

Third Quarterly Report  
Dadex Eternit Ltd

Interim Financial Report (Unaudited)  
For the Nine Months & Third Quarter  
Ended March 31, 2007

**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. CHINOY 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 JS BANK LIMITED MCB BANK LIMITED NATIONAL BANK OF PAKISTAN OMAN INTERNATIONAL BANK S.A.O.G. PICIC COMMERCIAL BANK LIMITED STANDARD CHARTERED BANK (PAKISTAN) LIMITED THE HONG KONG & SHANGHAI BANKING CORPORATION 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

During the nine months under review, construction Industry has overall been robust, as is evidenced by 31% increase in cement dispatches over the corresponding nine months of the last year. In addition, pace of work in infrastructure projects in all provinces, especially Balochistan, has picked up, which has resulted in 40% growth in turnover of the Company for the third quarter over corresponding quarter of the last year. Tight monetary policy by the Central Bank is continuing with interest rates at a high level.

Net Sales for the nine months are higher by 20% over the corresponding period of last year. This trend shows that your company is now poised to take a fair share of the growing market. The growth in operating profit has been 23% but the financial charges have gone up by 60% due to high interest rates and large expenditures on new plant near Lahore, SAP project and expenditures on new businesses. Efforts are being made to reduce inventory levels and tighter control on credit sales. The EPS for the nine months under review is Rs. 0.41

Expenditures on SAP and new facilities will start giving returns next year through enhanced business capacity and geographical diversification. We are hopeful that higher sales, efficient production and control on financial expenses will restore and improve the profitability of the company next year.

On behalf of the Board

Imtiaz H. Zaidi  
Chief Executive Officer

Abu Talib H. K. Dada  
Director

Karachi: 30 April 2007

**Dadex Eternit Ltd**  
**Balance Sheet As At March 31, 2007**

	Note	March 31, 2007 Unaudited	June 30, 2006 Audited
----- (Rupees '000) -----			
<b>ASSETS</b>			
<b>NON- CURRENT ASSETS</b>			
Fixed Assets - Property, plant and equipment	4	412,155	343,998
Long-term investments	5	1,187	5,215
Long-term loans and advances		3,255	4,500
Long-term deposits		5,787	8,251
<b>TOTAL NON-CURRENT ASSETS</b>		<u>422,384</u>	<u>361,964</u>
<b>CURRENT ASSETS</b>			
Stores and spares		81,464	81,264
Stocks-in-trade		817,847	815,806
Trade debts		216,050	178,949
Loans and advances		15,995	25,380
Trade deposits and short-term prepayments		28,183	15,202
Other receivables		2,239	595
Current portion of long term investment		35	70
Taxation Recoverable		16,023	10,654
Cash and bank balances		5,617	2,312
<b>TOTAL CURRENT ASSETS</b>		<u>1,183,453</u>	<u>1,130,232</u>
<b>TOTAL ASSETS</b>		<u><u>1,605,837</u></u>	<u><u>1,492,196</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorised capital</b>			
20,000,000 (June 2006: 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		346,793	361,189
<b>Shareholders' equity</b>		<u>454,433</u>	<u>468,829</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income		513	2,053
Liabilities against assets subject to finance lease		-	17,104
Deferred Taxation		24,736	24,736
		25,249	43,893
<b>CURRENT LIABILITIES</b>			
Trade and other payables		358,019	356,284
Accrued interest / mark-up		11,232	10,129
Short-term borrowings - Secured		719,806	582,711
Current portion of liabilities against assets subject to finance leases		22,062	23,592
Sales tax payable		15,036	6,758
<b>Total Current Liabilities and Provisions</b>		<u>1,126,155</u>	<u>979,474</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	6	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,605,837</u></u>	<u><u>1,492,196</u></u>

The annexed notes 1 to 9 form an integral part of these financial statements

**Muhammad Hanif Idrees**  
Chief Financial Officer

**Imtiaz H. Zaidi**  
Chief Executive Officer

**Abu Talib H.K. Dada**  
Director

**DADEX ETERNIT LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2007**

	<u>Nine Months Ended</u>		<u>Quarter Ended</u>	
	<u>March 31, 2007</u>	<u>March 31, 2006 (Restated)</u>	<u>March 31, 2007</u>	<u>March 31, 2006 (Restated)</u>
<u>----- (Rupees'000) -----</u>				
<b>NET SALES</b>	1,114,573	925,764	482,739	344,773
COST OF GOODS SOLD	<u>(868,690)</u>	<u>(700,368)</u>	<u>(389,248)</u>	<u>(258,766)</u>
<b>GROSS PROFIT</b>	245,883	225,396	93,491	86,007
Selling and Distribution Expenses	(116,187)	(107,232)	(45,703)	(42,364)
Administration Expenses	(62,254)	(63,033)	(23,159)	(21,883)
Other operating Expenses	(6,923)	(5,012)	(2,863)	(2,055)
Other operating Income	<u>15,034</u>	<u>11,133</u>	<u>5,561</u>	<u>3,679</u>
Operating Profit	75,553	61,252	27,327	23,383
Financial charges	(56,251)	(34,793)	(20,277)	(14,739)
Share of (Loss) / Profit from Associate	<u>(3,920)</u>	<u>(1,918)</u>	<u>(920)</u>	<u>(378)</u>
<b>Profit before Taxation</b>	15,382	24,541	6,130	8,267
Taxation	10,942	8,574	4,524	4,574
<b>Profit after Taxation</b>	<u><u>4,440</u></u>	<u><u>15,967</u></u>	<u><u>1,606</u></u>	<u><u>3,693</u></u>
<u>----- Rupees -----</u>				
<b>EARNINGS PER SHARE</b>	<u><u>0.41</u></u>	<u><u>1.48</u></u>	<u><u>0.15</u></u>	<u><u>0.34</u></u>

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**Muhammad Hanif Idrees**  
Chief Financial Officer

**Imtiaz H. Zaidi**  
Chief Executive Officer

**Abu Talib H.K. Dada**  
Director

**Dadex Eternit Ltd**  
**Cash Flow Statement (Unaudited)**  
**For the nine months ended March 31, 2007**

<u>Note</u>	<u>March 31, 2007</u>	<u>March 31, 2006</u>
	------(Rupees '000)-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash generated / (used) in operations	8 71,602	(121,734)
Finance Cost	(53,293)	(29,058)
Taxes paid	(16,311)	(6,711)
Long - term loans and advances - net	1,245	(1,826)
Long-term deposits - net	2,464	(358)
<b>Net cash (outflow) / inflow from operating activities</b>	<b>5,707</b>	<b>(159,687)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(105,820)	(49,514)
Proceeds from disposal of fixed assets	3,157	467
Proceeds from sale of investments	142	50
Interest received	308	0
<b>Net cash outflow from investing activities</b>	<b>(102,213)</b>	<b>(48,997)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Borrowing against assets subject to finance lease paid	(18,634)	(42,521)
Short-term borrowings (repaid) / obtained	137,096	232,247
Dividends paid	(18,651)	(37,193)
<b>Net cash inflow from financing activities</b>	<b>99,811</b>	<b>152,533</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>3,305</b>	<b>(56,151)</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>5,617</b>	<b>3,649</b>

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**Muhammad Hanif Idrees**  
Chief Financial Officer

**Imtiaz H. Zaidi**  
Chief Executive Officer

**Abu Talib H.K. Dada**  
Director

**DADEX ETERNIT LIMITED**  
**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2007**

	<u>Reserves</u>					Sub Total	Total
	Issued subscribed and paid up capital	Capital Reserve- Share Premium	Unrealised gain / (loss) on hedging instruments	Revenue Reserve General	Unappro- priated Profit		
	----- (Rupees '000) -----						
<b>Balance as at July 01, 2005</b>	107,640	5,655	(238)	319,011	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 9 months ended March 31, 2006					15,967	15,967	15,967
<b>Balance as at March 31, 2006</b>	<u>107,640</u>	<u>5,655</u>	<u>-</u>	<u>334,583</u>	<u>22,370</u>	<u>362,608</u>	<u>470,248</u>
<b>Balance as at July 01, 2006</b>	<b>107,640</b>	<b>5,655</b>		<b>334,583</b>	<b>20,951</b>	<b>361,189</b>	<b>468,829</b>
Final dividend for the year ended June 30, 2006 @ 17.5%					(18,836)	(18,836)	(18,836)
Profit after taxation for the 9 months ended March 31, 2007					4,440	4,440	4,440
<b>Balance as at March 31, 2007</b>	<u><b>107,640</b></u>	<u><b>5,655</b></u>		<u><b>334,583</b></u>	<u><b>6,555</b></u>	<u><b>346,793</b></u>	<u><b>454,433</b></u>

The annexed notes 1 to 9 form an integral part of these financial statements

**Muhammad Hanif Idrees**  
Chief Financial Officer

**Imtiaz H. Zaidi**  
Chief Executive Officer

**Abu Talib H.K. Dada**  
Director

**Notes to the Interim Financial Statements (Unaudited)**  
**For the nine months ended March 31, 2007**

**1. NATURE AND STATUS OF BUSINESS**

The Company is a limited liability company incorporated in Pakistan on April 13, 1959 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. These should be read in conjunction with the financial statements of the Company for the year ended June 30, 2006.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

3.1 The accounting policies adopted for the preparation of these interim condensed financial statements are the same as those applied in the preparation of the preceding annual published financial statements of the Company.

	March 31, 2007	June 30, 2006
<b>4 FIXED ASSETS - PROPERTY, PLANT AND EQUIPMENT</b>		
<b>4.1 Additions during the period / year</b>		
Land		4
Buildings	1,093	11,015
Plant & machinery	11,701	39,847
Furniture & fixture	1,558	2,034
Vehicles & transportation Equipment	7,451	15,078
Office and factory equipment	6,226	6,968
	<u>28,029</u>	<u>74,946</u>
<b>4.2 Disposals during the period / year (NBV)</b>		
Plant & Machinery	-	16,207
Motor Vehicles	1,337	1,149
Office & factory equipment	-	-
	<u>1,337</u>	<u>17,356</u>
<b>4.3 Depreciation charged during the period / year</b>		
Owned Assets	14,682	9,654
Assets subject to Finance Lease	21,571	14,231
	<u>36,253</u>	<u>36,253</u>
<b>4.4 Capital Work In Progress</b>		
<b>Tangible</b>		
<i>Advances against purchase of fixed assets</i>		
- Plant and machinery	11,913	18,053
- Vehicles	2,016	-
- Office & factory equipment	6	-
- Civil Works	62,584	18,167
<i>Subtotal</i>	<u>76,519</u>	<u>36,220</u>
<b>Intangible</b>		
Cost of acquiring SAP license	1,199	9,286
	<u>77,718</u>	<u>45,506</u>
<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	(4,337)	(417)
	<u>663</u>	<u>4,583</u>
-Others - held to maturity		
Defence saving certificates	185	220
Accrued Interest	374	482
	559	702
Less: Maturity within next twelve months shown in current assets	(35)	(70)
	<u>524</u>	<u>632</u>
	<u>1,187</u>	<u>5,215</u>
<b>5.1 Investment in an associate</b>		

The Company holds 49% shareholding in Berdex Construction Chemicals (Pvt) Ltd. Berdex is engaged in marketing and distribution of construction chemicals in Pakistan. Share of loss for the period represents the figure available as per the latest unaudited financial statement of the associate.



**Notes to the Interim Financial Statements (Unaudited)**  
**For the nine months ended March 31, 2007**

	March 31, 2007	June 30, 2006
------(Rupees '000)-----		
<b>6 CONTINGENCIES AND COMMITMENTS</b>		
Letter of guarantee	67,700	50,269
Letter of credit		21,345
Imports Contract	47,861	5,154
Capital expenditure / local purchase contracts	135,267	100,413
	250,828	177,181

**6.1** In addition to above the revenues expected from remaining work committed to be performed under the turnkey projects in process amounts to Rs.16 million. The estimated cost of such remaining works to be performed without accounting for escalation of rate, which may be negotiated amounts to Rs.16.3 million. Thus the difference between the expected revenues and estimated costs amounting to Rs.0.3 million represents the contingent loss on the projects in process.

**6.2** Assets held for disposal having a carrying value of Rs.5.43 million (reduced by security deposit of Rs.0.5 million received from the customer and net realizable value of such assets, in case of default by the customer) are subject to risk of impairment loss

	March 31, 2007	March 31, 2006
<b>7 TRANSACTIONS WITH RELATED PARTIES</b>		
<b>Associated companies</b>		
Purchase of goods and services from Berger Paints Pakistan Ltd	1,369	2,443
Rent paid to Sikander (Pvt) Ltd & Berger Paints Pakistan Ltd	241	310
Sale of goods to Berger Paints Pakistan Ltd	1,282	
<b>Other related parties</b>		
Sale of goods	2,048	7
Interest income on bank deposits	234	1,381
Short term investment in bank	25,000	45,000
Contribution to staff retirement benefit plan	5,065	4,615
<b>Compensation to Key Management Personnel</b>		
Salaries & Other short term employment benefits	5,812	3,496
Post employment benefits	168	196
	5,980	3,692

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.

**8 CASH GENERATED FROM OPERATIONS**

Profit before taxation	15,382	24,541
Adjustments for non cash charges and other items:		
Depreciation	36,253	31,701
Profit on disposal of fixed assets - net	(1,819)	(465)
Interest income	(308)	(7,553)
Loss / (Profit) from investment in associated company	3,920	1,918
Deferred income amortized	(1,540)	(1,540)
Interest / markup expense	54,397	40,993
Working capital changes	8.1 (34,682)	(211,329)
	56,220	(146,275)
Cash (used in) / generated from operating activities	71,602	(121,734)

**8.1 Working capital changes**

(Increase) / decrease in current assets		
Stores and spares	(200)	(3,631)
Stock in trade	(10,277)	(188,305)
Trade debts	(37,100)	(21,377)
Loans and advances	9,384	6,065
Trade deposits and short term prepayments	(12,981)	(1,645)
Other receivable (net)	(1,644)	(376)
	(52,817)	(209,269)
Increase / (Decrease) in current liabilities	18,135	(2,060)
	(34,682)	(211,329)

**Notes to the Interim Financial Statements (Unaudited)**  
**For the nine months ended March 31, 2007**

**9 GENERAL**

**9.1** These financial statements were authorized for issue by the Board of Directors of the company on April 30, 2007

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

**9.3** Corresponding figures, wherever necessary, have been rearranged. However, these are not considered material enough to be disclosed separately.

**Muhammad Hanif Idrees**  
Chief Financial Officer

**Imtiaz H. Zaidi**  
Chief Executive Officer

**Abu Talib H.K. Dada**  
Director