

Annual Report



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DADEX

46th Annual Report

for the year ended June 30, 2005



At Dadex it's all about innovation, quality, reliability and customer support – all reigned by our intrinsic commitment to being industry leaders. Dadex continues to play the pioneering role in the industry by offering superior products and sound customer support.

Our strength lies in pre-empting customer requirements and product demands. It is this anticipation of market needs and our unwavering commitment to ethical practices that places us as an industry leader and a reliable source for quality products.

DADEX

Vision



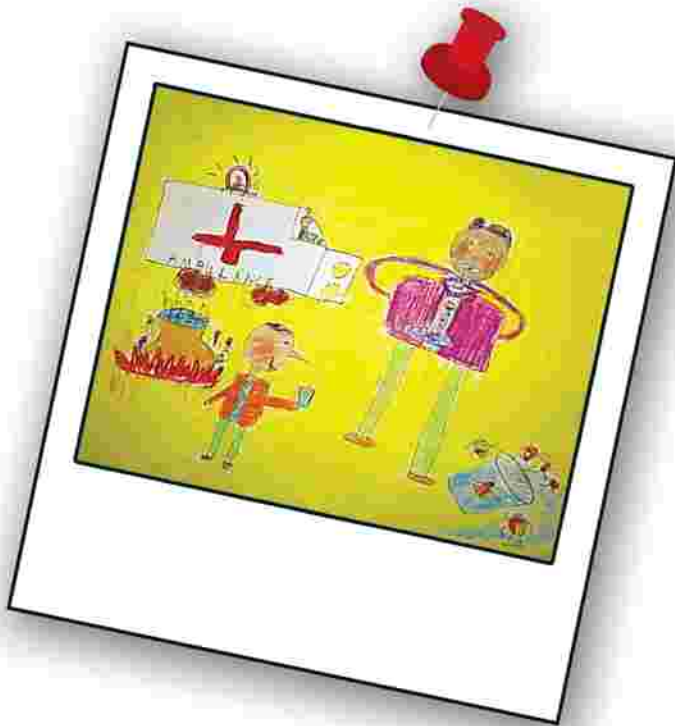
“...to be the most valued company for all stakeholders, renowned for customer focus, innovation, quality, reliability & ethical practices.”

Environmental Policy



- Strictly comply with local and international environmental laws and regulations.
- Minimize the environmental impacts of our operations and products by continuous innovation.
- Safety and health protection of workers throughout the business operations and end users.
- Minimize waste and recycle unavoidable rejects.
- Training needs for safety of people and the environment should be identified and imparted at entry level.

Corporate Social Responsibility



Corporate Social Responsibility

No matter who you are, where you live or what you do, water is vital for everyone's existence. That is why efficient management of water is imperative. In Pakistan, Dadex has taken the initiative to draw attention of the business community and general public towards the need to conserve water.

WaterWise Art Contest

Dadex organized an art contest for school children to commemorate the World Water Day on March 22, 2005. WaterWise Art Contest reached approximately 5,000 children in over 60 leading schools in Karachi.

Environment Excellence Award 2003

Dadex was awarded the Environment Excellence Award 2003 for complying with environment friendly practices. Dadex was the only recipient for this award in the building material manufacturers' category.

Partners in Sustainable Development

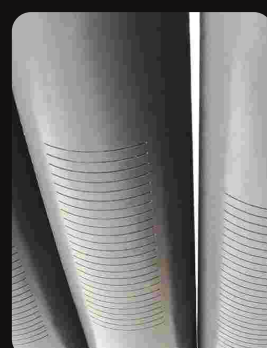
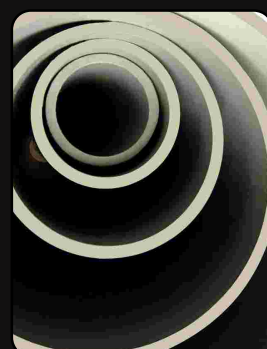
Dadex sponsored the 4th Traveling Environmental Film Festival titled, 'Vision of Nature' organized by the World Wide Fund for Nature-Pakistan. We supported environmental seminars and workshops organized by WESNET in Peshawar, Environ Monitor in Lahore and NFEH in Karachi.



Annual Report 2005

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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 RASHEED Y. CHINOY MUHAMMAD NAJAM ALI MOHAMMAD ALI JAMEEL SAAD S. FARUQUI TARIQ ALI JAFRI
Chief Executive	SIKANDER DADA
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 ANWAR-UL-HASAN MUHAMMAD HASAN MUHAMMAD HANIF IDREES AFAQ AHMED KAZI S. SAJID NAZAR ALI SAQIB HABIB
Auditors	FORD RHODES SIDAT HYDER & CO. Chartered Accountants
Bankers	CITIBANK N.A. HABIB BANK LIMITED KASB BANK LIMITED METROPOLITAN BANK LIMITED MUSLIM COMMERCIAL 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

Notice of Annual General Meeting

Notice is hereby given that the forty-sixth Annual General Meeting of the Dadex Eternit Ltd. will be held on Monday, October 24, 2005 at 11.00 a.m. at Dadex House, 34-A/1, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the following:
 - a) Financial statements for the year ended June 30, 2005 and the Auditors' Report thereon; and
 - b) The Report of the Board of Directors for the year ended June 30, 2005.
2. To consider and approve payment of 35% dividend in cash for the year ended June 30, 2005 as recommended by the Board of Directors.
3. To appoint auditors for the year ended June 30, 2006, and authorize the Directors to fix their remuneration.

By Order of the Board

(MUHAMMAD HANIF IDREES)
Company Secretary

Karachi: September 24, 2005

NOTES:

1. The Register of Members and the Share Transfer Books of the Company shall remain closed from October 17, 2005 to October 24, 2005 (both days inclusive). Transfers received in order at the Registered Office of the Company by the close of business hours on October 16, 2005 will be treated in time for incorporating the change in the Members Register as at October 17, 2005.
2. Entitlement to dividend and to attend, participate and vote at the forty-sixth Annual General Meeting will be according to the Members Register as at October 17, 2005.
3. A member of the Company entitled to attend and vote may appoint another member as his/her proxy to attend, speak and vote for him/her. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must, to be valid, be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
4. An instrument of proxy applicable for the Meeting (in which you can direct the proxy how you wish him to vote) is being provided with the notice sent to Members. Further copies of the instrument of proxy may be obtained from the Registered Office of the Company during normal office hours.
5. Members are requested to submit declaration for Zakat on the required format and to notify immediately changes, if any, in their registered address.
6. Members who have not yet submitted photocopy of their Computerized National Identity Cards to the company are requested to send the same at the earliest.
7. CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

Notice of Annual General Meeting

A. For Attending the Meeting:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerised National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in-group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
 - ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his original CNIC or original passport at the time of the meeting.
 - v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
8. Transport will be available for members at 10:00 a.m. sharp outside the premises of the Karachi Stock Exchange Building to take them to the venue of the meeting.

Report of the Board of Directors

The Board of Directors of Dadex Eternit Limited is very pleased to present forty-sixth Annual Report and Audited Financial Statements of the Company for the year ended June 30, 2005.

I. ECONOMIC OVERVIEW

As a result of robust economic growth, many macroeconomic indicators have shown improvement over the previous years, Tax collection and exports have surpassed the targets and fiscal stability has been attained. However, steep rise in financing rates to counter inflationary pressures; and strain on the exchange rates and raw material costs caused due to volatility of oil prices in international markets did offset some of the benefits of economic growth during the year.

Keeping a check on inflation, surge in oil prices, framing economic policies providing stimulus to manufacturing activity rather than trading activity, maintaining continuity of policies and political and regional stability are the essentials for sustaining the growth momentum in future.

II. BUSINESS OVERVIEW & FINANCIAL RESULTS

Realizing the fact that "Housing and Construction" sector has immense forward and backward linkages in the economy, Government has identified this sector as one of the major drivers of economic growth by declaring it as a priority industry and by continuously taking initiatives during this year also to promote activities in this sector. Telecom sector has also emerged as the fastest growing sector in the country as a result of Government's liberalization and rationalization policies. Responding positively to these measures, construction activity in the country has gathered momentum and share of telecom sector in GDP has increased from 1.5% to 1.8%.

In the wake of above background, your company has been able to achieve a growth of 36% (2004: 33%) in turnover over last year and has crossed the turnover of Rupees One billion mark for the first time in its history. Total export sales for the year increased by 33% over last year. Massive increase in the prices of iron and steel due to international factors also helped in growth of our turnover of piping systems of Thermoplastic Division which offer competitive substitute for traditional piping systems of iron and steel.

During the year, two new extrusion lines and a raw material mixing facility were installed to increase the capacity to manufacture plastic pipes, besides installation of facilities for manufacturing of pipes for use as tube well casing and screen pipe systems. Also to achieve geographical diversification of the operations, your company has during the year acquired land in the province of Punjab.

The sales expansion is mainly on account of the volume growth because selling prices remained under pressure due to competition from low quality manufacturers, cheap imports and substandard substitutes which is ever increasing and is a cause of concern for us. The opportunities arising for building materials have been mostly grabbed by traders community in the country and very little has been passed on to the local manufacturers. Therefore we strongly feel that element of benefit for the existing local industry over traders is missing in the Government's investor friendly policies and this aspect needs to be seriously considered. There is a dire need for Government to ensure adherence to standards by setting specifications for use of quality materials according to the international practices in conjunction with large local quality manufacturers. Government also needs to refrain from allowing concessions in tariff on the locally manufactured products under any FTAs or PTAs with other countries or from narrowing down the margin between the rates of custom duty on raw materials and imports of locally manufactured products to ensure profitability of the local industry.

Despite volume growth, margins have not grown because of inflationary trends, tight supply situation of raw materials and increase in prices of petroleum based raw materials. Financial costs during the year under review have increased mainly on account of increase in working capital due to high inventory levels necessitated by tight supply situation of raw materials. Further rising interest rates have also contributed towards the increase. Effective annual mark up cost for the year was 4.92% (2004: 3.16%).

The profit after tax of Rs. 53.23 million is 42% (2004: 32%) more than last year and translates into an earning per share of Rs. 4.94 (2004: 3.49).

Report of the Board of Directors

III. DIVIDENDS AND APPROPRIATIONS

Summary of profits available for appropriation is as follows:

	(Rupees '000)
Unappropriated profit as at July 01, 2004 (restated)	41,575
Final dividend of Rs. 3.00 (2003: Rs. 2.00 per share) for the year ended June 30, 2004	(32,292)
Transfer to General reserves for the year ended June 30, 2004	(5,666)
Profit after taxation for the year ended June 30, 2005	53,234
Unappropriated profit as at June 30, 2005	<u>56,851</u>

Out of the unappropriated profit as at June 30, 2005 the Board of Directors have recommended final cash dividend of Rs. 3.50 per share (2004: Rs. 3.00 per share) i.e. Rs. 37.674 million (2004: Rs. 32.292 million) and transfer of Rs. 15.572 million (2004: Rs. 5.666 million) to general reserve. As discussed in note 2.3 of the financial statements, dividend and other appropriations of profit declared subsequent to the year end are now recognized in the year in which these are declared. Therefore appropriations out of unappropriated profit for the year ended June 30, 2005 will be reflected in the financial statements for the year ending June 30, 2006. However this accounting change will not affect the final dividend payment and it will be paid before December 8, 2005.

Break-up value per share as at June 30, 2005 is Rs. 45.42 (2004: Rs. 43.53 - restated)

IV. BOARD OF DIRECTORS

The current directors were elected in terms of section 178(5) of the Companies Ordinance, 1984, at the Extra Ordinary General Meeting held on April 26, 2005 for a period of three years commencing with effect from July 13, 2005 and expiring on July 12, 2008. During the year, five (5) meetings of the Board of Directors were held. Attendance by Chief Executive and each Director is annexed with this report.

V. OUR SHARE IN THE NATIONAL ECONOMY

During the year under review, we have contributed over Rs.316 million (2004: 210 million), as payment of duties, taxes and levies to the Government exchequer. We believe that if the Government continues to promote policies which are conducive for the encouragement of the local industry and is successful in curbing the influx of goods from low quality manufacturers, cheap imports and substandard substitutes, our contribution to the economic well being will also grow along with reducing dependence of the country on imports resulting in saving of foreign exchange for the country. We are continuously seeking support of the Government on these issues.

VI. HUMAN RESOURCES

The number of head count as at June 30, 2005 was higher than the corresponding year which reflects the role of human resource in the growth of the business. Your company is one of the ten companies selected by United Registrar of Systems to acquire the Investors in People Standards (IIPS), under the Asia Investment Programme.

Industrial relations remained cordial and satisfactory throughout the year. A satisfactory agreement with CBA of Hyderabad Factory was signed and negotiations with CBA, Karachi Factory are in progress. Our employees and unions are motivated enough to play their role to handle the challenges and opportunities related to the business.

Report of the Board of Directors

VII. INFORMATION TECHNOLOGY / BUSINESS PROCESSES

Your Company has completed the initial phase of objectively evaluating the information technology resources and infrastructure suitable to provide a sound base for the future growth of the business. Realizing the importance of efficient business processes and information platform for meeting the business challenges ahead, your management is fully committed for successful implementation of appropriate systems.

VIII. SAFETY, HEALTH & ENVIRONMENT (SHE)

We realise our responsibility to serve our employees and the civic society by continuously striving for the improvement of environmental conditions. In recognition of our vision and contribution in the field of environment, this year again, National Forum for Environment & Health honoured your Company with "Environment Excellence Award, 2005".

IX. HONOURS AND ACCOLADES

During the year under review your company was assigned a long term entity rating of A- and a short term rating of A2 (A two) by PACRA, which was engaged to assess the company.

In a survey conducted recently by the Consumers' Association of Pakistan (CAP) consumers have voted your company as the best thermoplastic pipe systems manufacturer in Pakistan which enabled your company to win the "1st Consumers' Choice Award, 2004".

Your company continued to maintain the honour of being the only company outside USA to be accredited by American Petroleum Institute (API) for its yellow pipes used for gas distribution that also bear API accreditation seal. This is in addition to the continuation of our ISO 9001:2000 Quality Management Systems. We also plan to initiate the process for getting Environment Management System (EMS) certification for ISO 14001 and ISO 17025 Laboratory Accreditation.

X. COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE AND BEST PRACTICES OF TRANSFER PRICING

A) Your Board of Directors is pleased to confirm:

- 1) That your company has applied the principles contained in the Code of Corporate Governance and relevant listing regulations, as narrated in the "Statement of Compliance with Code of Corporate Governance" for the year ended June 30, 2005 annexed with this report.
- 2) That your company while complying with the applicable regulations has applied the principles contained in the Code of Corporate Governance and relevant schedule of the Companies Ordinance, 1984 regarding Transfer Pricing. In pursuance of Securities & Exchange Commission's letter no SMD / SE /2(85)/2003 dated July 20, 2005 implementation / applicability of listing regulation No. 38 relating to "Transfer Pricing" has been deferred till December 31, 2005.
- 3) That the Board has adopted the "Statement of Business Ethics and Practices" and measures have been taken to ensure that all employees within the organisation effectively observe these rules of conduct.

4) The following statements which Auditors have also certified in their report to the members :

- i) The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- ii) Proper books of account of the company have been maintained.
- iii) Appropriate accounting policies have been consistently applied in preparation of financial statements, except for the change as stated in note 2.3 to the financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

Report of the Board of Directors

- v) The system of internal control is sound in design and has been effectively implemented and monitored. The system is being continuously reviewed by internal audit. During the year function of Internal Audit has been outsourced to a Chartered Accountant firm. The process of review will continue and any weaknesses in controls identified in the process will be removed.
- vi) There are no significant doubts upon the company's ability to continue as going concern.
- vii) There has been no material departure from the best practices of corporate governance, as detailed in the applicable listing regulations.

B) Following is the further information in accordance with Corporate and Financial Reporting Framework laid down in Code of Corporate Governance.

- 1) The summary of key operating and financial data of the Company for the last six years is annexed with this report.
- 2) Taxes and levies are as disclosed in the notes to the accounts.
- 3) The following is the value of investments held by Provident Fund based on the latest audited accounts as at June 30:

• 2005	• 2004
(Rupees '000)	
114,732	117,388

- 4) The statement, showing pattern of shareholding of the Company as at June 30, 2005 is annexed with this report.
- 5) The directors, CFO & Company Secretary and their spouses and minor children carried out no trades in the shares of the listed company. During the year ended June 30, 2005 CEO purchased 1,533 shares.

XI. AUDITORS

The present auditors M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants retire at the conclusion of the forty-sixth Annual General Meeting. Being eligible, they have offered themselves for reappointment. As required by the Code of Corporate Governance, Board Audit Committee has recommended their reappointment, by the Company's shareholders, as auditors of the Company for the financial year ending June 30, 2006, and the Board agrees to the recommendation of the Board Audit Committee.

Auditors recommended for appointment hold satisfactory rating under the "Quality Control Review Programme" of the Institute of Chartered Accountants of Pakistan.

XII. MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company to which the balance sheet relates and the date of this Report.

XIII. GOING FORWARD

The economy is likely to grow at a faster pace especially the construction and telecommunication sectors. We view inflationary trend, high mark-up rates, unstable oil prices and fierce competition from inferior quality products and cheap imports as major threats. Oil prices greatly influence the prices of our raw materials related to Thermoplastic Division and therefore a rising trend will have a negative impact on margins.

Your company will focus on further improving efficiencies, increasing its market share, bringing innovation and diversification in products and services relevant to the growing segments of the economy and making timely investments to capture opportunities.

Report of the Board of Directors

XIV. ACKNOWLEDGEMENTS

Achieving customers' trust is the key to our success and we are determined to provide quality of service that will continue to achieve their trust. We are most thankful to them for their support and seek their continued patronage.

We thank our stakeholders for their cooperation and our banks and financial institutions for their reposing trust on us and providing us timely and quality financial services.

We also acknowledge the support and cooperation received from Government in all matters related to our business and we look forward for Government's support for our growth and so in turn improving our contribution to national economy.

Our employees are the real force behind the team and their dedication, commitment and hard work has made achieving these results possible. We would like to extend our appreciation for their performance throughout the year and expect that their continued zeal and enthusiasm will enable the Company to achieve its vision of becoming the most valued company for all stakeholders.

On behalf of the Board of Directors

Karachi: September 24, 2005

(MAQBOOL H. H. RAHIMTOOLA)
Chairman

Attendance at Board Meeting for the Year Ended June 30, 2005

Name of Director	Total No. of Board Meetings	No. of Meetings Attended
MAQBOOL H.H. RAHIMTOOLA	5	5
ABDUR RAZZAK DADA (Alternate: TARIQ ALI JAFRI)	5	2 3 5
ABU TALIB H.K. DADA	5	5
ZAHID ZAHEER	5	4
DR. MAHMOOD AHMED (Alternate: MUHAMMAD HANIF IDREES)	5	2 3 5
QAZI SAJID ALI	5	4
RASHEED Y. CHINOY	5	4
MUHAMMAD NAJAM ALI	5	3
MOHAMMAD ALI JAMEEL	5	4
SAAD S. FARUQUI	5	2
SIKANDER DADA - CHIEF EXECUTIVE	5	5

Leave of absence was granted to Directors who could not attend some of the Board meetings.

Statement of Compliance with the Code of Corporate Governance for the Year Ended June 30, 2005

This statement is being presented to comply with the Code of Corporate Governance as contained in the listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present there is no executive director in the Company's Board of Directors, other than the CEO.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company have confirmed that they are registered taxpayers.
4. All the resident directors have confirmed that none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
5. No casual vacancy occurred in the Board during the current year.
6. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and senior management employees of the Company.
7. The Board of Directors has adopted a vision/mission statement. Any amendments in significant policies are approved by the Board and a complete record of amendments in significant policies along with the dates on which they were approved has been maintained.
8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda were circulated at least seven days before the meeting, unless an urgency warranted otherwise. The minutes of the meeting were appropriately recorded and circulated.
10. Directors are well conversant with the listing regulations and legal requirements and as such are fully aware of their duties and responsibilities.
11. The Board has approved appointment of CFO, Company Secretary and firm of Chartered Accountants responsible for Internal Audit, including their remuneration and terms and conditions of employment / engagement, as determined by the CEO.
12. The CFO (who is also the Company Secretary) is a fellow member of the Institute of Chartered Accountants of Pakistan and the Institute of Cost & Management Accountants of Pakistan.
13. The Company Secretary (who is also the CFO) attends Board Meetings of the Company.
14. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
15. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
16. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
17. The Company has complied with all the corporate and financial reporting requirements of the Code.
18. The Board has formed an audit committee. It comprises four members, of whom three are non-executive directors including the chairman of the committee.
19. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

Statement of Compliance with the Code of Corporate Governance for the Year Ended June 30, 2005

20. The Board has set-up an effective internal audit function being conducted by an independent firm of Chartered Accountants.
21. The statutory auditors of the Company have confirmed that:
 - a. they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan;
 - b. they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company; and
 - c. the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
22. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
23. We confirm that all other material principles contained in the Code have been complied with.

Karachi: September 24, 2005

SIKANDER DADA
Chief Executive

Auditors' Review Report on Statement of Compliance

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) applicable to the Company for the year ended June 30, 2005 prepared by the Board of Directors of Dadex Eternit Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended June 30, 2005.

Karachi: September 24, 2005

FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS

Auditors' Report to the Members

We have audited the annexed balance sheet of DADEX ETERNIT LIMITED as at June 30, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. The financial statements of the Company as of June 30, 2004 were audited by other firm of Chartered Accountants whose report dated September 18, 2004 expressed unqualified opinion on those statements.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that :

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 2.3 to the financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2005 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi: September 24, 2005

FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS

Balance Sheet as at June 30, 2005

	Note	• 2005	• 2004 (Restated)
----- (Rupees in '000) -----			
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets - Property, plant and equipment	3	298,024	268,117
Long-term investments	4	5,356	5,690
Long-term loans and advances	5	1,488	675
Long-term deposits	6	15,305	6,131
Deferred taxation	7	-	7,743
		<u>320,173</u>	<u>288,356</u>
CURRENT ASSETS			
Stores and spares	8	58,061	46,427
Stocks-in-trade	9	586,826	361,217
Trade debts	10	176,328	87,273
Loans and advances	11	25,353	18,828
Trade deposits and short-term prepayments	12	4,357	9,644
Accrued mark-up		275	2,175
Other receivables	13	147	638
Current portion of long term investment	4	492	-
Cash and bank balances	14	59,800	368,734
		<u>911,639</u>	<u>894,936</u>
TOTAL ASSETS		<u>1,231,812</u>	<u>1,183,292</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 20,000,000 (2004: 20,000,000) ordinary shares of Rs. 10/- each	15	<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid-up capital	16	107,640	107,640
Reserves	17	<u>381,279</u>	<u>360,909</u>
Shareholders' equity		488,919	468,549
NON CURRENT LIABILITIES			
Deferred income	18	4,107	-
Liabilities against assets subject to finance lease	19	40,901	12,349
Deferred taxation	7	<u>14,588</u>	-
		59,596	12,349
CURRENT LIABILITIES			
Trade and other payables	20	275,090	244,302
Accrued interest / mark-up		4,553	1,814
Current portion of liabilities against assets subject to finance leases	19	49,733	31,143
Short-term borrowings	21	329,697	420,000
Sales tax payable		16,272	4,218
Taxation payable		7,952	917
		<u>683,297</u>	<u>702,394</u>
CONTINGENCIES AND COMMITMENTS	22	-	-
TOTAL EQUITY AND LIABILITIES		<u>1,231,812</u>	<u>1,183,292</u>

The annexed notes 1 to 41 form an integral part of these financial statements.

MUHAMMAD HANIF IDREES
Chief Financial Officer

SIKANDER DADA
Chief Executive

MAQBOOL H. H. RAHIMTOOLA
Chairman

Profit and Loss Account for the Year Ended June 30, 2005

	Note	• 2005	• 2004
----- (Rupees in '000) -----			
Turnover	23	1,291,033	946,854
Cost of sales	24	(987,236)	(701,393)
Gross profit		<u>303,797</u>	<u>245,461</u>
Selling expenses	25	(116,485)	(88,212)
Administrative expenses	26	(87,770)	(80,857)
Other operating expenses	27	(9,345)	(11,123)
Other operating income	28	14,327	8,624
Operating profit		<u>104,524</u>	<u>73,893</u>
Finance costs	29	(18,160)	(4,090)
Profit before taxation		<u>86,364</u>	<u>69,803</u>
Taxation	30	(33,130)	(32,226)
Profit after taxation		<u>53,234</u>	<u>37,577</u>
		(Rupees)	
Earnings per share – Basic and diluted	31	<u>4.94</u>	<u>3.49</u>

The annexed notes 1 to 41 form an integral part of these financial statements.

MUHAMMAD HANIF IDREES
Chief Financial Officer

SIKANDER DADA
Chief Executive

MAQBOOL H. H. RAHIMTOOLA
Chairman

Cash Flow Statement for the Year Ended June 30, 2005

	Note	• 2005	• 2004
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	35	(96,894)	145,501
Finance costs paid		(22,020)	(4,871)
Income tax paid		(3,763)	(1,317)
Long-term loans and advances – net		(815)	37
Long-term deposits – net		(9,174)	(2,572)
Net cash (outflow) / inflow from operating activities		(132,666)	136,778
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for fixed capital expenditure		(114,399)	(128,309)
Proceed from sale of investments		25	-
Proceeds from disposal of fixed assets		2,295	1,941
Mark-up received		10,861	2,324
Net cash outflow from investing activities		(101,218)	(124,044)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowing against assets subject to finance lease - net		47,144	17,123
Short-term borrowings (repaid) / obtained		(90,302)	330,000
Dividend paid		(31,892)	(23,552)
Net cash (outflow) / inflow from financing activities		(75,050)	323,571
Net (decrease) / increase in cash and cash equivalents		(308,934)	336,305
Cash and cash equivalents at the beginning of the year		368,734	32,429
Cash and cash equivalents at the end of the year	14	59,800	368,734

The annexed notes 1 to 41 form an integral part of these financial statements.

MUHAMMAD HANIF IDREES
Chief Financial Officer

SIKANDER DADA
Chief Executive

MAQBOOL H. H. RAHIMTOOLA
Chairman

Statement of Changes in Equity for the Year Ended June 30, 2005

	Reserves						Total
	Share Capital	Capital Reserve - Share Premium	General Reserves	Revenue Reserves	Unappropriated Profit	Sub Total	
				Net Unrealised gain/(loss) on Hedging Instruments			
----- (Rupees in '000) -----							
Balance as at July 01, 2003 (as previously reported)	107,640	5,655	313,345	-	3,998	322,998	430,638
Effect of change in accounting policy (note 2.3)							
Final dividend for the year ended June 30, 2003	-	-	-	-	21,528	21,528	21,528
Transfer to general reserves for the year ended June 30, 2003	-	-	(5,000)	-	5,000	-	-
Balance as at July 01, 2003 (restated)	107,640	5,655	308,345	-	30,526	344,526	452,166
Final dividend for the year ended June 30, 2003	-	-	-	-	(21,528)	(21,528)	(21,528)
Appropriation for general reserves for the year ended June 30, 2003	-	-	5,000	-	(5,000)	-	-
Net unrealised gain on hedging instruments	-	-	-	334	-	334	334
Profit after taxation for the year ended June 30, 2004	-	-	-	-	37,577	37,577	37,577
Balance as at June 30, 2004 (restated)	107,640	5,655	313,345	334	41,575	360,909	468,549
Balance as at July 01, 2004 (as previously reported)	107,640	5,655	319,011	334	3,617	328,617	436,257
Effect of change in accounting policy (note 2.3)							
Final dividend for the year ended June 30, 2004	-	-	-	-	32,292	32,292	32,292
Appropriation for general reserves for the year ended June 30, 2004	-	-	(5,666)	-	5,666	-	-
Balance as at July 01, 2004 (restated)	107,640	5,655	313,345	334	41,575	360,909	468,549
Final dividend for the year ended June 30, 2004	-	-	-	-	(32,292)	(32,292)	(32,292)
Transfer to general reserves for the year ended June 30, 2004	-	-	5,666	-	(5,666)	-	-
Net unrealised loss on hedging instruments	-	-	-	(572)	-	(572)	(572)
Profit after taxation for the year ended June 30, 2005	-	-	-	-	53,234	53,234	53,234
Balance as at June 30, 2005	107,640	5,655	319,011	(238)	56,851	381,279	488,919

The annexed notes 1 to 41 form an integral part of these financial statements.

MUHAMMAD HANIF IDREES
Chief Financial Officer

SIKANDER DADA
Chief Executive

MAQBOOL H. H. RAHIMTOOLA
Chairman

Notes to the Financial Statements for the Year Ended June 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Basis of Preparation

These financial statements have been prepared under the historical cost convention except that:

- a) Certain exchange elements referred to in note 2.16 have been incorporated in the cost of the relevant fixed assets; and
- b) Certain financial instruments have been accounted for in the financial statements on the basis of their fair values.

2.3 Change in accounting policy

During the year, the SECP substituted the Fourth Schedule to the Companies Ordinance 1984, which is effective from the financial year ending on or after July 05, 2004. This has resulted in the change in accounting policy pertaining to recognition of dividend and other appropriations declared subsequent to the year end. Dividend and other appropriations of profit are now recognized in the year in which these are declared. Till the previous year, dividend declared and appropriations made after the balance sheet date but before the authorization of financial statements for issue, were recognized as of the balance sheet date. 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 reserves would have been lower by Rs. 37.674 million (June 30, 2004: Rs. 32.292 million) and current liabilities would have been higher by Rs. 37.674 million (2004: Rs. 32.292 million). The effect of change in accounting policy has been reflected in the statement of changes in equity. The change in accounting policy has not resulted in any change in the profit after tax for the current year and for the prior years.

2.4 Fixed assets and depreciation

2.4.1 Property, plant and equipment

Owned

Operating property, plant and equipment are stated at cost less accumulated depreciation or impairment, if any, except freehold land and capital work-in-progress which are stated at cost. Cost in relation to certain fixed assets signifies historical cost and exchange differences capitalized as referred in Note 2.16.

Depreciation is charged to profit and loss account using the straight-line method, whereby the cost of an asset less residual value is written-off over its estimated useful life. Full year's depreciation is charged on additions during the year, whereas no depreciation is charged on the assets disposed-off or retired during the year.

Notes to the Financial Statements for the Year Ended June 30, 2005

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements, if any, are capitalized.

Gains and losses on disposals of property, plant and equipments are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the profit and loss account.

Leased

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of leased items are capitalised at the inception of lease. Assets subject to finance lease are stated at the lower of the present value of minimum lease payments under the lease agreements and their fair value. Depreciation is charged using the same basis and rates used for similar owned assets whereby the cost of assets less residual value is written off over their estimated useful lives. Income arising from sale and lease back transactions, if any, is deferred and is amortised equally over the lease period.

2.5 Investments

2.5.1 Investment in associated companies

Investment in associated companies is stated at cost less any impairment in value.

2.5.2 Other investments

The management determines the appropriate classification of its other investments in accordance with the requirements of International Accounting Standard 39; Financial Instruments: Recognition and Measurement (IAS 39) at the time of purchase and re-evaluates this classification on a regular basis. The existing investment portfolio of the Company has been categorised as held to maturity.

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. These investments are initially recognized at cost inclusive of transaction costs and are subsequently carried at amortised cost.

Investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Impairment of investments is recognised when there is a diminution in their value.

2.6 Stores and spares

These are valued at moving average cost less provision for obsolete and slow moving items except for items in transit which are stated at invoice values plus other charges incurred thereon.

2.7 Stock-in-trade

2.7.1 Raw materials

Raw materials are valued at the lower of moving average cost and net realisable value.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

2.7.2 Work-in-process

Work-in-process is valued at prime cost and an appropriate portion of manufacturing overheads.

Notes to the Financial Statements for the Year Ended June 30, 2005

2.7.3 Finished goods

Finished goods are valued at lower of moving average cost and net realisable value. Cost in case of manufactured finished goods includes prime cost and an appropriate portion of manufacturing overheads. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessarily to be incurred to make the sale.

2.8 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.9 Provisions

Provisions are recognized when:

- a) the Company has a present obligation (legal or constructive) as a result of past events;
- b) it is probable that an outflow of resources will be required to settle the obligation; and
- c) a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.10 Liabilities and finance charge against assets subject to finance lease

Liabilities against assets subject to finance lease are accounted for at net present value of minimum payments under the lease arrangements. Lease payments are apportioned between the finance charges and reduction of lease liability so as to achieve a constant rate of financial cost on the remaining balance of the liability. Financial costs are charged directly against income.

2.11 Revenue recognition

- a) Sales are recorded on dispatch of goods to customers.
- b) Dividend income is recognized when the right to receive the dividend is established.
- c) Rental and interest income is recorded on accrual basis.

2.12 Turnkey projects

Revenue is recognized on the basis of approved quantities of pipes supplied. The value of pipes supplied to date and the related costs incurred in respect thereof are recognized as an expense. Any anticipated losses on these contracts are recognized immediately by transferring the related revenue to contingency account. Revenue arising from work variations and claims is not accounted for unless it is probable that the customer will approve the variation / claim and the amount of revenue arising from variation / claim can be measured reliably.

2.13 Retirement benefits

The Company operates an approved contributory provident fund for all permanent employees for which contributions are charged to income for the year.

2.14 Compensated absences

The Company provides for its estimated liability towards leaves accumulated by employees on an accrual basis using current salary levels.

Notes to the Financial Statements for the Year Ended June 30, 2005

2.15 Taxation

2.15.1 Current

Provision for current taxation is the higher of the amount computed on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, and minimum tax computed at the prescribed rate on sales net of sales tax.

2.15.2 Deferred

Deferred tax is provided in full using the liability method on all temporary differences arising at the Balance Sheet date between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, while deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be recognized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is recognized or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

2.16 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities (except for foreign currency loans obtained for acquisition of fixed assets) denominated in foreign currencies are recognized in the profit and loss account. Exchange differences in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of the relevant assets.

2.17 Financial instruments

Financial instruments carried on the balance sheet include investments, loan, deposits, receivables, cash and bank balances and trade creditors.

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and are derecognised in case of assets, when the contractual rights under the instrument are realised, expire or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

Any gain / loss on the recognition and derecognition of the financial assets and liabilities is included in the profit and loss for the period in which it arises.

A financial asset and financial liability is off set and the net amount is reported in the balance sheet if the Company has legally enforceable right to setoff the recognize amount and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.18 Derivative financial instruments

When considered appropriate, the Company uses forward foreign exchange contracts to hedge its risk associated primarily with foreign currency fluctuations relating to purchases of raw materials and fixed assets from overseas suppliers. These contracts, except those having immaterial financial impact, are included in the Balance Sheet at fair value and any resulting gain or loss is recognized in the statement of changes in equity. The fair value of forward foreign exchange contracts is included in 'other receivables' in case of favourable contracts and 'other liabilities' in case of unfavourable contracts. The fair values of these contracts are calculated by reference to current forward exchange rates with similar maturity profiles.

2.19 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

2.20 Cash and cash equivalents

Cash and bank balances are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents are cash and bank balances and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

Notes to the Financial Statements for the Year Ended June 30, 2005

3. FIXED ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Note	● 2005	● 2004
----- (Rupees in '000) -----			
Operating property, plant and equipment	3.1	284,808	252,253
Capital work-in-progress	3.2	11,355	15,864
Spares held for capitalization		1,861	-
		<u>298,024</u>	<u>268,117</u>

3.1 Operating property, plant and equipment

	Cost				Accumulated Depreciation							
	At July 1, 2004	Additions / (Disposals)	Transfers In / (Out)	Adjustment	At June 30, 2005	At July 1, 2004	For the Year / (on Disposals)	Transfers In / (Out)	Adjustment	At June 30, 2005	Book Value At June 30, 2005	Depreciation Rate % Per Annum
----- (Rupees in '000) -----												
OWNED ASSETS												
Freehold land	4,638	23,252	-	-	27,890	-	-	-	-	-	27,890	-
Leasehold land	5,292	-	-	-	5,292	1,564	66	-	-	1,630	3,662	1 to 2.5
Buildings on freehold land	1,932	124	-	-	2,056	1,065	124	-	-	1,189	867	5
Factory buildings on leasehold land	36,897	9,459	-	-	46,356	30,629	2,062	-	-	32,691	13,665	10
Buildings on leasehold land other than factory	66,500	264	-	-	66,764	21,902	3,095	-	-	24,997	41,767	5
Plant and machinery	475,075	62,055 (427,829)	-	6,035	115,336	339,198	7,255 (252,461)	-	6,035	100,027	15,309	20 & 25
Furniture and fixtures	3,167	228	-	-	3,395	1,751	286	-	-	2,037	1,358	10
Vehicles and transportation equipment	21,337	12,353 (15,019)	1,010	-	19,681	10,535	2,806 (3,921)	606	-	10,026	9,655	20
Office and factory equipment	8,142	1,293 (613)	-	-	8,822	4,430	1,696 (139)	-	-	5,987	2,835	10 & 33.33
	<u>622,980</u>	<u>109,028</u> <u>(443,461)</u>	<u>1,010</u>	<u>6,035</u>	<u>295,592</u>	<u>411,074</u>	<u>17,390</u> <u>(256,521)</u>	<u>606</u>	<u>6,035</u>	<u>178,584</u>	<u>117,008</u>	
ASSETS UNDER FINANCE LEASE												
Plant and machinery	53,258	*427,829	-	13,315	494,402	13,315	61,774 *246,301	-	13,315	334,705	159,697	20
Office and factory equipment	-	*613	-	-	613	-	109 *139	-	-	248	365	10 & 33.33
Vehicle and transportation equipment	1,010	*14,397 (821)	(1,010)	-	13,576	606	2,714 (178) *3,302	(606)	-	5,838	7,738	20
	<u>54,268</u>	<u>*442,839</u> <u>(821)</u>	<u>-</u> <u>(1,010)</u>	<u>13,315</u>	<u>508,591</u>	<u>13,921</u>	<u>64,597</u> <u>(178)</u>	<u>(606)</u>	<u>13,315</u>	<u>340,791</u>	<u>167,800</u>	
2005	<u>677,248</u>	<u>109,028</u> <u>(444,282)</u>	<u>-</u>	<u>19,350</u>	<u>804,183</u>	<u>424,995</u>	<u>81,987</u> <u>(256,699)</u>	<u>-</u>	<u>19,350</u>	<u>519,375</u>	<u>284,808</u>	
2004	<u>579,201</u>	<u>*442,839</u> <u>(68,632)</u>	<u>-</u>	<u>-</u>	<u>677,248</u>	<u>373,538</u>	<u>66,051</u> <u>(14,594)</u>	<u>-</u>	<u>-</u>	<u>424,995</u>	<u>252,253</u>	

* Represents sale and leaseback transaction.
Details of property, plant and equipment sold are given in note 3.3.

Notes to the Financial Statements for the Year Ended June 30, 2005

3.1.1 The depreciation charge for the year has been allocated as follows:

	Note	• 2005	• 2004
----- (Rupees in '000) -----			
Cost of sales	24	65,130	50,589
Selling expenses	25	3,124	2,843
Administrative expenses	26	12,660	11,527
Net rental income	28.1	1,073	1,092
		<u>81,987</u>	<u>66,051</u>

3.1.2 Fixed assets includes various items of factory equipment having net book value of Rs. 0.573 million as at June 30, 2005 (2004: 0.836 million) which are given to customers for use on a temporary basis. No rent is charged by the Company from these customers.

3.1.3 Building on leasehold land other than factory includes property given on rent having net book value of Rs. 15.044 million (2004: 16.117 million).

3.2 Capital work-in-progress

	• 2005	• 2004
----- (Rupees in '000) -----		
Advances against purchases of fixed assets:		
- Plant and machinery	6,649	13,487
- Vehicles	1,840	939
- Other	12	-
Civil works	2,854	1,438
	<u>11,355</u>	<u>15,864</u>

3.3 The following fixed assets were disposed off during the year:

	Cost	Accumulated Depreciation	Book Value	Sale Proceeds/ Insurance Claim	Mode of Disposal	Particulars of Buyers
----- (Rupees in '000) -----						
Plant and machinery	342,440 52,486 32,903 427,829	245,557 6,904 - 252,461	96,883 45,582 32,903 175,368	96,882 51,742 32,903 181,527	Sale and leaseback Sale and leaseback Sale and leaseback	Standard Chartered Modaraba First Habib Bank Modaraba Saudi Pak Industrial & Agricultural Investment Co. (Pvt) Ltd
Vehicle and transportation	12,459 1,938 376 376 15,149	3,301 - 75 75 3,451	9,158 1,938 301 301 11,698	9,158 1,938 376 301 11,773	Sale and leaseback Sale and leaseback Insurance Claim Negotiation	Standard Chartered Modaraba First Habib Bank Modaraba Adamjee Insurance Co Ltd Mr. Javed Ghaffar - Ex-Employee
Office equipment	613	139	474	474	Sale and leaseback	Standard Chartered Modaraba
Aggregate of assets disposed-off having book value below Rs. 50,000 each						
Vehicles	691	648	43	1,618		
	<u>444,282</u>	<u>256,699</u>	<u>187,583</u>	<u>195,392</u>		

Notes to the Financial Statements for the Year Ended June 30, 2005

4. LONG-TERM INVESTMENTS

	Note	● 2005	● 2004
----- (Rupees in '000) -----			
- Investment in associated company - at cost 625,000 (2004: 625,000) ordinary shares of Rs. 10/- each	4.1	5,000	5,000
- Others - held to maturity			
Defence Saving Certificates	4.2	270	295
Accrued interest	4.2	578	395
		848	690
Less: Maturity within next twelve months shown in current assets		492	-
		356	690
		<u>5,356</u>	<u>5,690</u>

4.1 The Company holds 50 percent shareholding in Berdex Construction Chemicals (Private) Limited (Berdex). Berdex is engaged in marketing and distribution of construction chemicals in Pakistan. The value of the Company's investment on the basis of net assets of Berdex, as disclosed in the audited financial statements for the year ended June 30, 2005 amounted to Rs. 7.798 million (2004: Rs. 6.527 million).

4.2 The effective rate of profit on Defence Saving Certificates is 16% (2004: 16%) per annum. These certificates are pledged with various Government Departments as a security against supply of goods to them.

5. LONG-TERM LOANS AND ADVANCES - considered good

	Note	● 2005	● 2004
----- (Rupees in '000) -----			
Loans to employees other than executives	5.1	1,990	1,266
Less: Receivable within one year shown in current assets		502	591
		<u>1,488</u>	<u>675</u>

5.1 Loans to employees represent loans given for purchase of motor cars, motorcycles, cycles, computers, residential quarters and festival advances. These loans are repayable over periods ranging between four months to five years. All loans are granted in accordance with the terms of employment.

6. LONG-TERM DEPOSITS

	Note	● 2005	● 2004
----- (Rupees in '000) -----			
Deposits with leasing companies		11,854	2,713
Less: Current portion of deposits with leasing companies	12	-	50
		11,854	2,663
Other deposits	6.1	3,451	3,468
		<u>15,305</u>	<u>6,131</u>

6.1 This includes amount due from Sikander (Private) Limited - an associated company at the year end was Rs. 0.100 million (2004: Rs. 0.100 million).

Notes to the Financial Statements for the Year Ended June 30, 2005

7. DEFERRED TAXATION

	● 2005	● 2004
	----- (Rupees in '000) -----	
Deferred tax assets on deductible temporary difference:		
- Provision for slow moving and obsolete stores and spares	5,269	5,229
- Provision for staff benefits	-	4,467
- Accelerated tax depreciation on owned assets	3,459	-
- Other deductible temporary differences	282	7,993
	<u>9,010</u>	<u>17,689</u>
Deferred tax liabilities on taxable temporary difference:		
- Accelerated tax depreciation on owned assets	-	(5,370)
- Assets on finance lease	(23,598)	(4,576)
	<u>(23,598)</u>	<u>(9,946)</u>
	<u>(14,588)</u>	<u>7,743</u>

8. STORES AND SPARES

	● 2005	● 2004
	----- (Rupees in '000) -----	
Stores	5,825	5,758
Spares	52,160	49,870
Consumable accessories	3,298	4,357
Loose tools	1,084	1,209
Items in transit	11,933	1,126
	<u>74,300</u>	<u>62,320</u>
Provision for slow moving and obsolete stores and spares	(16,239)	(15,893)
	<u>58,061</u>	<u>46,427</u>

9. STOCK-IN-TRADE

	Note	● 2005	● 2004
		----- (Rupees in '000) -----	
Raw materials			
- in hand		252,325	126,038
- in transit		98,881	82,676
		<u>351,206</u>	<u>208,714</u>
Work-in-process		26,628	25,120
Finished goods			
- Manufactured	9.1	130,736	92,137
- Trading (including in transit Rs. 8.652 million - 2004: Rs. 4.959 million)		78,256	35,246
		<u>208,992</u>	<u>127,383</u>
		<u>586,826</u>	<u>361,217</u>

9.1 Finished goods include certain items having a cost of Rs. 37.854 million (2004: Rs. 23.143 million) which have been written down to their net realisable value amounting to Rs. 33.459 million (2004: Rs. 20.994 million).

Notes to the Financial Statements for the Year Ended June 30, 2005

10. TRADE DEBTS - unsecured

	Note	• 2005			• 2004		
		Turnkey	Other than Turnkey	Total	Turnkey	Other than Turnkey	Total
----- (Rupees in '000) -----							
Considered good		10,752	165,576	176,328	11,201	76,072	87,273
Considered doubtful		10,336	44,348	54,684	11,538	41,294	52,832
		21,088	209,924	231,012	22,739	117,366	140,105
Less: Provision for doubtful debts	10.1	10,336	44,348	54,684	11,538	41,294	52,832
		10,752	165,576	176,328	11,201	76,072	87,273

10.1 Provision for doubtful debts

Opening balance		11,538	41,294	52,832	19,366	29,011	48,377
Provision for the year		134	9,874	10,008	1,414	13,707	15,121
Provision no longer required written back		(1,336)	(6,820)	(8,156)	(9,242)	(1,424)	(10,666)
Net charge / (reversal) for the year		(1,202)	3,054	1,852	(7,828)	12,283	4,455
Closing balance		10,336	44,348	54,684	11,538	41,294	52,832

10.2 Provision for doubtful debts against turnkey projects represents estimate of the loss expected to be incurred on pipes supplied but not installed / certified to date on various projects.

10.3 Amounts due from related party at the year end comprise of:

	• 2005	• 2004
----- (Rupees in '000) -----		
Berger Paints Pakistan Limited	189	4
Berdex Construction Chemicals (Private) Limited	91	-
	<u>280</u>	<u>4</u>

10.4 The maximum aggregate amount due from related parties at the end of any month during the year was Rs. 0.488 million (2004: Rs. 0.135 million).

11. LOANS AND ADVANCES

	Note	• 2005	• 2004
----- (Rupees in '000) -----			
Considered good			
Loans to:			
- employees [including current portion of long-term loans and advances Rs. 0.502 million (2004: Rs. 0.591 million)]	5	807	591
Advances to:			
- executive	11.1	303	3
- employees		1,144	910
- suppliers / contractors		17,430	11,613
- contractors for turnkey projects		5,529	5,571
- others		140	140
		<u>25,353</u>	<u>18,828</u>
Considered doubtful			
Advances to suppliers / contractors		500	500
Less: Provision for doubtful advances		500	500
		<u>-</u>	<u>-</u>
		<u>25,353</u>	<u>18,828</u>

Notes to the Financial Statements for the Year Ended June 30, 2005

11.1 The maximum aggregate amount of advances due from executive at the end of any month during the year was Rs. 0.411 million (2004: Rs. 0.087 million).

12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	● 2005	● 2004
----- (Rupees in '000) -----			
Trade deposits		7,316	7,175
Provision against doubtful trade deposits		(4,000)	(3,000)
		<u>3,316</u>	<u>4,175</u>
Other deposits		114	1,102
Current portion of deposits with leasing companies	6	-	50
Short-term prepayments		927	4,317
		<u>4,357</u>	<u>9,644</u>

13. OTHER RECEIVABLES - considered good

Net unrealized gain on hedging instruments		-	334
Others		147	304
		<u>147</u>	<u>638</u>

14. CASH AND BANK BALANCES

Deposit accounts	14.1	55,000	343,101
Saving accounts	14.2	754	281
Current accounts			
- Foreign currency		15	15
- Local currency		3,704	24,620
		<u>3,719</u>	<u>24,635</u>
Cash in hand		327	717
		<u>59,800</u>	<u>368,734</u>

14.1 These represent short term deposits of fixed maturities maintained with banks and non-banking finance companies. The rate of profit on these deposits ranging from 10% per annum to 12.5% per annum (2004: 1.5% per annum to 4% per annum) at year end.

14.2 The mark-up rates on PLS Savings accounts range from 3.75% to 5.5% per annum (2004: 1.5% to 4% per annum) at year end.

15. AUTHORISED CAPITAL

● 2005		● 2004		● 2005		● 2004	
----- (Number of shares) -----				----- (Rupees in '000) -----			
12,000,000	12,000,000	Ordinary shares of Rs. 10/- each		120,000	120,000		
8,000,000	8,000,000	'B' class ordinary shares of Rs. 10/- each		80,000	80,000		
<u>20,000,000</u>	<u>20,000,000</u>			<u>200,000</u>	<u>200,000</u>		

Notes to the Financial Statements for the Year Ended June 30, 2005

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

● 2005		● 2004		● 2005		● 2004	
----- (Number of shares) -----				----- (Rupees in '000) -----			
914,264	914,264	Ordinary shares of Rs. 10/- each fully paid in cash		9,143	9,143		
476,386	476,386	Ordinary shares of Rs. 10/- each issued as fully paid for consideration other than cash		4,764	4,764		
5,282,773	5,282,773	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares		52,828	52,828		
800,000	800,000	'B' class ordinary shares of Rs. 10/- each fully paid in cash		8,000	8,000		
3,290,536	3,290,536	'B' class ordinary shares of Rs. 10/- each issued as fully paid bonus shares		32,905	32,905		
<u>10,763,959</u>	<u>10,763,959</u>			<u>107,640</u>	<u>107,640</u>		

16.1 Out of the total share capital of the Company, associated companies held 3,655,794 (2004: 3,640,794) ordinary shares of Rs.10 each as at June 30, 2005.

17. RESERVES

● 2005		● 2004	
----- (Rupees in '000) -----			
Capital reserve - share premium	5,655		5,655
Revenue reserve			
- General reserve	319,011		313,345
- Net unrealized (loss) / gain on hedging instruments	(238)		334
- Unappropriated profit	56,851		41,575
	<u>375,624</u>		<u>355,254</u>
	<u>381,279</u>		<u>360,909</u>

18. DEFERRED INCOME

● 2005		● 2004	
----- (Rupees in '000) -----			
Balance as at July 01	-		-
Deferred during the year	6,160		-
	<u>6,160</u>		<u>-</u>
Less: Amortized during the year	2,053		-
	<u>4,107</u>		<u>-</u>

18.1 This represents gain on sale and leaseback transactions. The income is deferred and amortized over a period of lease term of three years.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

19.1 The Company has entered into lease agreements for lease of various fixed assets. The liabilities under these agreements are payable by the year 2007 and are subject to finance charge at compounded rates ranging from 4.65% to 6.90% (2004: 4.65% to 11.7%).

Notes to the Financial Statements for the Year Ended June 30, 2005

19.2 The amount of future payments includes the amounts at which the Company has the option to purchase the assets. The periods in which these payments will become due are as follows:

	● 2005	● 2004
	----- (Rupees in '000) -----	
Year to June 30, 2005	-	32,362
Year to June 30, 2006	52,892	6,203
Year to June 30, 2007	32,454	6,580
Year to June 30, 2008	9,727	-
	<u>95,073</u>	<u>45,145</u>
Less: Finance charges not yet due	(4,439)	(1,653)
	<u>90,634</u>	<u>43,492</u>
Less: Current portion shown under current liabilities	(49,733)	(31,143)
	<u>40,901</u>	<u>12,349</u>

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

20. TRADE AND OTHER PAYABLES

	Note	● 2005	● 2004
		----- (Rupees in '000) -----	
Creditors		16,147	5,673
Bills payable		83,269	72,362
Accrued liabilities	20.1	85,641	79,394
Liability for capital expenditure		2,914	10,714
Contingency - turnkey projects		9,808	9,886
Payable to contractors against turnkey projects		4,875	5,267
Distributors security deposits		10,300	-
Advances from customers		23,124	29,485
Workers' Profit Participation Fund	20.2	4,746	3,834
Workers' Welfare Fund		1,285	3,515
Advance from tenant		1,274	1,237
Provision for compensated absences		14,466	12,331
Dividend payable		7,544	7,144
Others		9,697	3,460
		<u>275,090</u>	<u>244,302</u>

20.1 This includes amount due to related parties of Rs. 0.521 million (2004: Rs. 2.758 million) at the year end.

20.2 Workers' Profit Participation Fund

	Note	● 2005	● 2004
		----- (Rupees in '000) -----	
Balance at July 01		3,834	3,164
Allocation for the year	27	4,629	3,802
		<u>8,463</u>	<u>6,966</u>
Interest on funds utilized in the Company's business	29	300	127
Less: Amounts paid on behalf of the fund		2,585	2,542
Deposited with the Government		1,432	717
		<u>4,017</u>	<u>3,259</u>
Balance at June 30		<u>4,746</u>	<u>3,834</u>

Notes to the Financial Statements for the Year Ended June 30, 2005

21. SHORT-TERM BORROWING- secured

	Note	• 2005	• 2004
----- (Rupees in '000) -----			
Running finances utilized under mark-up arrangements	21.1	149,084	-
Finance under Musharika arrangement		-	100,000
Term finances	21.1	180,613	320,000
		329,697	420,000

21.1 The aggregate facilities for short-term running finances and term finance under mark-up arrangements available from various banks amounting to Rs. 645 million (2004: Rs. 455 million) and carries mark-up at the rate 7.05% to 9% (2004: 6%) per annum and 4.25 % to 8.86% (2004: 2.55% to 3.6%) per annum respectively at year end. The facilities will be expired on various dates latest by April 30, 2006. These arrangements are secured by pari-passu charge against hypothecation of the Company's stock-in-trade and trade debts.

22. CONTINGENCIES AND COMMITMENTS

	Capital expenditure	Others	Total 2005	Total 2004
----- (Rupees in '000) -----				
Letters of guarantee	-	48,548	48,548	79,559
Letters of credit	1,968	-	1,968	117,272
Import contracts	-	1,863	1,863	19,326
Local purchase contracts	7,455	8,769	16,224	7,155
	9,423	59,180	68,603	223,312

23. TURNOVER

	• 2005	• 2004
----- (Rupees in '000) -----		
Local - manufactured	1,421,484	1,077,015
Local - trading	79,017	44,080
	1,500,501	1,121,095
Export	27,103	20,367
	1,527,604	1,141,462
Less:		
Returns	4,348	3,001
Rebates and allowances	35,794	35,710
Sales tax	196,429	155,897
	236,571	194,608
Net sales	1,291,033	946,854

Notes to the Financial Statements for the Year Ended June 30, 2005

24. COST OF SALES

	Note	● 2005	● 2004
----- (Rupees in '000) -----			
Manufactured			
Raw materials consumed			
Opening stock		208,714	156,424
Purchases		844,371	494,842
Closing stock		(351,207)	(208,714)
		<u>701,878</u>	<u>442,552</u>
Export Rebate		(1,709)	(1,241)
		<u>700,169</u>	<u>441,311</u>
Stores and spares consumed	24.1	61,153	42,646
Provision for slow moving stores and spares		1,270	9,042
Reversal of provision for slow moving stores and spares		(924)	(1,240)
		<u>346</u>	<u>7,802</u>
Salaries, wages and benefits [including Rs. 4.545 million (2004: Rs. 3.674 million) in respect of bonus to workers]	24.2	80,891	73,550
Procured services		13,351	8,252
Fuel, water and power		41,461	33,441
Insurance		5,718	5,416
Travelling		434	265
Communication		463	434
Depreciation	3.1.1	65,130	50,589
Rent, rates and taxes		81	1,312
Repairs and maintenance		7,859	6,674
Technical assistance fee		6,836	9,620
Printing and stationery		946	668
Sundry expenses		2,293	1,854
Opening stock of work-in-process		25,120	21,704
Closing stock of work-in-process		(26,628)	(25,120)
Cost of goods manufactured		<u>985,623</u>	<u>680,418</u>
Opening stock of finished goods		92,138	84,953
Closing stock of finished goods		(130,736)	(92,137)
		<u>947,025</u>	<u>673,234</u>
Trading			
Opening stock		35,246	24,751
Purchases		83,221	38,654
		<u>118,467</u>	<u>63,405</u>
Closing stock		(78,256)	(35,246)
		<u>40,211</u>	<u>28,159</u>
		<u>987,236</u>	<u>701,393</u>

24.1 Stores and spares consumed

	● 2005	● 2004
----- (Rupees in '000) -----		
Opening stock	62,321	56,232
Purchases	77,782	53,818
Capitalised during the year	(4,650)	(5,084)
Closing stock	(74,300)	(62,320)
	<u>61,153</u>	<u>42,646</u>

24.2 Staff Retirement Benefits

Salaries, wages and other benefits include Rs. 2.779 million (2004: Rs. 2.580 million) in respect of staff retirement benefits.

Notes to the Financial Statements for the Year Ended June 30, 2005

25. SELLING EXPENSES

	Note	● 2005	● 2004
----- (Rupees in '000) -----			
Salaries and benefits	25.1	18,807	13,526
Repairs and maintenance		1,724	557
Depreciation	3.1.1	3,124	2,843
Advertising and sales promotion		12,002	14,912
Communication		1,429	1,095
Travelling		2,941	2,190
Transportation and other charges on local sales		71,302	48,286
Transportation and other charges on export sales		7,054	5,069
Freight subsidy on exports		(2,233)	(496)
		4,821	4,573
Fuel, water and power		335	230
		<u>116,485</u>	<u>88,212</u>

25.1 Staff Retirement Benefits

Salaries and benefits include Rs. 0.692 million (2004: Rs. 0.539 million) in respect of staff retirement benefits.

26. ADMINISTRATIVE EXPENSES

	Note	● 2005	● 2004
----- (Rupees in '000) -----			
Salaries and benefits	26.1	35,362	29,273
Rent, rates and taxes [including Rs. 0.339 million (2004: Rs. 0.339 million) to related parties]		4,521	5,670
Procured services		2,750	3,002
Insurance		1,718	1,428
Depreciation	3.1.1	12,660	11,527
Repairs and maintenance		6,450	7,726
Printing, stationery and subscription		4,658	6,393
Communication		2,996	2,866
Travelling		5,679	3,556
Fuel, water and power		3,113	3,532
Legal and professional		5,389	3,602
Provision against advance to supplier		-	500
Sundries		2,474	1,782
		<u>87,770</u>	<u>80,857</u>

26.1 Staff Retirement Benefits

Salaries and benefits include Rs.1.754 million (2004: Rs. 1.212 million) in respect of staff retirement benefits.

27. OTHER OPERATING EXPENSES

	Note	● 2005	● 2004
----- (Rupees in '000) -----			
Auditors' remuneration	27.1	264	258
Directors' fee		205	305
Audit Committee fee		75	55
Workers' Profit Participation Fund	20.2	4,629	3,802
Workers' Welfare Fund		1,285	2,133
Donations	27.2	38	122
Net provision for the year against doubtful debts and trade deposits		2,849	4,448
		<u>9,345</u>	<u>11,123</u>

Notes to the Financial Statements for the Year Ended June 30, 2005

27.1 Auditors' Remuneration

	Note	● 2005	● 2004
----- (Rupees in '000) -----			
Audit fee		185	185
Special certifications and sundry advisory services		25	25
Out of pocket expenses		54	48
		264	258

27.2 Recipients of donations do not include any donee in which a director or his spouse had any interest.

28. OTHER OPERATING INCOME

	Note	● 2005	● 2004
----- (Rupees in '000) -----			
Income from - investments		189	103
- employee loans		66	6
		255	109
Profit on disposal of fixed assets - net		1,649	1,161
Exchange gain		-	8
Sale of scrap and waste		555	317
Net rental income	28.1	9,634	6,677
Sundries [including Rs. 0.091 million (2004: Rs. 0.180 million) received from a related party]		181	352
Deferred income amortized on sale and leaseback		2,053	-
		14,327	8,624

28.1 Net Rental Income

	Note	● 2005	● 2004
----- (Rupees in '000) -----			
Rental income		10,897	7,959
Recoveries from tenants on account of utilities		2,909	1,962
Utility expense of rented property		(2,909)	(1,962)
Depreciation of rented property	3.1.1	(1,073)	(1,092)
Rent, rates and taxes of rented property		(190)	(190)
		9,634	6,677

29. FINANCE COSTS

	Note	● 2005	● 2004
----- (Rupees in '000) -----			
Mark-up on short-term borrowings		19,674	5,857
Income from bank deposits		(8,672)	(4,451)
		11,002	1,406
Interest on Workers' Profit Participation Fund	20.2	300	127
Finance charge on liabilities against assets subject to finance leases		4,785	1,333
Bank charges		2,073	1,224
		18,160	4,090

Notes to the Financial Statements for the Year Ended June 30, 2005

30. TAXATION

	● 2005	● 2004
	----- (Rupees in '000) -----	
Current - for the year	26,183	43,000
- prior year	(15,383)	(1,151)
Deferred	22,330	(9,623)
	33,130	32,226

30.1 Relationship between Tax Expense and Accounting Profit

	● 2005	● 2004
	----- (Rupees in '000) -----	
Accounting profit before tax	86,364	69,803
Tax rate	35%	35%
Tax on accounting profit	30,227	24,431
Tax effect of:		
- Expenses that are inadmissible in determining taxable profits	17,330	8,791
- Income exempt from tax	(1,422)	(644)
- Lower rate on certain income	2,378	799
- Prior year adjustment	(15,383)	(1,151)
Tax expense for the current year	33,130	32,226

31. EARNINGS PER SHARE - Basic and Diluted

	● 2005	● 2004
	----- (Rupees in '000) -----	
Net profit for the year after taxation	53,234	37,577
	----- (Number of shares) -----	
Weighted average ordinary shares in issue during the year	10,763,959	10,763,959
	----- (Rupees) -----	
Earnings per share - basic and diluted	4.94	3.49

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year for remuneration and benefits to the chief executive, director and executives of the Company were as follows:

	Chief Executive		Directors		Executives	
	● 2005	● 2004	● 2005	● 2004	● 2005	● 2004
	----- (Rupees in '000) -----					
Managerial remuneration	2,373	1,500	-	-	8,241	4,027
Housing						
- Rent	270	600	-	-	1,846	1,174
- Utilities	237	194	-	-	823	401
- Other items	200	191	-	-	33	11
Medical	-	150	-	-	-	-
Retirement benefits	261	165	-	-	87	294
Provision for compensated absences	1,419	289	-	-	907	443
Provision for bonus	286	-	-	-	1,183	-
Others	206	413	248	70	2,790	1,530
	5,252	3,502	248	70	15,910	7,880
Number of persons	1	1	1	1	7	4

In addition to above, the chief executive and executives are provided with Company maintained cars.
Aggregate amount charged in the financial statements with respect to directors' fee for the year was Rs. 0.205 million (2004: Rs. 0.305 million).

Notes to the Financial Statements for the Year Ended June 30, 2005

33. CAPACITY AND PRODUCTION

	Chrysotile Cement				Rubber		Plastic			
	Karachi Factory		Hyderabad Factory		Karachi Factory		Karachi Factory		Hyderabad Factory	
	• 2005	• 2004	• 2005	• 2004	• 2005	• 2004	• 2005	• 2004	• 2005	• 2004
Capacity of production (tons)	46,850	46,850	14,100	14,100	120	120	11,676	11,552	318	144
Actual production (tons)	39,218	32,314	3,207	3,568	98	88	4,578	3,473	172	10
Percentage of capacity utilised	84	69	23	25	82	73	39	30	54	7

The production capacity is the best estimate of technical staff of the Company based on the response to the market plan / demand of the products. However, the management considers that in view of the various practical constraints / problems, the ideal capacity cannot be determined.

34. 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 as disclosed in Note 32, which are under the terms of their employment, are as follows:

	• 2005	• 2004
	----- (Rupees in '000) -----	
Relationships with Nature of transactions		
Associated companies		
Income from services rendered from Berdex Constructions Chemicals (Private) Limited	91	180
Rent paid to Sikander (Private) Limited and Berger Paints Pakistan Ltd.	339	339
Other related parties		
Purchase of goods	2,608	7,097
Sale of goods	404	432
Expenditure for services	213	189
Mark-up income on bank deposits	1,360	2,015
Insurance claim received	-	705
Insurance premium paid	-	674
Contribution to provident fund	5,225	4,331
Bank deposits made and encashed	90,000	30,000

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

35. CASH GENERATED FROM OPERATIONS

	Note	• 2005	• 2004
		----- (Rupees in '000) -----	
Profit before taxation		86,364	69,803
Adjustments for non cash charges and other items:			
Depreciation		81,987	66,051
Profit on disposal of fixed assets - net		(1,649)	(1,161)
Interest income		(8,927)	(4,560)
Interest / mark-up expense		24,759	5,984
Deferred income recognized		(2,053)	-
Working capital changes	35.1	(277,375)	9,384
		<u>(96,894)</u>	<u>145,501</u>

Notes to the Financial Statements for the Year Ended June 30, 2005

35.1 Working capital changes

Note	• 2005	• 2004
----- (Rupees in '000) -----		
(Increase) / decrease in current assets		
Stores and spares	(11,634)	1,714
Stock-in-trade	(225,609)	(73,385)
Trade debts	(89,055)	(27,860)
Loans and advances	(6,525)	(5,483)
Trade deposits and short-term prepayments	5,287	(8)
Other receivables (net)	157	(262)
	<u>(327,379)</u>	<u>(105,284)</u>
Increase in current liabilities		
Trade and other payables (net)	50,004	114,668
	<u>(277,375)</u>	<u>9,384</u>

36. FINANCIAL ASSETS AND LIABILITIES

36.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company manages this risk through risk management strategies. Interest rate risk of the Company's financial assets and liabilities can be evaluated related from the following schedule:

	Effective yield / Markup rate %	Interest/Mark-up Bearing			Non-interest Bearing			Total
		Maturity Upto One year	Maturity After One year	Sub-total	Maturity Upto One year	Maturity After One year	Sub-total	
----- (Rupees in '000) -----								
FINANCIAL ASSETS								
Investments - held to maturity	16	492	356	848	-	-	-	848
Investment - others	-	-	-	-	-	5,000	5,000	5,000
Long-term loans	-	-	-	-	502	1,488	1,990	1,990
Long-term deposits	-	-	-	-	-	15,305	15,305	15,305
Trade debts	-	-	-	-	176,328	-	176,328	176,328
Loans	-	-	-	-	24,851	-	24,851	24,851
Trade deposits	-	-	-	-	3,430	-	3,430	3,430
Accrued mark-up	-	-	-	-	275	-	275	275
Other receivables	-	-	-	-	147	-	147	147
Cash and bank balances	3.75 - 12.5	55,754	-	55,754	4,046	-	4,046	59,800
		<u>56,246</u>	<u>356</u>	<u>56,602</u>	<u>209,579</u>	<u>21,793</u>	<u>231,372</u>	<u>287,974</u>
2005		<u>343,362</u>	<u>1,561</u>	<u>344,923</u>	<u>139,417</u>	<u>11,131</u>	<u>150,548</u>	<u>495,471</u>
2004								
FINANCIAL LIABILITIES								
Short-term borrowings	4.25 - 9	329,697	-	329,697	-	-	-	329,697
Trade and other payables	-	-	-	-	265,282	-	265,282	265,282
Sales tax payable	-	-	-	-	16,272	-	16,272	16,272
Accrued interest / mark-up	-	-	-	-	4,553	-	4,553	4,553
Liabilities against assets subject to finance leases	4.65 - 6.9	49,733	40,901	90,634	-	-	-	90,634
		<u>379,430</u>	<u>40,901</u>	<u>420,331</u>	<u>286,017</u>	<u>-</u>	<u>286,017</u>	<u>706,438</u>
2005		<u>451,143</u>	<u>12,349</u>	<u>463,492</u>	<u>230,451</u>	<u>-</u>	<u>230,451</u>	<u>693,943</u>
2004								
OFF BALANCE SHEET ITEMS								
Financial liabilities								
Letters of credit	-	-	-	-	1,968	-	1,968	1,968
Letters of guarantee	-	-	-	-	48,548	-	48,548	48,548
Import contracts	-	-	-	-	1,863	-	1,863	1,863
Local purchase contracts	-	-	-	-	16,224	-	16,224	16,224
		<u>-</u>	<u>-</u>	<u>-</u>	<u>68,603</u>	<u>-</u>	<u>68,603</u>	<u>68,603</u>
2005		<u>-</u>	<u>-</u>	<u>-</u>	<u>223,312</u>	<u>-</u>	<u>223,312</u>	<u>223,312</u>
2004								

Notes to the Financial Statements for the Year Ended June 30, 2005

36.2 Concentration of credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk on trade debts, loans and deposits. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable.

36.3 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Significant exposures to foreign currency risks are covered through forward exchange contracts, where considered appropriate by the Company.

36.4 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The management of the Company believes that it is not exposed to significant level of liquidity risk.

36.5 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

37. NUMBER OF EMPLOYEES

The number of employees at June 30, 2005 was 683 (2004: 570).

38. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on September 24, 2005 by the Board of Directors of the Company.

39. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 24, 2005 has proposed a Cash Dividend in respect of the year ended June 30, 2005 of Rs. 3.50 per share (2004: Rs. 3.00 per share) amounting to total dividend of Rs. 37.674 million (2004: Rs. 32.292 million). In addition, directors have also decided to transfer Rs. 15.572 million (2004: Rs. 5.666 million) from unappropriate profit to general reserve. These appropriations will be approved in the forth coming Annual General Meeting. The financial statements for the year ended June 30, 2005 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

40. 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 separate item on balance sheet.
- Figures in Note 5, 11 and 32 have been restated due to change in definition of "Executive".
- Trade and other payables have been classified in Note 20 on Balance Sheet.
- Administrative and selling expenses are shown separately as selling expenses and administrative expenses respectively.
- In addition to the above figures, comparative information has also been restated in order to comply with changes in accounting policy as explained in Note 2.3

41. GENERAL

41.1 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

Pattern of Share Holding as at June 30, 2005

Categories of Share Holders	Number of Shares Held	Percentage of Issued Capital
Associated Companies, Undertakings and Related Parties	3,665,258	34.05
Bandenawaz Ltd	2,050	0.02
BSJS Balanced Fund Ltd	349,000	3.24
CDC Trustee Abamco Capital Fund	300,000	2.79
CDC Trustee Abamco Stock Market Fund	300,000	2.79
CDC Trustee Unit Trust of Pakistan	1,050,000	9.75
Jahangir Siddiqui Capital Markets Ltd	1,050,000	9.75
Jahangir Siddiqui & Co. Ltd	18,100	0.17
Sikander (Pvt) Ltd	596,108	5.54
NIT and ICP	12,351	0.11
Investment Corporation of Pakistan	510	0.00
National Bank of Pakistan, Trustee Dept	11,841	0.11
Directors, CEO & their Spouse and Minor Children	955,615	8.88
Abdur Razzak Dada (Director) & family	1	0.00
Abu Talib H. K. Dada (Director) & family	310,469	2.88
Mrs. Halima w/o Abu Talib H.K. Dada	29,847	0.28
Dr. Mahmood Ahmed (Director) & family	6	0.00
Maqbool H.H. Rahimtoola (Chairman) & family	5,300	0.05
Mohammad Ali Jameel (Director) & family	100	0.00
Muhammad Najam Ali (Director) & family	100	0.00
Qazi Sajid Ali (Director) & family	1	0.00
Rasheed Y. Chinoy (Director) & family	100	0.00
Saad S. Faruqi (Director) & family	100	0.00
Sikander Dada (CEO) & family	609,586	5.66
Zahid Zaheer (Director) & family	5	0.00
Executive	5,000	0.05
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas	1,128,973	10.49
Adamjee Insurance Company Ltd.	63,080	0.59
Commerce Bank Ltd.	17	-
Habib Bank Ltd.	1,994	0.02
Habib Insurance Co Ltd	22,000	0.20
Ideal Life Assurance Company Ltd.	25	-
Jahangir Siddiqui Securities Service Ltd	1,040,536	9.67
Muslim Commercial Bank Ltd.	440	-
Pakistan Insurance Corporation	533	-
United Bank Ltd.	348	-
Shareholders holding ten percent or more voting interest in the company		
Province Ltd.	1,465,000	13.61
Individuals	3,479,895	32.33
Others	51,867	0.53
TOTAL	10,763,959	100.00

Pattern of Share Holding as at June 30, 2005

Number of Share Holders	Share Holding		Total Shares Held
	From	To	
2,942	1	100	56,380
622	101	500	143,116
197	501	1,000	131,456
145	1,001	5,000	285,154
16	5,001	10,000	99,881
5	10,001	15,000	60,466
1	15,001	20,000	18,100
2	20,001	25,000	45,776
1	25,001	30,000	29,751
1	30,001	35,000	30,433
1	60,001	65,000	63,080
4	90,001	95,000	369,282
4	110,001	115,000	440,408
1	220,001	225,000	220,205
1	270,001	275,000	271,625
2	295,001	300,000	600,000
1	310,001	315,000	310,469
1	340,001	345,000	342,311
1	345,001	350,000	349,000
1	385,001	390,000	389,381
2	415,001	420,000	837,648
1	465,001	470,000	469,501
1	590,001	595,000	595,000
1	1,040,001	1,045,000	1,040,536
2	1,045,001	1,050,000	2,100,000
1	1,460,001	1,465,000	1,465,000
<u>3,957</u>			<u>10,763,959</u>

Categories of Share Holders	Number of Share Holders	Number of Shares Held	Percentage of Issued Capital
Individual	3,924	4,440,510	41.25
NIT & ICP	2	12,351	0.11
Associated Companies	8	3,665,258	34.05
Non-Banking Finance Institutions	1	1,040,536	9.67
Banks	4	2,799	0.03
Insurance companies	4	85,638	0.80
Foreign shareholding	1	1,465,000	13.61
others	13	51,867	0.48
	<u>3,957</u>	<u>10,763,959</u>	<u>100.00</u>

Last Six Years at a Glance

Fiscal Year Ending June 30	Turnover	Profit After Taxation	Assets	Dividend		
				Amount	Percentage	
----- (Rupees in '000) -----						
2005	1,291,033	53,234	1,231,812	37,674	35.00%	
2004	Restated	946,854	37,577	1,183,292	32,292	30.00%
2003		710,644	28,414	711,040	21,528	20.00%
2002	Restated	562,226	8,498	651,401	13,455	12.50%
2001		634,297	21,912	747,121	21,528	20.00%
2000		652,955	66,071	770,321	43,056	40.00%
1999		615,784	59,774	638,973	43,056	40.00%

Corresponding figures have been re-arranged and re-classified wherever necessary for the purpose of comparison.

Form Of Proxy

The Company Secretary
Dadex Eternit Limited
34-A/1, Block 6, P.E.C.H.S.
Shahrah-e-Faisal
Karachi-75400

46th Annual General Meeting

I / We _____ son / daughter / wife of _____

of _____ (full address)

being member(s) of DADEX ETERNIT LIMITED holding _____

Ordinary shares hereby appoint _____

of _____ (full address)

who is/are also member(s) of Dadex Eternit Limited as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 46th Annual General Meeting of the Company to be held on October 24, 2005 and at any adjournment thereof.

As witness my/our hand/seal this _____ day of _____ 2005

Signed by the said _____
in the presence of

1. _____

2. _____

Folio/CDC Account No.

Signature on
Revenue Stamp
of Rs. 5/-

This signature should
agree with the
specimen registered
with the Company

Important:

1. This Proxy duly completed and signed, must be received at the Registered Office of the Company, Dadex House, 34-A/1, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi-75400, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders/Corporate Entities:

In addition to the above the following requirements have to be met:

- i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- ii) Attested copies of CNIC and of the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his original CNIC or original passport at the time of meeting.
- iv) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the company.

Affix
correct
postage

The Company Secretary
Dadex Eternit Limited
34-A/1, Block 6, P.E.C.H.S.
Shahrah-e-Faisal
Karachi - 75400



Dadex Eternit Limited

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P.O.Box 20040,

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F. (92-21) 4315716

Dadex Karachi Factory:

Deh-22, Manghopir

Karachi 75890 - Pakistan

T. (92-21) 6980030, 6946926, 6974579

F. (92-21) 6980025


Dadex Hyderabad Factory:

10, Badin Road

Hyderabad 71900 - Pakistan

T. (92-221) 880613, 880813

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