

Quarterly Report  
Dadex Eternit Ltd

Interim Financial Report (Unaudited)  
For the First Quarter Ended  
30 September, 2006

**DADEX**

## Company Information

Board of Directors	SIKANDER DADA - Chairman ABDUR RAZZAK DADA (Alternate: MUHAMMAD HANIF IDREES) ABU TALIB H.K. DADA MAQBOOL H.H. RAHIMTOOLA QAZI SAJID ALI SHAHZAD M. HUSAIN RASHEED Y. CHINYOY MUHAMMAD NAJAM ALI MOHAMMAD ALI JAMEEL SAAD S. FARUQUI
Chief Executive Officer	IMTIAZ H. ZAIDI
Chief Financial Officer & Company Secretary	MUHAMMAD HANIF IDREES
Board Audit Committee	QAZI SAJID ALI - Chairman ABU TALIB H.K. DADA MUHAMMAD NAJAM ALI IMTIAZ H. ZAIDI
Management Team	IMTIAZ H. ZAIDI - Chairman ANWAR-UL-HASAN MUHAMMAD HANIF IDREES RIZWAN AMJED SUHAIL NADEEM TANVEER SALEEM AWAIS BIN NASIM ASIM MUHAMMAD KHAN
Auditors	FORD RHODES SIDAT HYDER & CO. Chartered Accountants
Bankers	CITIBANK N.A. HABIB BANK LIMITED HABIB METROPOLITAN BANK LIMITED KASB BANK LIMITED MCB BANK LTD 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
Web site	<a href="http://www.dadex.com">www.dadex.com</a>

## Directors' Report

With the real GDP growth target of 7% set for the fiscal year, first quarter witnessed further tightening of monetary expansion by increase in discount rate. The focus on the infrastructure development and revenue mobilisation would help in achieving the necessary fiscal consolidation. However, burgeoning fiscal and current account deficits, continuing high inflation and latent power shortages are potential challenges in the medium term for the country's economy.

During the period under review, your company achieved a growth of 25% in turnover over corresponding quarter of previous year. However increasing competition coupled with inflationary pressures due to increasing costs of petroleum based raw material and rising mark up rates on borrowings have kept the profitability under pressure with an achievement of EPS of Rs.0.81 (30 September, 2005: Rs.0.20).

Work on the setting up of the manufacturing facilities in the North is going on as per plan which will assist in achieving freight saving & competitiveness in a faster growing market. With the buoyancy in the demand side and having manufacturing base, both in South & North, we will be able to position ourselves in getting the due market share.

On Behalf of the Board

Karachi: 30 October, 2006

**Imtiaz H. Zaidi**  
Chief Executive Officer

**Qazi Sajid Ali**  
Director

## Balance Sheet as at September 30, 2006

	Note	1st Quarter Ended September 30, 2006 (Unaudited)	Year Ended June 30, 2006 (Audited)
------(Rupees '000)-----			
<b>ASSETS</b>			
<b>NON- CURRENT ASSETS</b>			
Fixed Assets - Property, plant and equipment	4	350,892	343,998
Long-term investments	5	4,299	5,215
Long-term loans and advances		3,942	4,500
Long-term deposits		5,721	8,251
<b>TOTAL NON-CURRENT ASSETS</b>		<b>364,854</b>	<b>361,964</b>
<b>CURRENT ASSETS</b>			
Stores and spares		71,676	81,264
Stocks-in-trade		906,885	815,806
Trade debts		144,324	178,949
Loans and advances		23,851	25,380
Trade deposits and short-term prepayments		21,357	15,202
Other receivables		805	595
Current portion of long term investment		70	70
Taxation Recoverable		12,358	10,654
Cash and bank balances		7,116	2,312
<b>TOTAL CURRENT ASSETS</b>		<b>1,188,442</b>	<b>1,130,232</b>
<b>TOTAL ASSETS</b>		<b>1,553,296</b>	<b>1,492,196</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
20,000,000 (June 2005: 20,000,000) ordinary shares of Rs. 10/- each		<b>200,000</b>	<b>200,000</b>
Issued, subscribed and paid-up capital		107,640	107,640
Reserves		369,868	361,189
<b>Shareholders' equity</b>		<b>477,508</b>	<b>468,829</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income		1,540	2,053
Liabilities against assets subject to finance lease	6	17,104	17,104
Deferred Taxation		24,736	24,736
		43,380	43,893
<b>CURRENT LIABILITIES</b>			
Trade and other payables		327,985	356,284
Accrued interest / mark-up		8,889	10,129
Short-term borrowings - Secured		677,507	582,711
Current portion of liabilities against assets subject to finance leases	6	17,031	23,592
Sales tax payable		996	6,758
<b>Total Current Liabilities and Provisions</b>		<b>1,032,408</b>	<b>979,474</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,553,296</b>	<b>1,492,196</b>

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

Muhammad Hanif Idrees  
Chief Financial Officer

Imtiaz H. Zaidi  
Chief Executive Officer

Qazi Sajid Ali  
Director

**Profit & Loss Account (Unaudited)**  
**For the 1st Quarter Ended September 30, 2006**

Note	<u>1st Quarter ended</u>	
	<u>September 30</u> <u>2006</u>	<u>September 30</u> <u>2005</u>
	-----Rupees '000)-----	
Turnover	344,708	276,429
Cost of sales	<u>(260,972)</u>	<u>(215,711)</u>
Gross profit	83,736	60,718
Selling expenses	(36,820)	(25,467)
Administration expenses	(20,515)	(20,347)
Other operating expenses	(2,743)	(3,799)
Other operating income	<u>6,267</u>	<u>3,309</u>
Operating profit	29,925	14,414
Finance cost	(15,793)	(8,748)
Share of (loss) / profit from associate	<u>(780)</u>	<u>-</u>
Profit before taxation	13,352	5,666
Taxation	<u>(4,673)</u>	<u>(3,500)</u>
Profit after taxation	<u><u>8,679</u></u>	<u><u>2,166</u></u>
	-----Rupees -----	
Earnings per share (Rs.)	<u><u>0.81</u></u>	<u><u>0.20</u></u>

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

**Muhammad Hanif Idrees**  
Chief Financial Officer

**Imtiaz H. Zaidi**  
Chief Executive Officer

**Qazi Saji Ali**  
Director

**Cash Flow Statement (Unaudited)**  
**For the 1st Quarter Ended September 30, 2006**

	<u>Note</u>	<u>1st Quarter Ended September 30, 2006</u>	<u>1st Quarter Ended September 30, 2005</u>
------(Rupees '000)-----			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated / (used) in operations	9	(45,574)	(61,299)
Finance Cost		(16,583)	(6,783)
Taxes paid		(6,378)	(1,309)
Long - term loans and advances - net		559	(206)
Long-term deposits - net		2,530	-
<b>Net cash outflow from operating activities</b>		<b>(65,446)</b>	<b>(69,597)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(18,635)	(4,504)
Proceeds from disposal of fixed assets		214	25
Proceeds from sale of investments		136	-
Interest received		310	1,852
<b>Net cash outflow from investing activities</b>		<b>(17,975)</b>	<b>(2,627)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Borrowing against assets subject to finance lease paid		(6,562)	(19,075)
Short-term borrowings (repaid) / obtained		94,797	406,624
Dividends paid		(10)	(15)
Net cash (outflow) / inflow from financing activities		88,225	387,534
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>4,804</b>	<b>315,310</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>2,312</b>	<b>59,800</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>7,116</b>	<b>375,110</b>

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

**Muhammad Hanif Idrees**  
Chief Financial Officer

**Imtiaz H. Zaidi**  
Chief Executive Officer

**Qazi Sajid Ali**  
Director

**Statement of Changes in Equity (Unaudited)  
For the 1st Quarter Ended September 30, 2006**

	Reserves					Sub Total	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, 2005</b>	107,640	5,655	319,011	(238)	56,851	381,279	488,919
Share of accumulated profit in respect of Investment in an associated company					2,798	2,798	2,798
<b>Balance as at July 01, 2005 (restated)</b>	107,640	5,655	319,011	(238)	59,649	384,077	491,717
Final dividend for the year ended June 30, 2005 @ 35%					(37,674)	(37,674)	(37,674)
Transfer to general reserves for the year ended June 30, 2005			15,572		(15,572)	-	-
Net unrealised gain/(loss) on hedging instruments				238		238	238
Profit after taxation for the year ended June 30, 2006					14,548	14,548	14,548
<b>Balance as at June 30, 2006</b>	107,640	5,655	334,583	-	20,951	361,189	468,829
<b>Balance as at July 01, 2006</b>	107,640	5,655	334,583	-	20,951	361,189	468,829
Profit after taxation for the 1st quarter ended September 30, 2006					8,679	8,679	8,679
<b>Balance as at September 30, 2006</b>	107,640	5,655	334,583	-	29,630	369,868	477,508

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

Muhammad Hanif Idrees  
Chief Financial Officer

Imtiaz H. Zaidi  
Chief Executive Officer

Qazi Sajid Ali  
Director

**Notes to the Interim Financial Statements (Unaudited)  
For the First Quarter ended September 30, 2006**

**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 (the Ordinance) and is quoted on Karachi Stock Exchange. The registered office of the company is situated at Dadex House, 34-A/1, Block 6, P.E.C.H.S, Sharah-e-Faisal, Karachi. The principal business of the company is manufacture and sale of construction material which mainly includes piping system and other allied products manufactured from chrysotile cement, rubber and plastics; and merchandising of imported fittings, accessories and other building products.

The company is also focusing on application of its products to "Agriculture and irrigation" sector.

**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, 2006.

Note	September 30, 2006	June 30, 2006
	------(Rupees '000)-----	

**4 FIXED ASSETS - PROPERTY, PLANT AND EQUIPMENT**

Fixed Assets		291,011	298,492
Capital work-in Progress	4.4	59,881	45,506
		<u>350,892</u>	<u>343,998</u>

**4.1 Additions during the period / year**

Land		-	4
Buildings		1,571	11,015
Plant & machinery		1,764	39,847
Furniture & fixture		53	2,034
Vehicles & transportation Equipment		289	15,078
Office and factory equipment		478	6,968
		<u>4,155</u>	<u>74,946</u>

**4.2 Disposals during the period (NBV)**

Plant & Machinery		-	-
Motor Vehicles		-	1,239
Office & factory equipment		36	-
		<u>36</u>	<u>1,239</u>

**4.3 Property, Plant and Equipment held for disposal.**

Plant & Machinery		6,120	16,207
Motor vehicles		733	733
		<u>6,853</u>	<u>16,940</u>

**4.4 CAPITAL WORK IN PROGRESS**

Advance against purchase of fixed assets			
- Plant and machinery		3,647	955
- Vehicles		4,821	-
Cost of acquiring SAP license		9,285	9,286
Civil Works		25,030	18,167
Green house to be installed		17,098	17,098
		<u>59,881</u>	<u>45,506</u>



	September 30, 2006	June 30, 2006
	----- (Rupees '000) -----	
<b>5 LONG TERM INVESTMENTS</b>		
-In an associate		
625,000 ordinary shares of Rs. 10/- each	5,000	5,000
Share of (loss)/profit in as associated company	(1,197)	(417)
	<u>3,803</u>	<u>4,583</u>
-Others - held to maturity		
Defence saving certificates	185	220
Accrued Interest	381	482
	566	702
Less: Maturity within next twelve months shown in current assets	(70)	(70)
	<u>496</u>	<u>632</u>
	<u>4,299</u>	<u>5,215</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% (2006: 4.65% to 6.90%).

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

Quarter / year to June 30, 2007	25,277	32,245
Year to June 30, 2008	9,727	9,727
	<u>35,004</u>	<u>41,972</u>
Less: Financial charges not yet due	(869)	(1,276)
	34,135	40,696
Less: Current portion shown under current liabilities	(17,031)	(23,592)
	<u>17,104</u>	<u>17,104</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.

	September 30, 2006	June 30, 2006
	----- (Rupees '000) -----	
<b>7 COMMITMENTS</b>		
Letter of guarantee	48,449	50,269
Letter of credit	30,900	21,345
Imports Contract	97,548	5,154
Local purchase contracts	94,648	100,413
	<u>271,545</u>	<u>177,181</u>

7.1 Consideration agreed for plant & machinery held for disposal referred to in note 4.3, is unpaid as at 30 September, 2006. Assets not paid for are in physical custody of the company. In case of default by the party, the company would have to find alternate customer for the unpaid assets. Therefore carrying value of the assets held for disposal as reduced by the security deposit of Rs.0.5 million and net realizable value of such assets are subject to contingent loss.

	September 30, 2006	June 30, 2006
	----- (Rupees '000) -----	
<b>8 TRANSACTIONS WITH RELATED PARTIES</b>		
<b>Associated companies</b>		
Rent paid to Sikander (Pvt) Limited and Berger Paints Pakistan Limited	150	150
Purchase of goods from Berger Paints Pakistan Limited	91	-
	444	628
<b>Other related parties</b>		
Purchase of goods	-	4,199
Sale of goods	1,325	7
Expenditure for services	98	131
Interest income on bank deposits	234	1,859
Contribution to staff retirement benefit plan	1,595	6,244
Short term investment in bank		70,000

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.

(Rupees '000)

**9 CASH GENERATED FROM OPERATIONS****Cash generated / (used in) operations**

Profit before taxation	13,352	5,666
Adjustments for non cash charges and other items:		
Depreciation	11,773	17,464
Profit on disposal of fixed assets - net	(178)	(25)
Interest income	(310)	(2,800)
Share of loss / (profit) from investment in associate	780	-
Deferred income amortized	(513)	(513)
Interest / markup expense	15,344	11,218
Working capital changes	(85,822)	(92,309)
	(58,926)	(66,965)
	(45,574)	(61,299)

**9.1 Working capital changes**

(Increase) / decrease in current assets

Stores and spares	9,588	(7,253)
Stock in trade	(91,079)	(78,564)
Trade debts	34,625	6,079
Loans and advances	1,529	(417)
Trade deposits and short term prepayments	(6,155)	(1,911)
Other receivable (net)	(210)	147
	(51,702)	(81,918)
(Decrease) in current liabilities		
Trade & other liabilities (net)	(34,120)	(10,390)
	(85,822)	(92,309)

**10 GENERAL**

- 10.1** These financial statements were authorized for issue by the Board of Directors of the company on October 30, 2006.
- 10.2** Amounts have been rounded off to the nearest thousand rupees unless otherwise stated.
- 10.3** Previous year's figures have been restated due to adoption of the amendments in IAS's, wherever necessary, for the purposes of comparison.

**Muhammad Hanif Idrees**  
Chief Financial Officer

**Imtiaz H. Zaidi**  
Chief Executive Officer

**Qazi Sajid Ali**  
Director