

# Half Yearly Report 2005



DEWAN KHALID TEXTILE MILLS LIMITED



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## COMPANY INFORMATION

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- Board of Directors** : **Dewan Zia-ur-Rehman Farooqui**  
Chairman
- Dewan Ghulam Mustafa Khalid**  
Vice Chairman / Director
- Dewan Abdul Rehman Farooqui**  
Chief Executive / Managing Director
- Dewan Muhammad Ayub Khalid**  
Deputy Managing Director
- Dewan Mohammad Yousuf Farooqui**
- Dewan Asim Mushfiq Farooqui**
- Dewan Abdul Baqi Farooqui**
- Audit Committee** : **Dewan M. Yousuf Farooqui - Chairman**  
**Dewan M. Ayub Khalid - Member**  
**Dewan Asim Mushfiq Farooqui - Member**
- Auditors** : **Messrs Feroze Sharif Tariq & Co.**  
Chartered Accountants
- Chief Financial Officer** : **Mr. Mohammad Nadeem**
- Company Secretary** : **Mr. Mansoor Ahmed Siddiqui**
- Tax Advisors** : **Sharif & Company**  
Advocates
- Bankers** : Muslim Commercial Bank Limited  
Habib Bank Limited  
Bank Al-Falah Ltd.  
Askari Commercial Bank Ltd.
- Registered Office** : **Dewan Centre**  
3-A, Lalazar,  
Beach Hotel Road,  
Karachi-74000,  
Pakistan.
- Factory Office** : G / 11, S.I.T.E.  
Kotri,  
Sind, Pakistan.



## DIRECTORS' REPORT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

### BEGIN IN THE NAME OF ALLAH THE MOST GRACIOUS AND MERCIFUL

We are pleased to present financial statements for the half year ended December 31, 2005 duly reviewed by the auditors.

The company has earned profit after tax of Rs.8.69 million during the six months under review as compared to Rs.5.06 earned during comparable period of last year. Sales were increased from Rs. 364.41 million to Rs. 423.89 million , thus showing increase of 16.32%. Gross profit ratio during the period increased from 10.88% to 12.29 %. Operating expenses were increased by Rs. 5.10 million and finance cost was increased by Rs. 16.5 million.

During current year under review local cotton prices remains on a higher side and it goes upto Rs. 2,600 per maund this was mainly due to shortfall in cotton production. The current estimate of crop size is around 12 million bales as against target production of 15 million bales. Demand for cotton yarn from all over the world remained under pressure but no major change in prices was observed. European markets showed decreasing trend in 100% cotton yarn due to factors like low price of Chinese finished goods.

Your directors record their appreciation of the efforts of the Company's officers, technicians, staff and workers and the support and cooperation extended by its customers and bankers.

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Rahim, in the name of our beloved Prophet, peace be upon him, for continued showering of his Blessings, Guidance, Strength, Health & prosperity to us, our Company, Country and Nation; and also pray to Almighty Allah to bestow peace, harmony brotherhood and unity in true Islamic spirit to whole Muslim Ummah, Ameen Summa-Ameen.

اِنَّ رَبِّيْ لَسَمِيعُ الدُّعَاءِ (القرآن)  
حقیقت میں میرا رب دعا کا بڑا سننے والا ہے۔

**LO-MY LORD IS INDEED HEARER OF PRAYER (HOLY QURAN)**

For and on behalf of Board of Directors

**Dewan Muhammad Ayub Khalid**

Deputy Managing Director

28 February, 2006

## REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of Dewan Khalid Textile Mills Limited as at December 31, 2005, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the 'financial statement') for the half year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standard as applicable in Pakistan.

*Feroze Sharif Tariq*

Place : Karachi  
Date : February 28 , 2006

Feroze Sharif Tariq & Co.  
Chartered Accountants



# BALANCE SHEET AS AT DECEMBER 31, 2005

	(Un-Audited) Dec 31, 2005	(Audited) June 30, 2005
<b>EQUITY AND LIABILITIES</b>		
<b>CAPITAL &amp; RESERVES</b>		
(Rs. in 000)		
Authorized 15,000,000 (2005: 15,000,000) Ordinary Shares of Rs. 10/- each	<u>150,000</u>	<u>150,000</u>
Issued, Subscribed and Paid-up Capital	51,659	46,962
General Reserve - (a Revenue Reserve)	135,000	135,000
Unappropriated Profit	103,977	99,982
Shareholders Equity	290,636	281,944
<b>NON-CURRENT LIABILITIES</b>		
Redeemable Capital - Secured, Non-Participatory	6,250	12,500
Long Term Loan - Secured	48,000	52,000
Deferred Liabilities		
Provision for Staff Gratuity	9,786	9,547
Deferred taxation	17,865	19,699
	27,651	29,246
<b>CURRENT LIABILITIES</b>		
Trade and Other Payables	262,675	267,708
Interest/ Profit/ Mark-up accrued on loans and other payables	7,411	7,824
Short Term Borrowings - Secured	336,836	340,801
Current portion of Long Term Loan	16,000	12,000
Current portion of Redeemable Capital	12,500	12,500
Provision for Income Tax	54,753	51,148
	690,175	691,981
Contingencies and Commitments	--	--
	<u>1,062,712</u>	<u>1,067,671</u>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Tangible Fixed Assets	276,407	276,680
Long Term Investment	65,000	65,000
Long Term Deposits	85	85
<b>CURRENT ASSETS</b>		
Stores, Spares and Loose Tools	7,526	8,639
Stock-in-Trade	563,355	536,687
Trade Debts - Considered Good	58,910	88,701
Loans and Advances - Unsecured, Considered good	2,699	2,170
Trade Deposits, Prepayments and Statutory Balances - Considered good	20,159	22,124
Other Receivables - Unsecured, Considered good	5,135	3,507
Income Tax Refunds and Advances	56,834	60,355
Cash and Bank Balances	6,602	3,723
	721,220	725,906
	<u>1,062,712</u>	<u>1,067,671</u>

The annexed notes form an integral part of these accounts.  
The even dated auditors report hitherto is annexed.

**Dewan Abdul Rehman Farooqui**  
Managing Director / Chief Executive

**Dewan Mohammad Ayub Khalid**  
Deputy Managing Director



## PROFIT AND LOSS ACCOUNT (Un-Audited) FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	6 months July - Dec 2005	6 months July - Dec 2004	3 months Oct - Dec 2005	3 months Oct - Dec 2004
	(Rs. in '000')		(Rs. in '000')	
SALES - Net	423,886	364,410	131,294	156,583
COST OF SALES	<u>(371,795)</u>	<u>(324,773)</u>	<u>(106,452)</u>	<u>(140,009)</u>
GROSS PROFIT	52,091	39,637	24,842	16,574
<b>Operating Expenses</b>				
Distribution Costs and Selling Expenses	<u>(8,032)</u>	<u>(5,985)</u>	<u>(3,445)</u>	<u>(2,407)</u>
Administrative and General Expenses	<u>(8,758)</u>	<u>(5,707)</u>	<u>(5,381)</u>	<u>(2,780)</u>
	<u>(16,790)</u>	<u>(11,692)</u>	<u>(8,826)</u>	<u>(5,187)</u>
<b>OPERATING PROFIT</b>	<b>35,301</b>	<b>27,945</b>	<b>16,016</b>	<b>11,387</b>
<b>Finance Cost</b>	<u>(24,059)</u>	<u>(7,532)</u>	<u>(14,096)</u>	<u>(4,978)</u>
	11,242	20,413	1,920	6,409
Other Charges	<u>(779)</u>	<u>(1,411)</u>	<u>(135)</u>	<u>(444)</u>
<b>PROFIT BEFORE TAXATION</b>	<b>10,463</b>	<b>19,002</b>	<b>1,785</b>	<b>5,965</b>
<b>Taxation</b>				
-Current	<u>(3,606)</u>	<u>(6,068)</u>	<u>(916)</u>	<u>(786)</u>
-Deferred	<u>1,834</u>	<u>(7,878)</u>	<u>1,834</u>	<u>--</u>
	<u>(1,772)</u>	<u>(13,946)</u>	<u>918</u>	<u>(786)</u>
<b>PROFIT AFTER TAXATION</b>	<u><b>8,691</b></u>	<u><b>5,056</b></u>	<u><b>2,703</b></u>	<u><b>5,179</b></u>
<b>Earning Per Share - Basic</b>	<u><b>1.68</b></u>	<u><b>1.96</b></u>	<u><b>0.52</b></u>	<u><b>2.01</b></u>

The annexed notes form an integral part of these accounts.  
The even dated auditors report hitherto is annexed.

**Dewan Abdul Rehman Farooqui**  
Managing Director / Chief Executive

**Dewan Mohammad Ayub Khalid**  
Deputy Managing Director



# CASH FLOW STATEMENT (Un-Audited) FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	6 Months ended Dec 31, 2005	6 Months ended Dec 31, 2004
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before Taxation	10,463	19,002
Adjustment for Non-Cash and Other Items:		
Depreciation	8,834	9,757
Provision for Gratuity	1,573	1,874
Financial Expenses	24,059	7,532
	<u>34,466</u>	<u>19,163</u>
	44,929	38,165
<b>Working Capital Changes</b>		
<i>(Increase) / Decrease in Current Assets</i>		
Stores, Spares and Loose Tools	1,114	2,407
Stock-in-Trade	(26,668)	82,899
Trade Debts	29,791	42,369
Loans and Advances	(530)	316
Trade deposits, Prepayments & Statutory balances	1,965	8,286
Other Receivables	(1,628)	138
<i>Increase / (Decrease) in Current Liabilities</i>		
Trade and Other Payables	(5,033)	(84,353)
Short Term Borrowings	(3,965)	(113,567)
	<u>(4,954)</u>	<u>(61,505)</u>
Taxes Refund / (Paid) -Net	3,522	(3,627)
Gratuity Paid	(1,335)	(6,457)
	<u>2,187</u>	<u>(10,084)</u>
<b>Net Cash Inflow/ (Outflow) from Operating Activities</b>	<u>42,162</u>	<u>(33,424)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed Capital Expenditure	(8,562)	(15,715)
Sale Proceed of Fixed Assets	--	83
<b>Net Cash Inflow/ (Outflow) from Investing Activities</b>	<u>(8,562)</u>	<u>(15,632)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Redeemable Capital - Net	(6,250)	(6,250)
Financial Expenses Paid	(24,471)	(11,231)
Long Term Loan Secured	--	64,000
Dividend Paid	--	(11)
<b>Net Cash Inflow/ (Outflow) from Financing Activities</b>	<u>(30,721)</u>	<u>46,508</u>
Net Increase in Cash and Cash Equivalents	<u>2,879</u>	<u>(2,548)</u>
Cash and Cash Equivalents at the Beginning	<u>3,723</u>	<u>4,928</u>
Cash and Cash Equivalents at the End	<u>6,602</u>	<u>2,380</u>

The annexed notes form an integral part of these accounts.  
The even dated auditors report hitherto is annexed.

**Dewan Abdul Rehman Farooqui**  
Managing Director / Chief Executive

**Dewan Mohammad Ayub Khalid**  
Deputy Managing Director



## STATEMENT OF CHANGES IN EQUITY (Un-Audited) FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	Share Capital	General Reserve	Reserve for proposed issue of Bonus Shares	Unappropriated Profit	Total
..... (Rs. in '000') .....					
Balance as at July 01, 2004	42,693	135,000	--	95,711	273,404
Net Profit for the period	--	--	--	5,056	5,056
Transfer to reserve for bonus shares		--	4,269	(4,269)	--
<b>Balance as at December 31, 2004</b>	<b>42,693</b>	<b>135,000</b>	<b>4,269</b>	<b>96,498</b>	<b>278,460</b>
Balance as at July 01, 2005	46,963	135,000	--	99,982	281,945
Transfer to reserve for bonus shares	--	--	4,696	(4,696)	--
Net profit for the period	--	--	--	8,691	8,691
Bonus shares	4,696	--	(4,696)		--
<b>Balance as at December 31, 2005</b>	<b>51,659</b>	<b>135,000</b>	<b>-</b>	<b>103,977</b>	<b>290,636</b>

*The annexed notes form an integral part of these accounts.  
The even dated auditors report hitherto is annexed.*

**Dewan Abdul Rehman Farooqui**  
Managing Director / Chief Executive

**Dewan Mohammad Ayub Khalid**  
Deputy Managing Director



# NOTES TO THE FINANCIAL STATEMENTS (Un-Audited) FOR THE SIX MONTHS ENDED DECEMBER 31, 2005

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## 1 THE COMPANY AND ITS OPERATIONS

The Company is a public limited company incorporated in Pakistan under the Companies Act 1913 (Now Companies Ordinance, 1984) and is listed on the Karachi and Lahore Stock Exchanges. The principal activity of the Company is manufacturing and sale of yarn.

## 2 BASIS OF PREPARATIONS

These financial statements are unaudited and have been prepared in accordance with the requirements of section 245 of the Companies Ordinance 1984 and International Accounting Standard 34 (IAS 34) "Interim Financial Reporting".

## 3 ACCOUNTING POLICIES

The accounting policies and methods of computations followed in the preparation of these financial statements are the same as those of the last published annual financial statements for the year ended June 30, 2005.

- 4 There is no significant change in Contingencies and Commitments during the period.
- 5 Figures for previous half year have been rearranged wherever necessary for the purpose of comparison.
- 6 Transaction with associated companies during the period were purchases amounting to Rs. 257.74 million and Sales amounting to Rs. 30.49 million.

## 7 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 28, 2006 by the Board of Directors of the Company.

## 8 GENERAL

- 8.1 Figures have been rounded off to the nearest thousand of rupee.
- 8.2 In order to give better presentation certain comparative figures of Cash Flow statement have been rearranged.

**Dewan Abdul Rehman Farooqui**  
Managing Director / Chief Executive

**Dewan Mohammad Ayub Khalid**  
Deputy Managing Director