,373	589,181	304,730	318,575
Cost of Sales	(442,058)	(447,919)	(226,096)	(249,994)
Gross profit	139,315	141,262	78,634	68,581
Selling expenses	(64,859)	(56,277)	(37,896)	(31,430)
Administrative expenses	(40,701)	(40,388)	(20,523)	(21,679)
Other operating expenses	(2,957)	(4,819)	(2,353)	(2,345)
Other operating income	7,072	5,381	3,977	2,796
Operating profit	37,870	45,159	21,839	15,923
Finance costs	(20,054)	(6,193)	(11,306)	(4,266)
Share of (loss) / Profit from an associate 6.1	(1,540)	5,657	(770)	2,968
Net profit before taxation	16,276	44,623	9,763	14,625
Taxation	(4,000)	(16,934)	(500)	(5,934)
Profit after taxation	12,276	27,689	9,263	8,691
Basic earnings per share	Rs. 1.14	Rs. 2.57	Re. 0.86	Re. 0.81

The annexed notes from 1 to 10 form an integral part of these interim financial statements.

MUHAMMAD HANIF IDREES
Chief Financial Officer

SIKANDER DADA
Chief Executive

MAQBOOL H. H. RAHIMTOOLA
Chairman

Half Yearly Report **DADEX**

Cash Flow Statement (Unaudited) For The Half Year Ended December 31, 2005

	Note	For Half Year Ended December 31, 2005	For Half Year Ended December 31, 2004 (restated)
----- (Rupees in '000) -----			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used) in operations	9	(185,186)	(200,411)
Finance cost paid		(18,619)	(7,530)
Taxes paid		(4,134)	(3,986)
Long - term loans and advances - net		(1,659)	(503)
Long-term deposits - net		(149)	(7,448)
Net cash outflow from operating activities		(209,747)	(219,878)
CASH FLOW FROM INVESTING ACTIVITIES			
Addition to tangible fixed assets and capital work-in-progress		(26,510)	(59,804)
Proceeds from disposal of fixed assets		467	-
Proceeds from sale of investments		-	25
Interest received		6,541	5,749
Net cash outflow from investing activities		(19,502)	(54,030)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of liabilities against finance leases		(30,802)	(65,559)
Borrowing under finance lease		-	148,878
Short-term borrowings (net of repayments)		334,397	(50,947)
Dividends paid		(37,021)	(31,641)
Net cash (outflow) / inflow from financing activities		266,574	731
Net increase / (decrease) in cash and cash equivalents		37,325	(273,177)
Cash and cash equivalents at the beginning of the period		59,800	368,734
Cash and cash equivalents at the end of the period		97,125	95,557

The annexed notes from 1 to 10 form an integral part of these interim financial statements.

MUHAMMAD HANIF IDREES
Chief Financial Officer

SIKANDER DADA
Chief Executive

MAQBOOL H. H. RAHIMTOOLA
Chairman

DADEX Half Yearly Report

Statement of Changes in Equity (Unaudited) For The Half Year Ended December 31, 2005

	Issued, Subscribed and Paid-up Capital	Capital Reserve (For Issue of Bonus Share)	Revenue Reserve General	Unrealised Gain / (loss) on Hedging Instruments	Unappropriated Profit	Total
----- (Rupees in '000) -----						
Balance as at July 1, 2004 (as previously reported)	107,640	5,655	313,345	334	41,575	468,549
Effect of changes in accounting policy (note 3.2)				-	1,527	1,527
Share of accumulated profit of an associate	-	-	-			
Balance as at July 1, 2004 (restated)	107,640	5,655	313,345	334	43,102	470,076
Final dividend for the year ended June 30, 2004 @ 30%	-	-	-	-	(32,292)	(32,292)
Transfer to general reserves for the year ended June 30, 2004	-	-	5,666	-	(5,666)	-
Net unrealized gain / (loss) on hedging instruments	-	-	-	(497)	-	(497)
Profit after taxation for the half year ended December 31, 2004 (restated)	-	-	-	-	27,689	27,689
Balance as at December 31, 2004	<u>107,640</u>	<u>5,655</u>	<u>319,011</u>	<u>(163)</u>	<u>32,833</u>	<u>464,976</u>
Balance as at July 1, 2005 (as previously reported)	107,640	5,655	319,011	(238)	56,851	488,919
Effect of changes in accounting policy (note 3.2)						
Share of profit of an associate						
- Accumulated profit	-	-	-	-	1,527	1,527
- Profit for the year	-	-	-	-	1,271	1,271
Balance as at July 1, 2005 (restated)	107,640	5,655	319,011	(238)	59,649	491,717
Final dividend for the year ended June 30, 2005 @ 35%	-	-	-	-	(37,674)	(37,674)
Transfer to general reserve for the year ended June 30, 2005	-	-	15,572	-	(15,572)	-
Net unrealized gain/(loss) on hedging instruments	-	-	-	238		238
Profit after taxation for the half year ended December 31, 2005	-	-	-	-	12,276	12,276
Balance as at December 31, 2005	<u>107,640</u>	<u>5,655</u>	<u>334,583</u>	<u>-</u>	<u>18,679</u>	<u>466,557</u>

The annexed notes from 1 to 10 form an integral part of these interim financial statements.

MUHAMMAD HANIF IDREES
Chief Financial Officer

SIKANDER DADA
Chief Executive

MAQBOOL H. H. RAHIMTOOLA
Chairman

Half Yearly Report **DADEX**

Notes to the Interim Financial Statements (Unaudited) For The Half Year Ended December 31, 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 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. 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 except for the change mentioned in note 3.2 and a change in accounting estimate in note 3.3 below;

3.2 Change in accounting policy

Effective from current period the revised International Accounting Standard (IAS) 28, Investment in Associates has become applicable to the Company. This has resulted in the change in accounting policy for investment in associates. The revised standard requires that such investments over which investor has "significant influence" must be accounted for using the equity method i.e., investments to be carried in the balance sheet at cost plus post-acquisition changes in the share of net assets of the associate, less any impairment in value. The profit and loss account reflects the share of the results of operations of the associates. Previously, it was accounted for under the cost method.

The change in accounting policy has been accounted for retrospectively and comparative information has been restated in accordance with benchmark treatment specified in IAS - 8 (Net Profit or Loss for the period and change in accounting policies). Had there been no change in accounting policy, the profit before tax would have been higher by Rs. 1,540 (thousand) [December 31, 2004: Rs. 5,657 (thousand)] and Investment would have been lower by Rs 1,258 (thousand) [June 30, 2005: Rs. 2,798 (thousand)]. The effect of change in accounting policy is reflected in the Balance sheet and Profit and loss account.

3.3 Change in accounting estimate

During the current period, as revised by International Accounting Standard (IAS) 16, Property, Plant and Equipment the management has reassessed the expected pattern of consumption of future economic benefits associated with the fixed assets. As a result of such exercise:

- a) due to the changes in expected useful economic life of plant and machinery to the Company, the rate of depreciation for the same has been revised from 20% to 10% effective from July 01, 2005;
- b) effective current period, the charge for depreciation is calculated on monthly basis whereby, a full month's charge is made for assets purchased during the year and no charge is made in the month of disposal. Previously, a full year's charge was made for assets purchased during the year and no charge was made in the year of disposal.

The effect of above change in accounting estimate has been recognized prospectively. Had the estimates not been revised, the depreciation charge for the period would have been higher and the carrying value of fixed assets would have been lower by Rs. 14,059 (thousand) and profit before taxation would have been lower by Rs. 8,074 (thousand), whereas stock-in-trade would have been higher by Rs. 5,985 (thousand).

Notes to the Interim Financial Statements (Unaudited) For The Half Year Ended December 31, 2005

4. FIXED ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Note	December 31, 2005	June 30, 2005
----- (Rupees in '000)-----			
4.1			
Additions during the period / year			
Land		-	23,376
Building		8,513	9,723
Plant & machinery		11,598	62,055
Furniture & fixture		538	228
Vehicles & transportation Equipment		827	12,353
Office and factory equipment		1,642	1,293
		23,118	109,028
4.2			
Disposals during the period / year (NBV)			
Plant and machinery		-	175,368
Vehicle and transportation equipment		2	11,098
Office and factory equipments		-	474
		2	186,940
4.3			
Depreciation charged for the period / year			
Owned assets		6,025	17,390
Assets under finance lease		13,507	64,597
		19,532	81,987
5.			
Capital work-in-progress			
Advance against purchase of fixed assets		4,179	6,649
- Plant and machinery		8,991	1,840
- Vehicles		6	12
- Others		322	2,854
Civil works		13,498	11,355
6.			
Long-Term Investments			
In an associate	6.1	6,258	7,798
Held to maturity			
- Defence Saving Certificates		270	270
- Accrued interest on DSC's		578	578
		848	848
Less: Maturity within one year shown in current assets		492	492
		356	356
		6,614	8,154

Notes to the Interim Financial Statements (Unaudited) For The Half Year Ended December 31, 2005

6.1 Investment in an associate

The Company holds 50 percent shareholding in Berdex Construction Chemicals (Private) Limited. Berdex is engaged in marketing and distribution of construction chemicals in Pakistan. Berdex Construction Chemicals (Private) Limited is an entity that is not listed on any public exchange. The following table illustrates summarized financial information of the Company in Berdex Construction Chemical (Private) Limited.

	December 31, 2005	June 30, 2005
----- (Rupees in '000)-----		
Amounts incorporated in respect of investment in an associate are set out below:		
Share of revenue for the period / year	1,084	11,532
Company's share at beginning of the period / year	7,798	6,527
Share of (loss) / profit before taxation for the period / year	(1,712)	1,517
Taxation	172	(246)
	(1,540)	1,271
	6,258	7,798
Share of the associate's balance sheet		
Current assets	8,627	11,596
Non-current assets	17	88
Current liabilities	(2,386)	(3,886)
Net assets	6,258	7,798

7. COMMITMENTS

	December 31, 2005	June 30, 2005
----- (Rupees in '000)-----		
Letters of guarantee	61,088	48,548
Letters of credit	-	1,968
Import contracts	18,210	1,863
Local purchase contract	20,638	8,769
Capital expenditure (imports and local contracts)	5,015	7,455
	104,951	68,603

Notes to the Interim Financial Statements (Unaudited) For The Half Year Ended December 31, 2005

8. 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, 2005	Half Year Ended December 31, 2004
----- (Rupees in '000)-----		
Associated companies		
Purchase of goods and services from Berger Paints Pakistan Limited	1,577	711
Rent paid to Sikandar (Private) Limited and Berger Paints Pakistan Limited	195	170
Income from services rendered to Berdex Construction Chemical (Private) Limited	-	300
Other related parties		
Sale of goods and services	7	220
Expenditure for services	-	69
Contribution to staff retirement benefit plans	3,013	2,586
Term Deposits with a bank	45,000	30,000

The Company continues to have a policy whereby all transactions with related parties are entered into at arm's length prices determined using the comparable uncontrolled price method.

9. CASH GENERATED FROM OPERATIONS

	Note	Half Year Ended December 31, 2005	Half Year Ended December 31, 2004
----- (Rupees in '000)-----			
Profit before taxation		16,276	44,623
Adjustments for non cash charges and other items:			
Depreciation		19,532	38,587
Profit on disposal of fixed assets - net		(465)	-
Interest income		(7,125)	(5,120)
Share of loss / (profit) from investment in an associate		1,540	(5,657)
Deferred income		(1,027)	-
Interest / mark-up expense		26,370	9,785
Working capital changes	9.1	(240,287)	(282,629)
		(185,186)	(200,411)

Notes to the Interim Financial Statements (Unaudited) For The Half Year Ended December 31, 2005

9.1 Working capital changes

	Half Year Ended December 31, 2005	Half Year Ended December 31, 2004
	----- (Rupees in '000) -----	
(Increase) / decrease in current assets		
Stores and spares	(2,085)	(3,723)
Stock in trade	(226,999)	(187,475)
Trade debts	(5,127)	(93,382)
Loans and advances	(831)	(130)
Trade deposits and short term prepayments	(921)	(2,157)
Other receivable (net)	(225)	(13,545)
	(236,188)	(300,412)
(Decrease) / Increase in current liabilities		
Trade and other liabilities (net)	(4,099)	17,783
	(240,287)	(282,629)

10. GENERAL

- 10.1 The figures of the profit and loss account for the quarters ended December 31, 2005 and December 31, 2004 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, 2005.
- 10.2 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 wherever necessary for the purpose of comparison.
- 10.3 These financial statements were authorised for issue by the Board of Directors on February 22, 2006.
- 10.4 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

BOOK POST

www.dadex.com

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
Tel. (92-21) 111-000-789 Fax. (92-21) 4315716