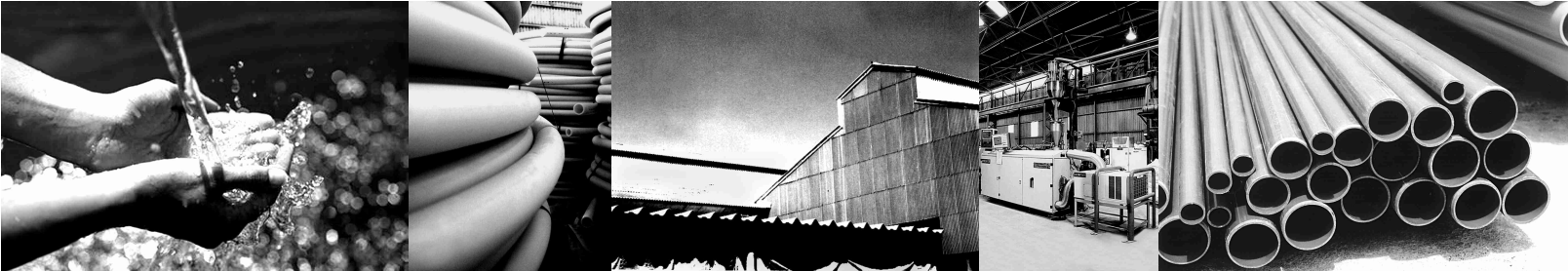
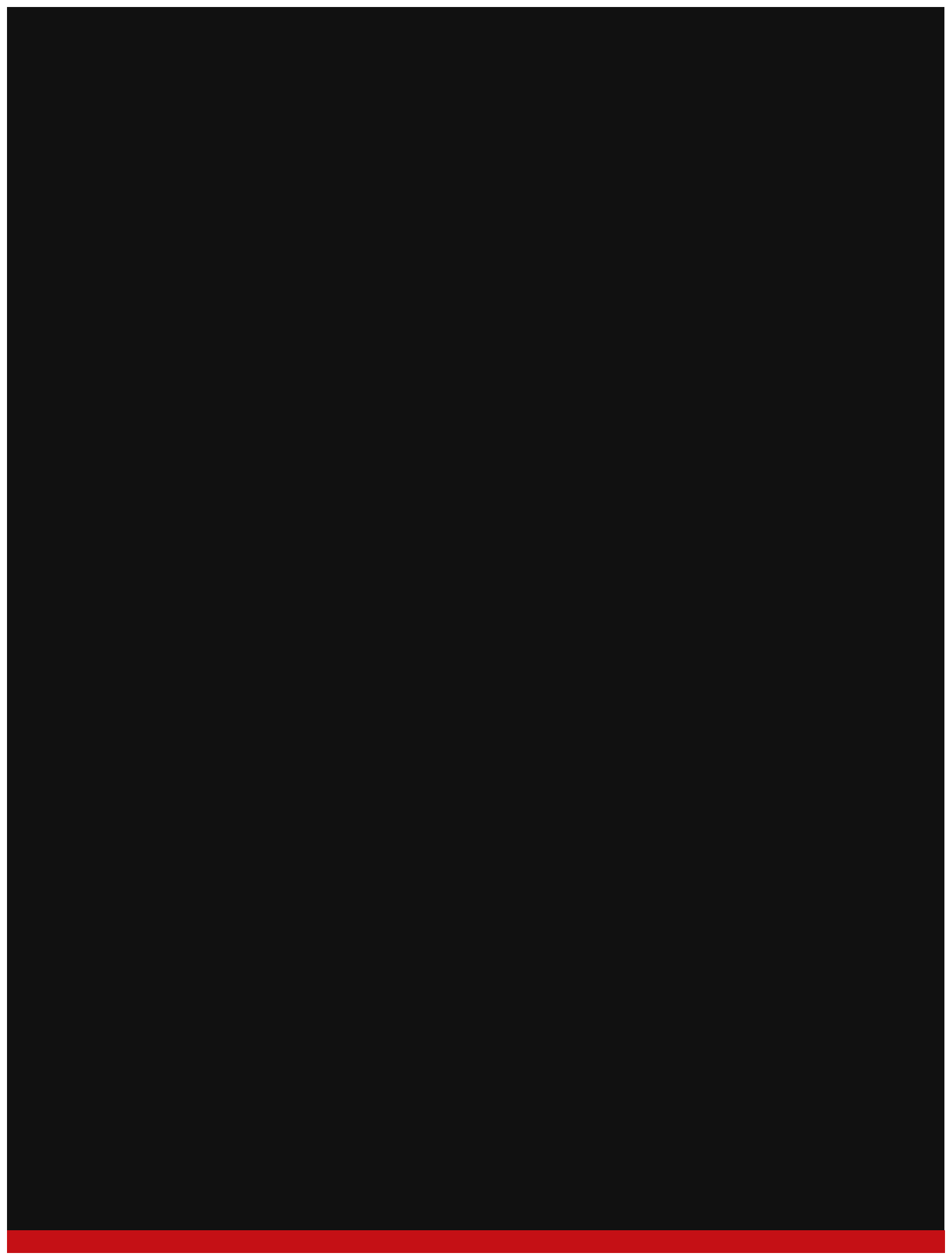


Annual Report 2004



DADEX







DADEX House, Karachi



DADEX



Our Mission



We shall provide unparalleled service and best value to our customers through a responsive and cost effective supply chain.

We are committed to provide quality products by strict adherence to international standards and best practices through technical collaboration with leading global companies in this business.

We are committed to follow business ethics, comply with SH&E standards and enhance our contribution to society.

We shall strive to maximize our shareholders value through sustained profitable growth.

We shall enhance existing employee productivity, hire, retain and develop best talent and provide them a competitive environment to excel and grow.

We will aggressively focus on increasing our penetration in the piping systems market by exploring new channels.

We shall continue to set new trends through innovative marketing and manufacturing.



Our Vision



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

Water for Life



A supply of pure, safe drinking water is a basic human right. However, there is an acute scarcity of water in the world today. The United Nations estimates that 20% of the world's population in 30 countries face water shortage. The seriousness of this crisis is amplified by the fact that the world's water reserves are consistently being depleted. Under the prevailing scenario, efficient supply and distribution of water becomes our top priority.

At Dadex we develop solutions that not only facilitate the supply and distribution of water, but also protect this valuable resource from contamination and wastage. Our vision of creating value for all stakeholders drives our efforts for water conservation through different aspects of our business as we believe that everyone has a right to a healthy life.

The United Nations has proclaimed the period from 2005 to 2015 as the International Decade for Action: "Water for Life". Being a proactive company, Dadex has taken the step to be ahead of its time, and has devoted the year of 2004 to highlighting the importance of conserving nature's most precious resource - water. Our dedicated "WaterWise" campaign continues to promote water conservation nationally so that together, we can continue to enjoy pure, clean water for generations to come.

Quality & Reliability

Today Dadex is synonymous for quality and reliability. We have consistently served the building product markets for over four decades now. As always, our focus on customer delight has made us an innovative and modern company. We continuously reach out to set the standards in every field that we enter, and offer customised solutions to the cross section of the markets that we operate in. Our winning edge comes from our team which makes every effort to stay one step ahead by means of product development and providing supplementary services.

Our real strength lies in our people. We have a diverse group of people; experts in different fields, but united in spirit. It is this team spirit that has helped Dadex to achieve the mindshare of its customers and become a trusted brand.

In our quest to lead by example, we have successfully equipped our manufacturing facilities with state-of-the-art equipment that is operated by well trained and skilled staff.

This is how we have come so far, and has allowed us to expand in a dynamic market, with the zeal to outperform our previous achievements. We hope to continue setting higher industry standards as we go on making Dadex a company that truly adds value for all its stakeholders.



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Company Information

Board of Directors

MAQBOOL H.H. RAHIMTOOLA - **Chairman**
ABDUR RAZZAK DADA
(Alternate: TARIQ ALI JAFRI)
ABU TALIB H.K. DADA
ZAHID ZAHEER
DR. MAHMOOD AHMED
(Alternate: MUHAMMAD HANIF IDREES)
QAZI SAJID ALI
RASHEED Y. CHINYOY
MUHAMMAD NAJAM ALI
MOHAMMAD ALI JAMEEL
SAAD S. FARUQUI

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**
AFAQ AHMED KAZI
MUHAMMAD HANIF IDREES
MUHAMMAD HASAN
S. SAJID NAZAR ALI
SAQIB HABIB

Auditors

A.F. FERGUSON & CO.
Chartered Accountants

Bankers

CITIBANK N.A.
HABIB BANK LIMITED
KASB BANK LIMITED
METROPOLITAN BANK LIMITED
MUSLIM COMMERCIAL BANK LIMITED
OMAN INTERNATIONAL BANK S.A.O.G.
PICIC COMMERCIAL BANK LIMITED
PRIME BANK LIMITED
STANDARD CHARTERED BANK
THE HONG KONG & SHANGHAI BANKING
CORPORATION LIMITED
UNION 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-fifth Annual General Meeting of the Dadex Etemit Ltd. will be held on Wednesday, October 27, 2004 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

- To receive, consider and adopt the following:
 - Financial statements for the year ended June 30, 2004 and the Auditors' Report thereon; and
 - The Report of the Board of Directors for the year ended June 30, 2004.
- To consider and approve payment of 30% dividend in cash for the year ended June 30, 2004 as recommended by the Board of Directors.
- To appoint auditors for the year ended June 30, 2005, and authorize the Directors to fix their remuneration. The Audit Committee has recommended and further a shareholder has proposed that Messrs. Ford Rhodes Sidat Hyder & Co., Chartered Accountants be appointed as Auditors for the year ending June 30, 2005 in place of the retiring auditors Messrs. A.E. Ferguson & Co. Chartered Accountants.
- To transact with the permission of the Chair, any other business which may be transacted at an Annual General Meeting.

SPECIAL BUSINESS

- To seek the consent of the members for placing of accounts for the first quarter and third quarter on the Company's website, instead of sending the same by post to the members in compliance with the Securities & Exchange Commission of Pakistan's circular No.19 dated April 14, 2004.

A statement under section 160 of the Companies Ordinance, 1984 pertaining to the Special Business is being sent to the Members with this notice.

By Order of the Board

(MUHAMMAD HANIF IDREES)
Company Secretary

Karachi, September 20, 2004

NOTES:

- The Register of Members and the Share Transfer Books of the Company shall remain closed from October 20, 2004 to October 27, 2004 (both days inclusive). Transfers received in order at the Registered Office of the Company by the close of business hours on October 19, 2004 will be treated in time for incorporating the change in the Members Register as at October 20, 2004.
- Entitlement to dividend and to attend, participate and vote at the forty-fifth Annual General Meeting will be according to the Members Register as at October 20, 2004.
- 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.
- 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.
- Members are requested to submit declaration for Zakat on the required format and to notify immediately changes, if any, in their registered address.
- 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.
- 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 National Identity Card (NIC) 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 NIC numbers shall be mentioned on the form.
 - iii. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his original NIC 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.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

Securities & Exchange Commission of Pakistan (SECP) vide their circular No. 19 dated April 14, 2004 has allowed listed companies to place their quarterly accounts on their websites instead of sending them to shareholders by mail, subject to fulfillment of certain conditions including seeking of the consent of its shareholders in a General Meeting.

This initiative has been taken by SECP to ensure timely and confirmed availability of the information to the shareholders and investors. Further, costs involved in cumbersome exercise of sending periodical accounts to all shareholders by mail, would also be saved while meeting the objectives of the statutory provision in section 245 of the Company Ordinance, 1994.

Your Company wishes to place its accounts for the first quarter and third quarter on its website: www.dadex.com, so that advantage of the facility allowed by SECP can be availed for the benefit of our shareholders.

The members are accordingly requested to pass with or without modification the following resolution as an ordinary resolution:

“RESOLVED THAT the Company is hereby authorized to place its accounts for first quarter and third quarter on its website instead of sending these to shareholders by mail.”

The Directors are not interested in this business except as shareholders of the Company.

Report of the Board of Directors

The Board of Directors of Dadex Etemit Limited is very pleased to present forty-fifth Annual Report and Audited Financial Statements of the Company for the year ended June 30, 2004.

I. ECONOMIC OVERVIEW

The economic reforms initiated by the Government have improved the business environment. Resources becoming available to the Government from reduced debt servicing are being diverted to development of infrastructure including water and sewerage projects. However, public spending on the infrastructure projects needs to be further enhanced if the goal of poverty alleviation has to be achieved.

II. BUSINESS OVERVIEW & FINANCIAL RESULTS

The Government has identified housing and construction as one of major drivers of growth and has taken measures to boost this sector. Responding to such measures, construction sector has registered a growth rate of 7.9% against previous year's growth of 3.1%. Increased sales and marketing efforts by your company has achieved net sales of Rs. 947 million as compared to Rs. 711 million in the previous year, which is approximately 33% higher than the previous year.

The share of Thermoplastic Division in the total sales of the company continued to grow, which supports your company's strategy to invest in this Division. In pursuance of this and taking advantage of low interest rate scenario, during the year, new state-of-the-art Polyethylene (PE) extruder was installed to increase the capacity to manufacture plastic pipes.

Substantial losses have occurred due to interruptions in power supply during manufacturing in plastics. Therefore, to prevent this, your company has installed another power generation unit.

Over last few years, the Thermoplastic Division, a growing segment of the Company's business was facing severe competition from influx of imported finished goods encouraged by a very low difference in custom duties on imported finished products and raw materials used for manufacturing, thereby putting local manufacturers at a disadvantage. This issue has been partially addressed in the last fiscal budget.

We urge the Government to initiate measures to check dumping of cheap imports into the country and to ensure adherence to standards.

Local sales of Chrysotile Cement Division registered a growth of 17% over last year and export sales of the division registered 131% growth over last year. This division continued to have a major share in total exports due to which total exports, especially to North America registered a growth of 72% over last year.

Financial costs during the year under review was approx 42% lower as compared to last year despite the average utilisation of bonowed funds being higher during the year as compared to previous year. This has been possible, in view of the low interest rate scenario and by prudent treasury management.

The profit after tax of Rs. 37.57 million is by the grace of Allah 32% more than last year and translates into an earning per share of Rs. 3.49.

Report of the Board of Directors

III. APPROPRIATIONS

Together with the unappropriated profit of Rs. 3,998 million brought forward from the previous year, a total of Rs. 41,575 million is available for appropriation. The Directors are pleased to propose a final cash dividend of 30%. The proposed appropriations of profit of the company are as under:

	(Rupees '000)
Net profit before taxation	69,803
Less: Provision for taxation	32,226
Net profit after taxation	37,577
Add: Unappropriated profit brought forward	3,998
Profit available for appropriation	41,575
Your Directors have decided to appropriate as under:	
Transferred to Revenue Reserve - General	5,666
Final dividend proposed Rs. 3.00 (2003: Rs. 2.00) per share	32,292
Unappropriated profit carried forward	3,617

Break-up value per share as at June 30, 2004 is Rs. 40.53 (2003: Rs. 40.00)

Earning per share for the year ended June 30, 2004 is Rs. 3.49 (2003: Rs. 2.64)

IV. BOARD OF DIRECTORS

Since the last report, Mr. Tawfiq H. Chinoy, Mr. Riaz T. Chinoy, Mr. Kemal Shoaib and Mr. Zafar Iqbal resigned. We appreciate the valuable contribution of the outgoing Directors, while on the Board of Directors of the Company. We welcome to the Board Mr. Rasheed Y. Chinoy, Mr. Muhammad Najam Ali, Mr. Mohammad Ali Jameel and Mr. Saad S. Faruqi, who joined the Board in place of the resigning Directors, with effect from April 8, 2004, for the remainder of the term. The term of office of the present Directors will expire on July 12, 2005.

During the year, eight (8) 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. 210 million, as payment of duties, taxes and levies to the Government exchequer. We believe that if the Government supports the initiatives for the growth of manufacturing sector, and curtails dumping, our share in the market will also grow and reduce dependence on imports resulting in saving of foreign exchange for the country.

VI. HUMAN RESOURCES

During the year, Company arranged various external and in-house trainings including programmes for team building and increasing motivation, for the development of its employees. Trainings were imparted keeping in view the organisational requirements with the objective of developing people.

Industrial relations remained cordial and satisfactory throughout the year. A satisfactory agreement with CBA of Karachi Factory was signed and negotiations with CBA, Hyderabad Factory are in progress. Our employees and unions have always remained our partner and have always shared with us the pains as well as gains of the risks and rewards associated with the challenges and opportunities related to the business, and we expect the same environment to continue.

Report of the Board of Directors

VII. INFORMATION TECHNOLOGY / BUSINESS PROCESSES

Your Company has initiated the work on assessing the adequacy of business processes and determining the matching information technology resources and infrastructure. Successful accomplishment of this process is not possible without allocating the desired level of resources and energy for which your management is fully committed.

VIII. SAFETY, HEALTH & ENVIRONMENT (SHE)

We also realise our responsibility to serve our employees and the civic society by continuously striving for the improvement of environmental conditions. Over the years, your Company has made huge investments for improving the environment and for achieving highest level of occupational health and safety. In recognition of our vision and contribution in the field of environment, National Forum for Environment & Health honoured your Company with "Environment Excellence Award, 2004".

IX. 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 the Code of Corporate Governance, for the year ended June 30, 2004" annexed with this report.
- 2) That the company has fully complied with the best practices on Transfer Pricing for the year ended June 30, 2004 as contained in the listing regulations No.38 of the Karachi Stock Exchange.
- 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 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.
 - 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. 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 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 of 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:

• 2004	• 2003
(Rupees '000)	
117,388	117,709

Report of the Board of Directors

- 4) The statement, showing pattern of shareholding of the Company as at June 30, 2004 is annexed with this report.
- 5) The directors, CEO, CFO & Company Secretary and their spouses and minor children carried out no trades in the shares of the listed company, except for disposal of shares by the out going Directors and transfer on execution of succession certificate.

X. AUDITORS

The present auditors M/s A.F. Ferguson & Co., Chartered Accountants, retire at the conclusion of the forty-fifth Annual General Meeting. According to clause xli of the Code of Corporate Governance and Regulation No.37 of the Listing Regulations of The Karachi Stock Exchange, all listed companies are required to change their auditors every five years. Therefore, in compliance of the requirements of the Code of Corporate Governance, the Audit Committee has recommended the appointment of M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as auditors of the company for the year ending June 30, 2005, by the Company's shareholders. Auditors recommended for appointment hold satisfactory rating under the "Quality Control Review Programme" of the Institute of Chartered Accountants of Pakistan.

The Board of Directors wish to place on record and acknowledge the highest standard of professional independence, objectivity and effectiveness shown by M/s A.F. Ferguson & Co., who have been the statutory auditors since 1964.

XI. 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.

XII. GOING FORWARD

Construction sector and infrastructure development is on the priority in the agenda of the Government for achieving the desired level of GDP growth. Therefore, we are confident that there is tremendous scope for your Company to grow by appropriate market positioning and by setting priorities in the right direction.

We view inching up mark-up rates, depreciating rupee and unstable oil prices as major threats. Oil prices greatly influence the prices of our raw materials related to Themoplastic Division and therefore a rising trend may offset the advantages of tariff rationalisation measures announced in last Federal Budget.

We are confident that with our focus on quality, improvements in customer services, continuous improvement in all areas of our business and dedication of our human resources, we would be able to fully explore the huge potential lying ahead and emerge as a winner.

XIII. 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 also acknowledge the support and cooperation received from Government in all matters and especially in resolving the tariff anomalies related to our business. We continue to seek Government's support for our growth and so in turn improving our contribution to national economy.

We thank our suppliers for their cooperation; our banks and financial institutions for their reposing trust on us and providing us timely, competitive and quality financial services; and our shareholders for reposing confidence on us.

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 its stakeholders.

On behalf of the Board of Directors

Maqbool H. H. Rahimtoola
Chairman

Karachi: September 18, 2004

Attendance at Board Meeting for the Year Ended June 30, 2004

Name Of Director	Total No. Of Board Meetings	Total No. Of Meetings Attended
MAQBOOL H.H. RAHIMTOOLA	8	8
ABDUR RAZZAK DADA (Alternate: TARIQ ALI JAFRI)	8	2 5 7
ABU TALIB H.K. DADA	8	8
ZAHID ZAHEER	8	8
DR. MAHMOOD AHMED (Alternate: MUHAMMAD HANIF IDREES)	8	5 2 7
QAZI SAJID ALI	8	6
RAY HEMSTOCK (Outgoing) RIYAZ T. CHINYOY (Incoming / Outgoing) RASHEED Y. CHINYOY (Incoming)	1 6 1 8	0 4 1 5
PHILIPPE COENS (Outgoing) TOWFIQ H. CHINYOY (Incoming / Outgoing) MUHAMMAD NAJAM ALI (Incoming)	1 6 1 8	0 4 1 5
TARIQ ALI JAFRI (Outgoing) ZAFAR IQBAL (Incoming / Outgoing) MOHAMMAD ALI JAMEEL (Incoming)	1 6 1 8	0 2 1 3
M. IRSHAD UDDIN (Outgoing) KEMAL SHOAIB (Incoming / Outgoing) SAAD S. FARUQUI (Incoming)	1 6 1 8	0 3 1 4
SIKANDER DADA - CHIEF EXECUTIVE	8	8

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, 2004

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 an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
5. All the casual vacancies occurring during the year in the Board were filled up by the directors within 30 days.
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 Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
12. The CFO and 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 & CFO attends Board Meetings of the Company.
14. The director's 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.

Statement of Compliance with the Code of Corporate Governance for the Year Ended June 30, 2004

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.
20. The Board has set-up an effective internal audit function.
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 18, 2004

SIKANDER DADA
Chief Executive

MAQBOOL H.H. RAHIMTOOLA
Chairman

Auditors' Review Report on Statement of Compliance

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Dadex Etemit 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 of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of the various documents prepared by the Company to comply with the Code.

As part of our audit of the 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 of Corporate Governance as applicable to the Company for the year ended June 30, 2004.

A.F. FERGUSON & CO.
Chartered Accountants

Karachi: September 18, 2004

Auditors' Report to the Members

We have audited the annexed balance sheet of Dadex Etemit Limited as at June 30, 2004 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.

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 accounts 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;
 - 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, 2004 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.

A.F.FERGUSON & CO.
Chartered Accountants

Karachi: September 18, 2004

Balance Sheet as at June 30, 2004

	Note	• 2004	• 2003
(Rupees '000)			
Fixed assets			
Operating fixed assets	3	252,253	205,663
Capital work-in-progress	4	15,864	976
		<u>268,117</u>	<u>206,639</u>
Investments - held to maturity	5	295	295
- others	6	5,000	5,000
Long-term loans and advances	7	675	712
Long-term deposits	8	6,131	3,559
Deferred taxation	9	7,743	-
		<u>287,961</u>	<u>216,205</u>
Current assets			
Stores and spares	10	46,427	48,141
Stock-in-trade	11	361,217	287,832
Trade debts	12	87,273	59,413
Loans and advances	13	18,828	13,345
Trade deposits and short-term prepayments	14	9,644	9,636
Other receivables	15	3,208	376
Taxation recoverable		-	39,615
Cash and bank balances	16	368,734	36,477
		<u>895,331</u>	<u>494,835</u>
Current liabilities and provisions			
Short-term finances	17	420,000	94,048
Creditors, accrued and other liabilities	18	250,334	136,577
Current portion of liabilities against assets subject to finance lease	19	31,143	26,012
Taxation payable		917	-
Proposed dividend		32,292	21,528
		<u>734,686</u>	<u>278,165</u>
Net current assets		160,645	216,670
Liabilities against assets subject to finance lease	19	12,349	357
Deferred taxation	9	-	1,880
Commitments	20		
Net assets		<u>436,257</u>	<u>430,638</u>
Financed by:			
Issued, subscribed and paid-up capital	22	107,640	107,640
Reserves	23	325,000	319,000
Unappropriated profit		3,617	3,998
Shareholders' equity		<u>436,257</u>	<u>430,638</u>

The annexed notes 1 to 40 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, 2004

	Note	• 2004	• 2003
(Rupees '000)			
Net sales	24	946,854	710,644
Cost of goods sold	25	701,393	502,583
Gross profit		245,461	208,061
Administration, selling and distribution expenses	26	173,517	144,055
Operating profit		71,944	64,006
Other income	27	8,624	6,908
		80,568	70,914
Financial charges	28	4,090	7,028
Other charges	29	6,675	5,266
		10,765	12,294
Profit before taxation		69,803	58,620
Taxation	30	32,226	30,206
Profit after taxation		37,577	28,414
Unappropriated profit brought forward		3,998	2,112
Profit available for appropriation		41,575	30,526
Appropriations:			
Transfer to General Reserve		5,666	5,000
Proposed final dividend Rs. 3.00 (2003: Rs. 2.00) per share		32,292	21,528
		37,958	26,528
Unappropriated profit carried forward		3,617	3,998
		Rupees	Rupees
Earnings per share - basic and diluted	31	3.49	2.64

The annexed notes 1 to 40 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, 2004

	Note	• 2004	• 2003
(Rupees '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	35	145,501	50,500
Interest / mark-up paid		(4,871)	(2,059)
Taxes paid		(1,317)	(23,252)
Long-term loans and advances (net)		37	749
Long-term deposits (net)		(2,572)	3,527
Net cash inflow from operating activities		136,778	29,465
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(128,309)	(84,033)
Investments		-	2,701
Proceeds from disposal of fixed assets		1,941	3,060
Interest received		2,324	2,336
Net cash outflow on investing activities		(124,044)	(75,936)
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowing / (repayment of liability) against assets subject to finance lease		17,123	(28,919)
Short-term borrowings obtained (net of repayment)		330,000	50,000
Dividend paid		(23,552)	(12,540)
Net cash inflow from financing activities		323,571	8,541
Net increase / (decrease) in cash and cash equivalents		336,305	(37,930)
Cash and cash equivalents at beginning of the year		32,429	70,359
Cash and cash equivalents at end of the year	36	368,734	32,429

The annexed notes 1 to 40 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, 2004

	Share Capital	Reserves			Total	Unappropriated Profit	Total
		Capital Reserve - Share Premium	Revenue Reserve - General	Net Unrealised Gains On Hedging Instruments			
(Rupees '000)							
Balance as at June 30, 2002	107,640	5,655	308,345	-	314,000	2,112	423,752
Profit after taxation for the year ended June 30, 2003	-	-	-	-	-	28,414	28,414
Transfer to general reserve	-	-	5,000	-	5,000	(5,000)	-
Final dividend	-	-	-	-	-	(21,528)	(21,528)
Balance as at June 30, 2003	107,640	5,655	313,345	-	319,000	3,998	430,638
Profit after taxation for the year ended June 30, 2004	-	-	-	-	-	37,577	37,577
Transfer to general reserve	-	-	5,666	-	5,666	(5,666)	-
Proposed dividend	-	-	-	-	-	(32,292)	(32,292)
Net unrealised gain on hedging instruments	-	-	-	334	334	-	334
Balance as at June 30, 2004	107,640	5,655	319,011	334	325,000	3,617	436,257

The annexed notes 1 to 40 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, 2004

1. THE COMPANY AND ITS OPERATIONS

The company is a limited liability company incorporated in Pakistan and is listed on the Karachi Stock Exchange. The address of its Registered Office is Dadex House, 34-A/1, Block 6, P.E.C.H.S, Sharaq-e-Faisal, Karachi.

It is engaged in the 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 Accounting convention

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

- a) certain exchange elements referred to in note 2.15 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 Fixed assets

a) Owned

Operating fixed assets are stated at cost less accumulated depreciation 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 capitalised as referred to in note 2.15.

Depreciation is charged to income applying the straight-line method whereby the cost of an asset 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 fixed assets disposed of during the year.

Cost of leasehold land is amortised equally over the period of lease.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

The carrying amount of an asset is written down immediately to the recoverable amount if it is greater than the recoverable amount.

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

Notes to the Financial Statements for the Year Ended June 30, 2004

b) Leased

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.

2.4 Investments

Investment in associated companies

Investment in associated companies is stated at cost less provision for diminution in value of investment. In arriving at the provision in respect of any diminution in value, consideration is given only if there is a permanent impairment in the value of the investment.

Other investments

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 recognised at cost inclusive of transaction costs and are subsequently carried at amortised cost.

Investments are derecognised 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 permanent diminution in their value.

2.5 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.

2.6 Stock-in-trade

a) 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.

b) 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, 2004

c) 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.

2.7 Trade debts

Trade debts are carried at original invoice amount less an estimate for doubtful receivable balances based on review of outstanding amounts at year end. Bad debts are written off when identified.

2.8 Provisions

Provisions are recognised 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.

2.9 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. Finance charges under the lease arrangements are allocated to periods during the lease term so as to produce a constant periodic rate of financial cost on the outstanding balance of the principal liability of each period.

2.10 Revenue recognition

- Sales are recorded on despatch of goods to customers.
- Dividend income is recognised when the right to receive the dividend is established.
- Rental income is recorded on accrual basis.

2.11 Turnkey projects

Revenue is recognised 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 recognised as an expense. Any anticipated losses on these contracts are recognised 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.

2.12 Retirement benefits

The company operates an approved contributory provident fund for all permanent employees.

Notes to the Financial Statements for the Year Ended June 30, 2004

2.13 Compensated absences

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

2.14 Taxation

a) Current

Provision for current taxation is based on taxable income after taking into account tax credits available, if any.

b) Deferred

Deferred tax is recognised on all major temporary differences between the amount used for financial reporting purposes and the amount used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

2.15 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 recognised 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.

2.16 Financial instruments

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are offset when the company has a legally enforceable right to offset and it intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

2.17 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 recognised in the statement of changes in equity. The fair value of forward foreign exchange contracts are 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.

2.18 Borrowing costs

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

2.19 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash equivalents are 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, 2004

3. OPERATING FIXED ASSETS

3.1 The following is a statement of operating fixed assets :

	Cost			Accumulated Depreciation			At June 30, 2004	Book Value At June 30, 2004	Depreciation Rate % Per Annum	
	At July 1, 2003	Additions/ (Disposals)	Transfers In / (Out)	At June 30, 2004	At July 1, 2003	Charge For The Year /(Accumulated Depreciation On Disposals)				Transfers In / (Out)
----- (Rupees '000) -----										
OWNED ASSETS										
Freehold land	4,638	-	-	4,638	-	-	-	4,638	-	
Leasehold land	5,292	-	-	5,292	1,498	66	-	3,728	1 to 3.33	
Building on freehold land	1,932	-	-	1,932	948	117	-	867	5	
Factory buildings on leasehold land	36,242	655	-	36,897	29,494	1,135	-	6,268	10	
Building on leasehold land other than factory	66,500	-	-	66,500	18,820	3,082	-	44,598	5	
Plant and machinery	364,162	101,313 (66,573)	76,173	475,075	266,090	43,004 (13,315)	43,419	135,877	20 and 25	
Furniture and fixtures	3,098	69	-	3,167	1,481	270	-	1,416	10	
Vehicles and transportation equipment	14,222	9,174 (2,059)	-	21,337	8,748	3,066 (1,279)	-	10,802	20	
Office and factory equipment	4,776	2,210	1,156	8,142	1,976	1,794	660	3,712	10 and 33.33	
ASSETS UNDER FINANCE LEASE										
Plant and machinery	76,173	53,258	(76,173)	53,258	43,419	13,315	(43,419)	39,943	20	
Office and factory equipment	1,156	-	(1,156)	-	660	-	(660)	-	10	
Vehicles and transportation equipment	1,010	-	-	1,010	404	202	-	404	20	
2004	579,201	166,679 (68,632)	-	677,248	373,538	66,051 (14,594)	-	424,995	252,253	
2003	497,904	83,151 (1,854)	-	579,201	329,619	44,284 (365)	-	373,538	205,663	

Notes to the Financial Statements for the Year Ended June 30, 2004

3.2 The Depreciation Charge For The Year Has Been Allocated As Follows:

	Note	• 2004	• 2003
(Rupees '000)			
Cost of goods sold	25	50,589	31,302
Administration, selling and distribution expenses	26	14,370	12,781
Net rental income	27.1	1,092	201
		<u>66,051</u>	<u>44,284</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 '000) -----						
Plant and machinery	66,573	13,315	53,258	53,258	Sale and leaseback	Standard Chartered Mdaraba
Vehicles and transportation equipment	1,076	1,076	-	600	Negotiation	Mr. M Khan Niazi (Karachi)
	26	15	11	160	Negotiation	Mr. Shabbir Mughal (Islamabad)-Employee
	939	188	751	939	Insurance Claim	Adamjee Insurance Company Limited
	18	-	18	242	Negotiation	Mr. Nadeem Naqvi (Lahore)-Employee
	2,059	1,279	780	1,941		
	<u>68,632</u>	<u>14,594</u>	<u>54,038</u>	<u>55,199</u>		

3.4 Fixed assets include various items of factory equipment having net book value of Rs. 0.836 million as at June 30, 2004 which are given to customers for use on a temporary basis. No rent is charged by the company from these customers.

	• 2004	• 2003
(Rupees '000)		

4. CAPITAL WORK-IN-PROGRESS

Advances against purchases of fixed assets:

- Plant and machinery
- Vehicles
- Civil works

	13,487	-
	939	976
	1,438	-
	<u>15,864</u>	<u>976</u>

5. INVESTMENTS - held to maturity

Defence Savings Certificates

	295	295
--	-----	-----

5.1 These Defence Saving Certificates are pledged with various Government Departments as a security against supply of goods to them.

Notes to the Financial Statements for the Year Ended June 30, 2004

6. INVESTMENTS - others

		• 2004	• 2003
(Rupees '000)			
Associated undertaking 625,000 ordinary shares of Rs. 10 each in Berdex Construction Chemicals (Private) Limited		5,000	5,000

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, 2004 amounted to Rs. 6.527 million (2003: Rs. 6.357 million).

	Note	• 2004	• 2003
(Rupees '000)			

7. LONG-TERM LOANS AND ADVANCES - considered good

Due from executives		819	892
Less: receivable within one year	13	290	333
		529	559
Due from employees		447	452
Less: receivable within one year	13	301	299
		146	153
		675	712
Loans outstanding for more than three years		89	-
Others		586	712
		675	712

7.1 Loans to executives and 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.

7.2 The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs. 1.148 million (2003: Rs. 1.165 million).

	Note	• 2004	• 2003
(Rupees '000)			

8. LONG-TERM DEPOSITS

Deposits with leasing companies		2,713	3,150
Less: Current portion of deposits with leasing companies	14	50	3,099
		2,663	51
Other deposits		3,468	3,508
		6,131	3,559

8.1 Amount due from an associated undertaking at the year end was Rs. 0.100 million (2003: Rs. 0.100 million).

Notes to the Financial Statements for the Year Ended June 30, 2004

9. DEFERRED TAXATION - net

	• 2004	• 2003
	(Rupees '000)	
Deferred tax debit arising in respect of:		
- Provision for slow moving and obsolete stores and spares	5,229	2,662
- Provision for staff benefits	4,467	1,015
- Other deductible temporary differences	7,993	1,690
	<u>17,689</u>	<u>5,367</u>
Deferred tax credit arising in respect of:		
- Accelerated tax depreciation on owned assets	5,370	4,785
- Assets on finance lease	4,576	2,462
	<u>9,946</u>	<u>7,247</u>
	<u>7,743</u>	<u>(1,880)</u>

10. STORES AND SPARES

Stores	5,758	5,186
Spares	49,870	43,843
Consumable accessories	4,357	5,143
Loose tools	1,209	1,299
Items in transit	1,126	761
	<u>62,320</u>	<u>56,232</u>
Provision for slow moving and obsolete stores and spares	(15,893)	(8,091)
	<u>46,427</u>	<u>48,141</u>

11. STOCK-IN-TRADE

Raw materials		
- in hand	126,038	136,671
- in transit	82,676	19,753
	<u>208,714</u>	<u>156,424</u>
Work-in-process	25,120	21,704
Finished goods		
- Manufactured	92,137	84,953
- Trading (including in transit Rs. 4.959 million; 2003: Nil)	35,246	24,751
	<u>127,383</u>	<u>109,704</u>
	<u>361,217</u>	<u>287,832</u>

Finished goods include certain items having a cost of Rs. 23.143 million (2003: Nil) which have been written down to their net realisable value amounting to Rs. 20.994 million (2003: Nil).

12. TRADE DEBTS - unsecured

	Note	2004			2003		
		Turnkey	Other Than Turnkey	Total	Turnkey	Other Than Turnkey	Total
----- (Rupees '000) -----							
- Considered good		11,201	76,072	87,273	18,595	40,818	59,413
- Considered doubtful		11,538	41,294	52,832	19,366	29,011	48,377
		<u>22,739</u>	<u>117,366</u>	<u>140,105</u>	<u>37,961</u>	<u>69,829</u>	<u>107,790</u>
Less: Provision for doubtful debts	12.1	11,538	41,294	52,832	19,366	29,011	48,377
		<u>11,201</u>	<u>76,072</u>	<u>87,273</u>	<u>18,595</u>	<u>40,818</u>	<u>59,413</u>

Notes to the Financial Statements for the Year Ended June 30, 2004

12.1 Provision for doubtful debts

	Note	2004			2003		
		Turnkey	Other Than Turnkey	Total	Turnkey	Other Than Turnkey	Total
----- (Rupees '000) -----							
Opening provision		19,366	29,011	48,377	12,234	17,771	30,005
Provision for the year		1,414	13,707	15,121	10,732	11,260	21,992
Provision no longer required written back		(9,242)	(1,424)	(10,666)	(3,600)	(20)	(3,620)
Net charge / (reversal) for the year	26	(7,828)	12,283	4,455	7,132	11,240	18,372
Closing balance		11,538	41,294	52,832	19,366	29,011	48,377

12.2 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.

12.3 Amounts due from an associated undertaking at the year end aggregated to Rs. 0.0035 million (2003: Rs. 0.128 million). The amount outstanding at June 30, 2004 was due from Berger Paints Pakistan Limited.

12.4 The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 0.135 million (2003: Rs. 0.232 million)

	Note	2004		2003	
(Rupees '000)					
13. LOANS AND ADVANCES					
Considered good					
Loans to:					
- executives	7		290		333
- employees	7		301		299
Advances to:					
- executives			694		588
- employees			219		413
- associated undertaking			-		229
- suppliers / contractors			11,613		5,506
- contractors for turnkey projects			5,571		5,837
- others			140		140
			18,828		13,345
Considered doubtful					
Advances to suppliers / contractors			500		-
Less: Provision for doubtful advances			500		-
			-		-
			18,828		13,345

13.1 The maximum aggregate amount of advances due from associated undertaking and executives at the end of any month during the year was Rs. 0.187 million (2003: Rs. 0.229 million) and Rs. 0.934 million (2003 : Rs. 1.891 million) respectively.

Notes to the Financial Statements for the Year Ended June 30, 2004

	Note	• 2004	• 2003
(Rupees '000)			
14. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits		7,175	7,307
Provision against doubtful trade deposits		(3,000)	(3,000)
		<u>4,175</u>	<u>4,307</u>
Other deposits		1,102	40
Current portion of deposits with leasing companies	8	50	3,099
Short-term prepayments		<u>4,317</u>	<u>2,190</u>
		<u><u>9,644</u></u>	<u><u>9,636</u></u>
15. OTHER RECEIVABLES - considered good			
Accrued income on investments		2,570	334
Net unrealised gain on hedging instruments		334	-
Others		<u>304</u>	<u>42</u>
		<u><u>3,208</u></u>	<u><u>376</u></u>
16. CASH AND BANK BALANCES			
Deposit accounts		343,362	16,174
Current accounts			
- Foreign currency		15	15
- Local currency		<u>24,640</u>	<u>20,179</u>
Cash in hand		<u>717</u>	<u>109</u>
		<u><u>368,734</u></u>	<u><u>36,477</u></u>
17. SHORT-TERM FINANCES - secured			
Running finances utilised under mark-up arrangements	17.1	-	4,048
Finance under Mushanika arrangement	17.2	100,000	-
Term finances	17.3	<u>320,000</u>	<u>90,000</u>
		<u><u>420,000</u></u>	<u><u>94,048</u></u>

17.1 The facilities for short-term running finances under mark-up arrangements available from various banks amount to Rs. 130 million (2003: Rs. 130 million). The facilities expire on various dates by April 30, 2005 and carry mark-up at 6% (2003 : 8% to 9%) per annum. These arrangements are secured by pari-passu charge against hypothecation of the company's stock-in-trade and trade debts.

17.2 Facility for mushanika finance available from a Mdaraba amount to Rs. 100 million (2003: Nil). The facility expires on August 03, 2004 and carries a mark-up at 4.75 percent (2003: Nil) per annum. The arrangement is secured against lien on short-term deposits of the company.

17.3 The facilities for term finance available from various banks amount to Rs. 325 million (2003 : Rs. 215 million) and are repayable by April 30, 2005. These arrangements are secured by pari-passu charge against hypothecation of the company's stock-in-trade and trade debts. The mark-up rates on these finances range from 2.55% to 3.6% (2003: 3.12 % to 3.65%) per annum.

Notes to the Financial Statements for the Year Ended June 30, 2004

	Note	• 2004	• 2003
(Rupees '000)			
18. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Trade creditors		5,673	3,618
Bills payable		72,362	18,275
Sales tax payable		4,218	11,823
Accrued liabilities		91,725	49,291
Liability for capital expenditure		10,714	2,309
Payable to contractors against turnkey projects		5,267	6,541
Contingencies - turnkey projects	2.11	9,886	12,212
Accrued mark-up on secured short-term finances		1,814	701
Advances from customers		29,485	14,599
Workers' Profit Participation Fund	18.2	3,834	3,164
Workers' Welfare Fund		3,515	2,559
Advance from tenant		1,237	-
Dividend payable		7,144	9,168
Other liabilities		3,460	2,317
		<u>250,334</u>	<u>136,577</u>

18.1 Amount due to an associated undertaking at the year end was Rs. 2.758 million (2003 : Rs. 0.223 million).

	Note	• 2004	• 2003
(Rupees '000)			
18.2 Workers' Profit Participation Fund			
Balance at July 1		3,164	919
Allocation for the year	29	<u>3,802</u>	<u>3,160</u>
		6,966	4,079
Interest on funds utilised in the company's business	28	127	51
Less: Amounts paid on behalf of the fund		<u>2,542</u>	<u>966</u>
Deposited with the Government		717	-
		<u>3,259</u>	<u>966</u>
Balance at June 30		<u>3,834</u>	<u>3,164</u>

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

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 annual rates ranging from 4.65% to 11.7% (2003: 11.02% to 16.0%).

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

Notes to the Financial Statements for the Year Ended June 30, 2004

The amount of future payments include the amounts at which the company has the option to purchase the assets. The period in which these payments will become due are as follows:

	Standard Chartered Modaraba	First Habib Modaraba	Total 2004	Total 2003
----- (Rupees '000) -----				
Year to June 30, 2004	-	-	-	27,214
Year to June 30, 2005	31,992	370	32,362	377
Year to June 30, 2006	6,203	-	6,203	-
Year to June 30, 2007	6,580	-	6,580	-
	<u>44,775</u>	<u>370</u>	<u>45,145</u>	<u>27,591</u>
Less: Finance charges not yet due	(1,637)	(16)	(1,653)	(1,222)
	<u>43,138</u>	<u>354</u>	<u>43,492</u>	<u>26,369</u>
Less: Current portion shown under current liabilities	(30,789)	(354)	(31,143)	(26,012)
	<u>12,349</u>	<u>-</u>	<u>12,349</u>	<u>357</u>

20. COMMITMENTS

	Capital Expenditure	Others	Total 2004	2003
----- (Rupees '000) -----				
Letters of credit	25,793	91,479	117,272	72,077
Letters of guarantee	-	79,559	79,559	37,628
Import contracts	5,641	13,685	19,326	3,320
Local purchase contracts	7,155	-	7,155	-
	<u>38,589</u>	<u>184,723</u>	<u>223,312</u>	<u>113,025</u>
Rent of assets under operating leases	-	-	-	2,046

21. AUTHORISED CAPITAL

• 2004		• 2003		• 2004		• 2003	
(Number of shares)				(Rupees '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, 2004

22. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

• 2004		• 2003		• 2004		• 2003	
(Number of shares)				(Rupees '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>		

23. RESERVES

Capital reserve - share premium	5,655	5,655
Revenue reserve	319,011	313,345
Net unrealised gain on hedging instruments	334	-
	<u>325,000</u>	<u>319,000</u>

24. NET SALES

Local - manufactured	1,077,015	799,732
Local - trading	44,080	35,944
Export	1,121,095	835,676
	20,367	11,788
	<u>1,141,462</u>	<u>847,464</u>
Returns	3,001	2,802
Rebates and allowances	35,710	15,506
Sales tax	155,897	118,512
	<u>194,608</u>	<u>136,820</u>
Net sales	<u>946,854</u>	<u>710,644</u>

Notes to the Financial Statements for the Year Ended June 30, 2004

	Note	• 2004	• 2003
(Rupees '000)			
25. COST OF GOODS SOLD			
Manufactured			
Raw materials consumed		156,424	56,641
Opening stock		494,842	402,675
Purchases		(208,714)	(156,424)
Closing stock		442,552	302,892
Export Rebate		(1,241)	(1,200)
		441,311	301,692
Stores and spares consumed	25.1	42,646	32,870
Provision for slow moving stores and spares		9,042	-
Reversal of provision for slow moving stores and spares		(1,240)	(115)
		7,802	(115)
Salaries, wages and benefits [including Rs. 3.674 million (2003: Rs. 3.085 million) in respect of bonus to workers]	25.2	73,550	55,866
Procured Services		8,252	6,179
Fuel, water and power		33,441	29,579
Insurance		5,416	5,984
Travelling		265	1,018
Communication		434	434
Depreciation	3.2	50,589	31,302
Rent, rates and taxes		1,312	3,690
Repairs and maintenance		6,674	4,200
Technical assistance fee		9,620	3,961
Printing and stationery		668	493
Sundry expenses		1,854	1,492
Opening stock of work-in-process		21,704	22,597
Closing stock of work-in-process		(25,120)	(21,704)
Cost of goods manufactured		680,418	479,538
Opening stock of finished goods		84,953	84,850
Closing stock of finished goods		(92,137)	(84,953)
		673,234	479,435
Trading			
Opening stock		24,751	20,575
Purchases		38,654	27,324
		63,405	47,899
Closing stock		(35,246)	(24,751)
		28,159	23,148
		701,393	502,583

Notes to the Financial Statements for the Year Ended June 30, 2004

• 2004 • 2003

(Rupees '000)

25.1 Stores and Spares Consumed

Opening stock	56,232	56,239
Effect of change in valuation policy	-	2,450
	<u>56,232</u>	<u>58,689</u>
Purchases	53,818	33,913
Capitalised during the year	(5,084)	(3,500)
Closing stock	<u>(62,320)</u>	<u>(56,232)</u>
	<u>42,646</u>	<u>32,870</u>

25.2 Staff retirement benefits

Salaries, wages and benefits include Rs. 2.580 million (2003: Rs. 2.269 million) in respect of staff retirement benefits.

26. ADMINISTRATION, SELLING AND DISTRIBUTION EXPENSES

Note • 2004 • 2003

(Rupees '000)

Salaries and benefits	26.1	42,799	35,028
Rent, rates and taxes [including Rs. 0.339 million (2003: Rs. 0.240 million) to associated undertakings]		5,670	5,669
Procured services		3,002	2,587
Insurance		1,428	1,251
Depreciation	3.2	14,370	12,781
Repairs and maintenance		8,283	5,406
Advertising and sales promotion		14,912	8,097
Printing, stationery and subscription		6,393	2,693
Communication		3,961	3,415
Travelling		5,746	6,517
Transportation and other charges on local sales		48,286	30,345
Transportation and other charges on export sales		5,069	2,134
Freight subsidy on exports		(496)	-
		4,573	2,134
Fuel, water and power		3,762	3,127
Legal and professional		3,602	2,140
Net provision for the year against doubtful debts	12.1	4,455	18,372
Recovery against bad debts written off		(7)	(207)
		4,448	18,165
Provision against doubtful advance		500	-
Provision against doubtful trade deposits		-	3,000
Sundries		1,782	1,700
		<u>173,517</u>	<u>144,055</u>

26.1 Staff Retirement Benefits

Salaries and benefits include Rs. 1.751 million (2003: Rs. 1.458 million) in respect of staff retirement benefits.

Notes to the Financial Statements for the Year Ended June 30, 2004

	Note	• 2004	• 2003
(Rupees '000)			
27. OTHER INCOME			
Income from - investments		103	77
- employee loans		6	135
		109	212
Profit on disposal of fixed assets - net		1,161	1,571
Exchange gain		8	-
Sale of scrap and waste		317	238
Net rental income	27.1	6,677	4,604
Sundries [including Rs. 0.180 million (2003: Rs. 0.180 million) received from an associated undertaking]		352	283
		<u>8,624</u>	<u>6,908</u>
27.1 Net Rental Income			
Rental income		7,959	4,840
Recoveries from tenants on account of utilities		1,962	705
Utility expense of rented property		(1,962)	(705)
Depreciation of rented property	3.2	(1,092)	(201)
Rent, rates and taxes of rented property		(190)	(35)
Net Rental Income		<u>6,677</u>	<u>4,604</u>
28. FINANCIAL CHARGES			
Mark-up on short-term finances		5,857	1,984
Income from bank deposits		(4,451)	(1,969)
		1,406	15
Interest on Workers' Profit Participation Fund	18.2	127	51
Finance charge on liabilities against assets subject to finance leases		1,333	6,337
Bank charges		1,224	625
		<u>4,090</u>	<u>7,028</u>
29. OTHER CHARGES			
Auditors' remuneration	29.1	258	371
Directors' fee		305	155
Audit Committee fee		55	70
Workers' Profit Participation Fund	18.2	3,802	3,160
Workers' Welfare Fund		2,133	1,357
Donations	29.2	122	112
Exchange loss		-	41
		<u>6,675</u>	<u>5,266</u>

Notes to the Financial Statements for the Year Ended June 30, 2004

	2004 A. F. Ferguson & Co.	A. F. Ferguson & Co.	2003 Hyder Bhimji & Co.	Total
--	------------------------------------	----------------------------	----------------------------------	-------

----- (Rupees '000) -----

29.1 AUDITORS' REMUNERATION

Audit fee	185	185	77	262
Special certifications and sundry advisory services	25	60	10	70
Audit of Workers' Profit Participation Fund	-	-	4	4
Out of pocket expenses	48	35	-	35
	<u>258</u>	<u>280</u>	<u>91</u>	<u>371</u>

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

	• 2004	• 2003
--	--------	--------

(Rupees '000)

30. TAXATION

Current - for the year	43,000	24,820
- prior year	(1,151)	-
Deferred	(9,623)	5,386
	<u>32,226</u>	<u>30,206</u>

30.1 Relationship between Tax Expense and Accounting Profit

Accounting profit before tax	<u>69,803</u>	<u>58,620</u>
Tax rate	35%	35%
Tax on accounting profit	24,431	20,517
Tax effect of:		
- Prior year adjustment	(1,151)	-
- Permanent differences	8,791	9,408
- Exempt income	(644)	(448)
- Presumptive tax regime		
- export sales	(684)	(218)
- sales out of commercial imports	561	947
- turnkey projects	922	-
	<u>799</u>	<u>729</u>
Tax expense for the current year	<u>32,226</u>	<u>30,206</u>

Notes to the Financial Statements for the Year Ended June 30, 2004

• 2004 • 2003

(Rupees '000)

31. EARNINGS PER SHARE - BASIC AND DILUTED

Net profit for the year after taxation	37,577	28,414
	(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	3.49	2.64

32. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2004	2003	2004	2003	2004	2003
	----- (Rupees '000) -----					
Managerial remuneration	1,500	1,500	-	445	19,407	14,175
Housing						
- Rent	600	600	-	198	6,794	5,576
- Utilities	194	241	-	44	1,889	1,389
- Other items	191	164	-	4	413	339
Medical	150	150	-	-	1,698	1,253
Retirement benefits	165	165	-	-	1,813	1,276
Provision for compensated absences	289	200	-	45	3,423	1,293
Others	413	305	70	85	1,546	132
	<u>3,502</u>	<u>3,325</u>	<u>70</u>	<u>821</u>	<u>36,983</u>	<u>25,433</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>77</u>	<u>57</u>

In addition, the chief executive and certain executives are provided with company maintained cars.

Aggregate amount charged in the accounts with respect to directors' fee for the year was Rs. 0.305 million (2003: Rs. 0.155 million).

33. CAPACITY AND PRODUCTION

	Chrysolite Cement				Rubber		Plastic			
	Karachi Factory		Hyderabad Factory		Karachi Factory		Karachi Factory		Hyderabad Factory	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Capacity of production (tons)	46,850	46,850	14,100	14,100	120	120	11,552	7,560	144	144
Actual production (tons)	32,314	29,295	3,568	3,375	88	48	3,473	1,475	10	20
Percentage of capacity utilised	69	63	25	24	73	40	30	20	7	14

The company's production was according to the market demand.

Notes to the Financial Statements for the Year Ended June 30, 2004

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, which are under the terms of their employment, are as follows:

	• 2004	• 2003
	(Rupees '000)	
Purchase of goods	7,097	366
Sale of goods	432	104
Income on services rendered	180	180
Expenditure on account of services received	189	57
Rent paid	339	240
Mark-up income on bank deposits	2,015	-
Insurance claim received	705	-
Insurance premium paid	674	-
Contribution to provident fund	4,331	3,727

All transactions with related parties are carried out by the company at arms length prices using the methods prescribed under Companies Ordinance, 1984.

Note	• 2004	• 2003
	(Rupees '000)	

35. CASH GENERATED FROM OPERATIONS

Profit before taxation		69,803	58,620
Adjustments for non cash charges and other items:			
Depreciation		66,051	44,284
Profit on disposal of fixed assets - net		(1,161)	(1,571)
Interest income		(4,560)	(2,181)
Interest / mark-up expense		5,984	2,035
Working capital changes	35.1	9,384	(50,687)
		<u>145,501</u>	<u>50,500</u>

35.1 Working capital changes

(Increase)/decrease in current assets			
Stores and spares		1,714	2,342
Stock-in-trade		(73,385)	(103,169)
Trade debts		(27,860)	27,117
Loans and advances		(5,483)	1,877
Trade deposits and short-term prepayments		(8)	4,301
Other receivables (net)		(262)	65
		<u>(105,284)</u>	<u>(67,467)</u>
Increase in current liabilities			
Creditors, accrued and other liabilities (net)		114,668	16,780
		<u>9,384</u>	<u>(50,687)</u>

36. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:			
Cash and bank balances	16	368,734	36,477
Short-term running finances utilised under mark-up arrangements	17	-	(4,048)
		<u>368,734</u>	<u>32,429</u>

Notes to the Financial Statements for the Year Ended June 30, 2004

37. FINANCIAL ASSETS AND LIABILITIES

37.1 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 from the following schedule:

	Interest/Mark-up Bearing			Non-interest Bearing			Total
	Maturity Upto Oneyear	Maturity After Oneyear	Sub-total	Maturity Upto Oneyear	Maturity After Oneyear	Sub-total	
----- (Rupees '000) -----							
Financial assets							
Investments - held to maturity	-	295	295	-	-	-	295
Investment - others	-	-	-	-	5,000	5,000	5,000
Long-term loans and advances	-	675	675	-	-	-	675
Long-term deposits	-	-	-	-	6,131	6,131	6,131
Trade debts	-	-	-	87,273	-	87,273	87,273
Loans and advances	-	591	591	18,237	-	18,237	18,828
Trade deposits	-	-	-	5,327	-	5,327	5,327
Other receivables	-	-	-	3,208	-	3,208	3,208
Cash and bank balances	343,362	-	343,362	25,372	-	25,372	368,734
	<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>
Financial liabilities							
Short-term finances	420,000	-	420,000	-	-	-	420,000
Creditors, accrued and other liabilities	-	-	-	198,159	-	198,159	198,159
Proposed dividend	-	-	-	32,292	-	32,292	32,292
Liabilities against assets subject to finance leases	31,143	12,349	43,492	-	-	-	43,492
	<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>
Off balance sheet items							
Financial liabilities							
Letters of credit	-	-	-	117,272	-	117,272	117,272
Letters of guarantee	-	-	-	79,559	-	79,559	79,559
Import contracts	-	-	-	19,326	-	19,326	19,326
Local purchase contracts	-	-	-	7,155	-	7,155	7,155
	<u>-</u>	<u>-</u>	<u>-</u>	<u>223,312</u>	<u>-</u>	<u>223,312</u>	<u>223,312</u>

As at June 30, 2004, interest / mark-up rates per annum on financial assets and financial liabilities are as follows:

Loans to employee
Deposits and savings accounts included in cash and bank balances
Short term finance
Liabilities against assets subject to finance leases

2004
6% - 10% per annum
1.5% - 5% per annum
1.9% - 4.75% per annum
4.65% - 11.7% per annum

Notes to the Financial Statements for the Year Ended June 30, 2004

37.2 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 495.471 million, the financial assets which are subject to credit risk amounted to Rs. 494.754 million. The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk the company applies credit limits to its customers.

37.3 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.

37.4 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.

37.5 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.

38. NUMBER OF EMPLOYEES

Total number of employees at June 30, 2004 was 570 (2003: 547).

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on September 18, 2004 by the Board of Directors of the company.

40. GENERAL

40.1 Figures have been rounded off to the nearest thousand rupees.

40.2 Corresponding figures have been re-arranged and re-classified wherever necessary for the purpose of comparison. Significant reclassifications made are as follows:

- Advances against purchase of fixed assets amounting to Rs. 0.976 million have been reclassified from trade deposits and short-term prepayments to capital work-in-progress;
- Expenses incurred on rented property amounting to Rs. 0.941 million have been reclassified from administration, selling and distribution expenses to other income in order to disclose net rental income;
- Incentives given to dealers amounting to Rs. 6.524 million have been reclassified from administration, selling and distribution expenses to rebates and allowances under the head of net sales; and
- Export rebate amounting to Rs. 1.2 million has been reclassified from other income to cost of goods sold.

Muhammad Hanif Idrees
Chief Financial Officer

Sikander Dada
Chief Executive

Maqbool H. H. Rahimtoola
Chairman

Pattern of Share Holding as at June 30, 2004

Categories Of Share Holders	Number Of Shares Held	Percentage Of Issued Capital
Associated Companies, Undertakings and Related Parties	3,640,794	33.82
Banderawaz Ltd	2,050	0.02
BSJS Balanced Fund Ltd	349,000	3.24
CDC Trustee Abamco Capital Fund	300,000	2.79
Jahangir Siddiqui Capital Mkts Pvt Ltd	1,050,000	9.75
Jahangir Siddiqui Securities Service Ltd	1,040,536	9.67
Jahangir Siddiqui & Co Ltd	3,100	0.03
Sikander Pvt Ltd	596,108	5.54
Trustee Abamco Stock Market Fund	300,000	2.79
NTI and ICP	12,351	0.11
Investment Corporation of Pakistan	510	0.00
National Bank of Pakistan, Trustee Deptt	11,841	0.11
Directors, CEO & their Spouse and Minor Children	954,081	8.86
Abdur Razzak Dada (Director) & family	1	0.00
Abu Talib H. K Dada (Director) & family	340,316	3.16
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	-	-
Rasheed Y. Chinoy (Director) & family	100	0.00
Saad S. Faruqi (Director) & family	100	0.00
Sikander Dada (CEO) & family	608,053	5.65
Zahid Zaheer (Director) & family	5	0.00
Executive	5,000	0.05
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Mudarabas	1,138,779	10.58
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	-
Karachi Investment Trust Pvt Ltd	99	-
Muslim Commercial Bank Ltd.	440	-
Naeem Investment Trust Pvt Ltd.	243	-
Pakistan Insurance Corporation	533	-
Trustee Unit Trust of Pakistan	1,050,000	9.75
United Bank Ltd.	348	-
Shareholders holding ten percent or more voting interest in the company		
Province Ltd.	1,465,000	13.61
Individuals	3,491,200	32.43
Others	56,754	0.53
TOTAL	10,763,959	100.00

Pattern of Share Holding as at June 30, 2004

Number Of Share Holders	From	Share Holding To	Total Shares Held
2,976	1	100	57,720
641	101	500	147,702
207	501	1,000	138,513
163	1,001	5,000	329,063
14	5,001	10,000	84,496
5	10,001	15,000	60,466
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
1	65,001	70,000	70,000
2	90,001	95,000	184,452
2	110,001	115,000	228,884
4	132,001	227,000	682,993
1	260,001	265,000	260,625
3	295,001	300,000	900,000
1	310,001	315,000	310,469
1	345,001	350,000	349,000
1	375,001	380,000	380,000
1	390,001	395,000	395,000
1	400,001	405,000	405,000
1	405,001	410,000	410,000
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>4,035</u>			<u>10,763,959</u>

Categories Of Share Holders	Number Of Share Holders	Number Of Shares Held	Percentage Of Issued Capital
Individual	3,991	4,450,281	41.34
NIT & ICP	2	12,351	0.11
Associated Companies	8	3,640,794	33.82
Banks	4	2,799	0.03
Development Finance Institutes & Non-Banking Finance Institutes	3	1,050,342	9.76
Insurance companies	4	85,638	0.80
Foreign shareholding	1	1,465,000	13.61
Others	22	56,754	0.53
	<u>4,035</u>	<u>10,763,959</u>	<u>100.00</u>

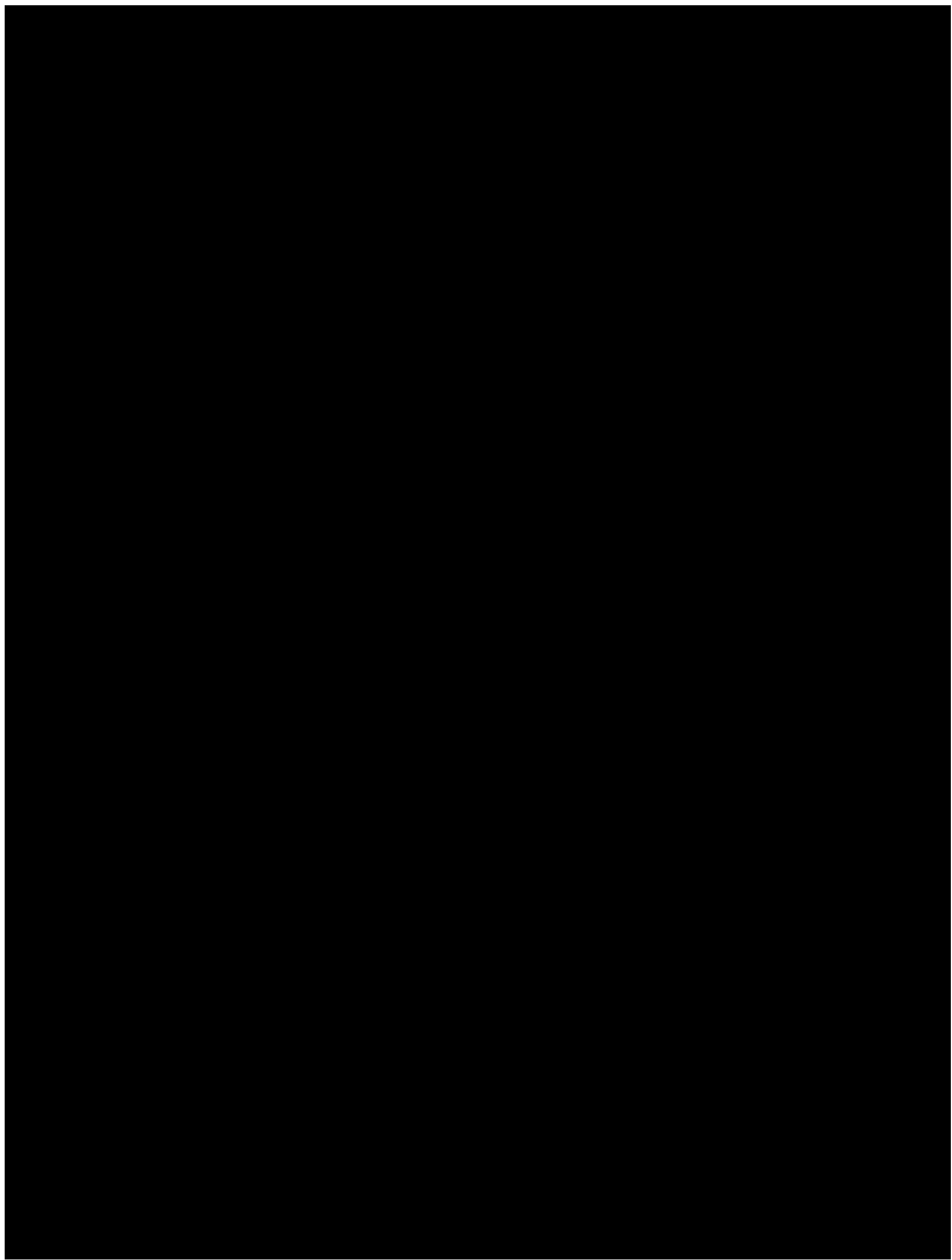
Last Six Years at a Glance

Fiscal Year Ending June 30	Turnover	Profit After Taxation	Assets	Dividend		
				Amount	Percentage	
	(Rupees '000)					
2004	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%	
1998	622,902	65,880	645,180	40,365	37.50%	

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

Form of Proxy





Form Of Proxy

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

45th 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 45th Annual General Meeting of the Company to be held on October 27, 2004 and at any adjournment thereof.

As witness my/our hand/seal this _____ day of _____ 2004

Signed by the said _____
in the presence of

1. _____

2. _____

Folio/CDC Account No.

Signature on
Revenue Stamp
of Appropriate
Value

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 NIC numbers shall be mentioned on the form.
- ii) Attested copies of NIC 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 NIC 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.

DADEX

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

Head Office:

Dadex House, 34-A/1, Block 6,

P.E.C.H.S., Shahrah-e-Faisal,

P.O.Box 20040,

Karachi 75400 - Pakistan

T. (92-21) 111-000-789

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

F. (92-221) 880623

