



3rd Quarter Report 2007



Dewan Khalid Textile Mills Limited

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



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COMPANY INFORMATION

- 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
- Legal Advisor** : **A. K. Brohi & Co. 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 اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

BEGIN IN THE NAME OF ALLAH
THE MOST GRACIOUS AND MERCIFUL

We are pleased to present un-audited financial statements for the nine months ended Mar 31, 2007.

The company has earned profit after tax of Rs. 4.010/-million during the last nine months. Sales were decreased from Rs.567.61 million to Rs. 384.68 million as compared with previous corresponding period, showing decrease of 32.23%. Gross Profit ratio increased from 12.95% to 19.53%. Operating expenses were increased by Rs. 3.30 million and finance cost also increased by Rs. 1.82 million.

The cotton crop for the year under review is around 12.4 million bales resulting in a shortfall of 0.60 million bales as of target production of 13 million bales. This shortfall in production raises the prices of lint cotton upto the level of Rs.2,800 per maund. In addition to higher prices of cotton the factors that have negative impact on the financial results are the increasing markup rates and utility prices. However your company is focusing its efforts on specializing high quality value added products to increase its profitability.

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, Rehman-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 الدُّعَاۗءِ (الفرآن)
حقیقت میں میرا رب دعا کا برا سننے والا ہے۔

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

For and on behalf of the board of Directors

Dewan Ghulam Mustafā Khalid
Vice Chairman / Director

Karachi: April 28, 2007



CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2007

	Mar 31, 2007	June 30, 2006
	(Rupees in '000')	
<u>EQUITY AND LIABILITIES</u>		
<u>CAPITAL & RESERVES</u>		
<u>Authorized</u>		
15,000,000 (2006: 15,000,000) Ordinary Shares of Rs. 10/- each	150,000	150,000
Issued, Subscribed and Paid-up Capital	56,825	51,659
Reserve & Surplus	432,073	538,138
Shareholders Equity	488,898	589,797
<u>NON-CURRENT LIABILITIES</u>		
Long Term Loan - Secured	28,000	36,000
<u>Deferred Liabilities</u>		
Provision for Staff Gratuity	9,263	9,967
Deferred taxation	17,425	16,640
	26,688	26,607
<u>CURRENT LIABILITIES</u>		
Trade and Other Payables	347,140	333,292
Interest/ Profit/ Mark-up accrued on loans and other payables	5,827	11,174
Short Term Borrowings - Secured	382,097	338,117
Current portion of Long Term Loan	16,000	16,000
Current portion of Redeemable Capital	3,125	12,500
Provision for Income Tax	59,986	56,994
Contingencies and Commitments	814,175	768,077
	--	--
	1,357,761	1,420,481
<u>ASSETS</u>		
<u>NON-CURRENT ASSETS</u>		
Tangible Fixed Assets	300,449	299,847
Available for sale investment - at fair value	256,625	361,534
Long Term Deposits	85	85
<u>CURRENT ASSETS</u>		
Stores, Spares and Loose Tools	5,990	3,610
Stock-in-Trade	617,953	583,135
Trade Debts - Considered Good	93,984	87,383
Loans and Advances - Unsecured, Considered good	7,954	4,586
Trade Deposits, Prepayments and Statutory Balances - Considered good	10,969	23,630
Other Receivables - Unsecured, Considered good	5,578	3,722
Income Tax Refunds and Advances	53,814	49,529
Cash and Bank Balances	4,360	3,420
	800,602	759,015
	1,357,761	1,420,481

The annexed notes form an integral part of these condensed interim financial statements.

Dewan Ghulam Mustafa Khalid
Vice Chairman / Director

Dewan Abdul Rehman Farooqui
Chief Executive / Managing Director



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2007

	July 01, 2006 to March 31, 2007	July 01, 2005 to March 31, 2006	January 01, 2007 to March 31, 2007	January 01, 2006 to March 31, 2006
	(Rupees in '000')			
SALES - Net	384,679	567,613	104,594	143,727
COST OF SALES	(309,548)	(494,125)	(77,829)	(122,330)
GROSS PROFIT	75,131	73,488	26,765	21,397
Operating Expenses				
Distribution Costs and Selling Expenses	(12,635)	(11,466)	(3,864)	(3,434)
Administrative and General Expenses	(14,761)	(12,618)	(5,480)	(3,860)
	(27,396)	(24,084)	(9,344)	(7,294)
OPERATING PROFIT	47,735	49,404	17,421	14,103
Finance Cost	(39,370)	(37,545)	(15,644)	(13,486)
	8,365	11,859	1,777	617
Other Charges	(578)	(822)	(124)	(43)
PROFIT BEFORE TAXATION	7,787	11,037	1,653	574
Taxation				
- Current	(2,992)	(5,346)	(865)	(1,740)
- Deferred	(785)	2,196	221	362
	(3,777)	(3,150)	(644)	(1,378)
PROFIT AFTER TAXATION	4,010	7,887	1,009	(804)
Earning Per Share - Basic	0.71	1.53	0.18	(0.16)

The annexed notes form an integral part of these condensed interim financial statements.

Dewan Ghulam Mustafa Khalid
Vice Chairman / Director

Dewan Abdul Rehman Farooqui
Chief Executive / Managing Director



CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2007

	9 Months ended Mar 31, 2007	9 Months ended Mar 31, 2006
(Rupees in '000')		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Taxation	7,787	11,037
Adjustment for Non-Cash and Other Items:		
Depreciation	14,280	14,348
Provision for Gratuity	2,084	2,359
Financial Expenses	39,370	37,545
	55,734	54,252
	63,521	65,289
Working Capital Changes		
<i>(Increase) / Decrease in Current Assets</i>		
Stores, Spares and Loose Tools	(2,380)	2,362
Stock-in-Trade	(34,818)	4,766
Trade Debts	(6,601)	1,778
Loans and Advances	(3,368)	(624)
Trade deposits, Prepayments & Statutory balances	12,661	(2,002)
Other Receivables	(1,856)	(289)
<i>Increase / (Decrease) in Current Liabilities</i>		
Trade and Other Payables	13,848	(1,681)
Short Term Borrowings	43,980	(1,084)
	21,466	3,226
Taxes Refund / (Paid) -Net	(4,286)	10,826
Gratuity Paid	(2,787)	(1,950)
	(7,073)	8,876
Net Cash Inflow/ (Outflow) from Operating Activities	77,914	77,391
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed Capital Expenditure	(15,226)	(21,759)
Sale Proceed of Fixed Assets	344	--
Net Cash Inflow/ (Outflow) from Investing Activities	(14,882)	(21,759)
CASH FLOW FROM FINANCING ACTIVITIES		
Redeemable Capital - Net	(9,375)	(9,375)
Financial Expenses Paid	(44,717)	(38,704)
Long Term Loan Secured	(8,000)	(8,000)
Net Cash Inflow/ (Outflow) from Financing Activities	(62,092)	(56,079)
Net Increase in Cash and Cash Equivalents	940	(447)
Cash and Cash Equivalents at the Beginning	3,420	3,723
Cash and Cash Equivalents at the End	4,360	3,276

The annexed notes form an integral part of these condensed interim financial statements.

Dewan Ghulam Mustafa Khalid
Vice Chairman / Director

Dewan Abdul Rehman Farooqui
Chief Executive / Managing Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2007

	Share Capital	General Reserve	Reserve for Bonus Shares	Unrealized gain/ (deficit) due to change in fair value of Investment <u>Rupees in '000'</u>	Un-appropriated Profit	Total
Balance as at July 01, 2005 - restated	46,963	135,000	--	478,915	99,982	760,860
Transfer to reserve for bonus shares	--	--	4,696	--	(4,696)	--
Bonus Shares issued	4,696	--	(4,696)	--	--	--
Net Profit for the period	--	--	--	--	7,887	7,887
Deficit due to change in fair value of investment	--	--	--	(27,348)	--	(27,348)
Balance as at March 31, 2006	51,659	135,000	--	451,567	103,173	741,399
Balance as at July 01, 2006 - restated	51,659	135,000	--	296,534	106,604	589,797
Transfer to reserve for bonus shares	--	--	5,166	--	(5,166)	--
Bonus Shares issued	5,166	--	(5,166)	--	--	--
Net profit for the period	--	--	--	--	4,010	4,010
Deficit due to change in fair value of investment	--	--	--	(104,909)	--	(104,909)
Balance as at March 31, 2007	56,825	135,000	--	191,625	105,448	488,898

The annexed notes form an integral part of these condensed interim financial statements.

Dewan Ghulam Mustafa Khalid
Vice Chairman / Director

Dewan Abdul Rehman Farooqui
Chief Executive / Managing Director



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, 2006.

4 There is no significant change in Contingencies and Commitments during the period.

5 Figures for previous Nine months have been rearranged wherever necessary for the purpose of comparison.

6 AVAILABLE FOR SALE INVESTMENT - At fair value

	March 31, 2007	June 30, 2006
In related party (associated company):	2007	2006
Shares in Dewan Salman Fibre Ltd. (Public, quoted company) 32,279,849 (June 30, 2006: 32,279,849) Fully paid up ordinary shares of Rs. 10/- each.	65,000	65,000
Surplus on revaluation of investment	191,625	296,534
	<u>256,625</u>	<u>361,534</u>
Market value (Rupees per share)	<u>7.95</u>	<u>11.20</u>
Percentage of equity held	<u>8.81%</u>	<u>8.81%</u>



7 TRANSACTIONS WITH RELATED PARTIES

Transaction with associated companies during the period were purchases amounting to Rs. 260.74 million and Sales amounting to Rs. 74.66 million.

8 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 28, 2007 by the Board of Directors of the Company.

9 GENERAL

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

Dewan Ghulam Mustafa Khalid
Vice Chairman / Director

Dewan Abdul Rehman Farooqui
Chief Executive / Managing Director