

3rd Quarterly Report (Unaudited)



For the Nine Months & Third Quarter
Ended March 31, 2006

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 RIZWAN AMJED S. SAJID NAZAR ALI SAQIB HABIB
New Divisions Optic Fibre Cable Laying Division Agricultural & Irrigation Division Architectural Cladding & Curtain Wall Division	MUHAMMAD HASAN AWAIS BIN NASIM 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

Providing infrastructure and investor friendly policies is important to sustain the economic growth - especially under the high inflation and interest scenario. Intense competition from low quality manufacturers, cheap imports and sub standard substitutes is affecting the revenue growth.

Your company has managed to achieve a growth of over 4% in turnover over previous year. Inflationary trend, especially sharp increase in prices of cement, transportation costs and increased rates of borrowing are posing heavy pressure on margins leading to reduced earning per share of Rs.1.48 (Restated for 31 March, 2005: 3.05).

Setting up of new business divisions, increased selling and marketing efforts along with cost optimization measures are expected to improve results in succeeding periods.

On Behalf of the Board

Karachi: April 22, 2006

SIKANDER DADA
Chief Executive

QAZI SAJID ALI
Director

Balance Sheet as at March 31, 2006

	Note	March 31, 2006 (Unaudited)	June 30, 2005 Audited (restated)
----- (Rupees in '000) -----			
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets - Property, plant and equipment	4	288,815	284,808
Capital work-in-progress	5	25,814	13,216
		<u>314,629</u>	<u>298,024</u>
Long-term investments	6	6,186	8,154
Long-term loans and advances		3,418	1,488
Long-term deposits		15,663	15,305
		<u>339,896</u>	<u>322,971</u>
CURRENT ASSETS			
Stores and spares		61,692	58,061
Stocks-in-trade		775,131	586,826
Trade debts		197,704	176,328
Loans and advances		19,184	25,353
Trade deposits and short-term prepayments		6,002	4,357
Accrued markup		342	275
Other receivables		523	147
Current portion of long term investment		492	492
Cash and bank balances		3,649	59,800
		<u>1,064,719</u>	<u>911,639</u>
TOTAL ASSETS		<u><u>1,404,615</u></u>	<u><u>1,234,610</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share 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 10,764,000 (2005: 10,764,000) Ordinary shares of Rs. 10/- each		107,640	107,640
Reserves		362,608	384,077
Shareholders' equity		<u>470,248</u>	<u>491,717</u>
NON-CURRENT LIABILITIES			
Deferred income		2,567	4,107
Liabilities against assets subject to finance lease		34,238	40,901
Deferred Taxation		14,588	14,588
		<u>51,393</u>	<u>59,596</u>
CURRENT LIABILITIES			
Trade and other payables		276,365	275,090
Mark-up accrued		9,002	4,553
Short-term borrowings		561,944	329,697
Current portion of liabilities against assets subject to finance leases		13,875	49,733
Sales tax payable		11,971	16,272
Taxation Payable		9,817	7,952
		<u>882,974</u>	<u>683,297</u>
CONTINGENCIES & COMMITMENTS	7	-	-
TOTAL EQUITY AND LIABILITIES		<u><u>1,404,615</u></u>	<u><u>1,234,610</u></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

QAZI SAJID ALI
Director

Profit and Loss Account (Unaudited)

For The Nine Months & Third Quarter Ended March 31, 2006

	Nine Months Ended		Quarter Ended	
	March 31, 2006	March 31, 2005 (restated)	March 31, 2006	March 31, 2005 (restated)
	----- (Rupees in '000) -----			
Turnover	926,147	886,152	344,774	296,971
Cost of Sales	(700,368)	(683,246)	(258,310)	(235,327)
Gross profit	225,779	202,906	86,464	61,644
Selling expenses	(107,232)	(81,794)	(42,373)	(21,560)
Administrative expenses	(63,033)	(59,803)	(22,332)	(23,371)
Other operating expenses	(5,012)	(5,603)	(2,055)	(783)
Other operating income	10,750	8,273	3,678	2,892
Operating profit	61,252	63,979	23,382	18,822
Finance costs	(34,793)	(12,233)	(14,739)	(6,040)
Share of (loss) / Profit from an associate	(1,918)	1,363	(378)	(4,394)
Profit before taxation	24,541	53,109	8,265	8,388
Taxation	(8,574)	(20,267)	(4,574)	(3,333)
Profit after taxation	15,967	32,842	3,691	5,055
Earnings per share	Rs. 1.48	Rs. 3.05	Rs. 0.34	Rs. 0.47

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

QAZI SAJID ALI
Director

Cash Flow Statement (Unaudited)

For The Nine Months Ended March 31, 2006

	Note	March 31, 2006	March 31, 2005 (restated)
----- (Rupees in '000) -----			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used) in operations	9	(121,734)	(213,964)
Finance Cost - net		(29,058)	(6,460)
Taxes paid		(6,711)	(6,135)
Long - term loans and advances - net		(1,826)	(878)
Long-term deposits - net		(358)	(9,255)
Net cash outflow from operating activities		<u>(159,687)</u>	<u>(236,692)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Addition to tangible fixed assets and capital work-in-progress		(49,514)	(73,037)
Proceeds from disposal of fixed assets		467	376
Proceeds from sale of investments		50	25
Net cash outflow from investing activities		(48,997)	(72,636)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of liabilities against finance leases		(42,521)	(100,307)
Borrowing under finance lease		-	181,749
Short-term borrowings (net of repayments)		232,247	10,024
Dividends paid		(37,193)	(31,855)
Net cash inflow from financing activities		<u>152,533</u>	<u>59,611</u>
Net (decrease) in cash and cash equivalents		<u>(56,151)</u>	<u>(249,717)</u>
Cash and cash equivalents at the beginning of the period		59,800	368,734
Cash and cash equivalents at the end of the period		<u><u>3,649</u></u>	<u><u>119,017</u></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

QAZI SAJID ALI
Director

Statement of Changes in Equity (Unaudited)

For The Nine Months Ended March 31, 2006

	Issued, Subscribed and Paid-up Capital	Capital Reserve Share Premium	Revenue Reserve General	Unrealized 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 change in accounting policy (note 3.2)						
Share of accumulated profit of an associate	-	-	-	-	1,527	1,527
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	-	-	-	(334)	-	(334)
Profit after taxation for the nine months ended March 31, 2005	-	-	-	-	32,842	32,842
Balance as at March 31, 2005	<u>107,640</u>	<u>5,655</u>	<u>319,011</u>	<u>-</u>	<u>37,986</u>	<u>470,292</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 nine months ended March 31, 2006	-	-	-	-	15,967	15,967
Balance as at March 31, 2006	<u>107,640</u>	<u>5,655</u>	<u>334,583</u>	<u>-</u>	<u>22,370</u>	<u>470,248</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

QAZI SAJID ALI
Director

Notes to the Interim Financial Statements (Unaudited) For The Nine Months Ended March 31, 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 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 chrysoile 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, 2005 except for the change mentioned in note 3.2. and a change in accounting estimates 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. investment 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 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 profit before tax would have been higher by Rs. 1,918 (thousand) [March 31, 2005: Rs. 1,363 (thousand)] and investment would have been lower by Rs. 880 (thousand) [June 30, 2005: Rs. 2,798 (thousand)]. The effect of change in accounting policy has been reflected in the balance sheet and profit and loss account.

3.3 Change in accounting estimate

During the current accounting 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 change 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 estimates 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.21,089 (thousands) and profit before taxation would have been lower by Rs. 12,111 (thousand), whereas stock-in-trade would have been higher by Rs.8,978 (thousand).

Notes to the Interim Financial Statements (Unaudited) For The Nine Months Ended March 31, 2006

4. OPERATING FIXED ASSETS

	Note	March 31, 2006	June 30, 2005
----- (Rupees in '000)-----			
4.1			
Additions during the period / year			
Land		-	23,376
Building		7,658	9,723
Plant & machinery		14,408	62,055
Furniture & fixture		394	228
Vehicles & transportation Equipment		10,535	12,353
Office and factory equipment		2,715	1,293
		<u>35,710</u>	<u>109,028</u>
4.2			
Disposals during the period / year (NBV)			
Plant and machinery		-	175,368
Vehicle and transportation equipment		1	11,098
Office and factory equipments		-	474
		<u>1</u>	<u>186,940</u>
4.3			
Depreciation charged for the period / year			
Owned assets		11,100	17,390
Assets under finance lease		20,601	64,597
		<u>31,701</u>	<u>81,987</u>
5.			
Capital work-in-progress			
Advance against purchase of fixed assets			
- Plant and machinery		3,766	6,649
- Vehicles		2,301	1,840
- Others		17,035	12
Civil works		851	2,854
Spares held for capitalization		1,861	1,861
		<u>25,814</u>	<u>13,216</u>
6.			
Long-Term Investments			
In an associate	6.1	5,880	7,798
Held to maturity			
- Defence Saving Certificates		220	270
- Accrued interest on DSC's		578	578
		798	848
Less: Maturity within one year shown in current assets		492	492
		<u>306</u>	<u>356</u>
		<u>6,186</u>	<u>8,154</u>

Notes to the Interim Financial Statements (Unaudited) For The Nine Months Ended March 31, 2006

6.1 Investment in associate

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

	March 31, 2006	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	<u>1,249</u>	<u>11,532</u>
Company's share at beginning of the period / year	7,798	6,527
Share of (loss) / profit after taxation for the period / year	(1,918)	1,271
	<u>5,880</u>	<u>7,798</u>
Share of the associate's balance sheet		
Current assets	8,205	11,596
Non-current assets	117	88
Current liabilities	(2,442)	(3,886)
	<u>5,880</u>	<u>7,798</u>

7. COMMITMENTS

	March 31, 2006	June 30, 2005
----- (Rupees in '000) -----		
Letters of guarantee	70,842	48,548
Letters of credit	60,089	1,968
Import contracts	19,711	1,863
Local purchase contract	4,424	8,769
Capital expenditure (imports and local contracts)	4,252	7,455
	<u>159,318</u>	<u>68,603</u>

Notes to the Interim Financial Statements (Unaudited) For The Nine Months Ended March 31, 2006

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:

	March 31, 2006	March 31, 2005
----- (Rupees in '000)-----		
Associated Undertaking		
Purchase of goods and services from Berger Paints Pakistan Limited	2,443	873
Rent paid to Sikander (Private) Limited and Berger Paints Pakistan Limited	310	254
Income from services rendered to Berdex Construction Chemicals (Private) Limited	-	300
Other related parties		
Sale of goods and services	7	220
Purchase of goods	-	599
Expenditure for services	-	81
Contribution to staff retirement benefit plans	4,615	3,929
Term Deposits with a bank	45,000	30,000
Interest on term deposit	1,381	196

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

	March 31, 2006	March 31, 2005 (restated)
----- (Rupees in '000)-----		
Cash generated / (used in) operations		
Profit before taxation	24,541	53,109
Adjustments for non cash charges and other items:		
Depreciation	31,701	58,633
Profit on disposal of fixed assets - net	(465)	(75)
Interest income	(7,553)	(6,618)
Share of loss / (profit) from investment in an associate	1,918	(1,363)
Share of loss / (profit) from investment in an associate	(1,540)	-
Interest / markup expense	40,993	17,098
Working capital changes	9.1 (211,329)	(334,748)
	(146,275)	(267,073)
	<u>(121,734)</u>	<u>(213,964)</u>

Notes to the Interim Financial Statements (Unaudited) For The Nine Months Ended March 31, 2006

9.1 Working capital changes

	March 31, 2006	March 31, 2005 (restated)
	----- (Rupees in '000) -----	
(Increase) / decrease in current assets		
Stores and spares	(3,631)	(4,030)
Stock in trade	(188,305)	(234,941)
Trade debts	(21,377)	(81,869)
Loans and advances	6,065	(4,737)
Trade deposits and short term prepayments	(1,645)	1,688
Other receivable (net)	(376)	(7,218)
	(209,269)	(331,107)
(Decrease) in current liabilities		
Trade and other liabilities (net)	(2,060)	(3,641)
	<u>(211,329)</u>	<u>(334,748)</u>

10 GENERAL

- 10.1 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.
- 10.2 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.
- 10.3 These financial statements were authorized for issue by the Board of Directors on April 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

QAZI SAJID ALI
Director

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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