

# Half Yearly Report 2005



DEWAN MUSHTAQ 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 Muhammad Ayub Khalid**  
Chief Executive / Managing Director
- Dewan Mohammad Yousuf Farooqui**  
Deputy Managing Director
- Dewan Abdul Rehman Farooqui**
- Dewan Asim Mushfiq Farooqui**
- Mr. Shahid Anwar (NIT)**
- Audit Committee** : **Dewan Mohammad Yousuf Farooqui - Chairman**  
**Dewan Abdul Rehman Farooqui - Member**  
**Dewan Asim Mushfiq Farooqui - Member**
- Auditors** : **Feroze Sharif Tariq & Co.**  
Chartered Accountants  
4/N/H, Block-6, P.E.C.H.S.  
Karachi.
- 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  
Union Bank Limited
- Registered Office** : **Dewan Centre**  
3-A, Lalazar,  
Beach Hotel Road,  
Karachi-74000,  
Pakistan.
- Factory Office** : A-30, S.I.T.E.,  
Hyderabad Sind,  
Pakistan.



## DIRECTORS' REPORT

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

### 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. 14.78 million during the six months under review as compared to Rs. 4.61 earned during comparable period of last year. Sales were increased from Rs. 345.26 million to Rs. 698.43 million, thus showing increase of more than 100%. Gross profit ratio during the period decreased from 8.70% to 10.21%. Operating expenses were increased by Rs. 9.75 million and finance cost was increased by Rs. 9.49 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 لَسَمِیْعُ الدَّعَاۗءِ (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 Mohammad Ayub Khalid**

Managing Director / Chief Executive

28 February, 2006

## REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of Dewan Mushtaq 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 & Co.  
Chartered Accountants

Place : Karachi

Date : February 28 , 2006



# 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>		
Authorized 10,000,000 (2005: 10,000,000) Ordinary Shares of Rs. 10/- each	<u>100,000</u>	<u>100,000</u>
Issued, Subscribed and Paid-up Capital	31,218	28,380
General Reserve - (a Revenue Reserve)	45,000	45,000
Unappropriated Profit	90,056	78,109
Shareholders Equity	166,274	151,489
<b>NON-CURRENT LIABILITIES</b>		
Redeemable Capital - Secured, Non-Participatory	30,791	61,583
<b>Deferred Liabilities</b>		
Provision for Staff Gratuity	22,996	21,785
Deferred taxation	26,656	29,577
	49,652	51,362
<b>CURRENT LIABILITIES</b>		
Trade and Other Payables	527,901	669,840
Interest/ Profit/ Mark-up accrued on loans and other payables	3,514	3,215
Short Term Borrowings - Secured	237,573	265,313
Current portion of Redeemable Capital	61,583	61,583
Provision for Income Tax	60,862	55,570
	891,433	1,055,521
Contingencies and Commitments		
	<u>1,138,150</u>	<u>1,319,955</u>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Tangible Fixed Assets	397,885	411,100
Long Term Investment	40,000	40,000
Long Term Deposits	560	560
<b>CURRENT ASSETS</b>		
Stores, Spares and Loose Tools	11,706	13,590
Stock-in-Trade	489,940	699,502
Trade Debts - Considered Good	101,457	41,368
Loans and Advances - Unsecured, Considered good	4,134	7,833
Trade Deposits, Prepayments and Statutory Balances - Considered good	13,163	19,366
Other Receivables - Unsecured, Considered good	2,031	996
Income Tax Refunds and Advances	72,574	81,975
Cash and Bank Balances	4,700	3,665
	699,705	868,295
	<u>1,138,150</u>	<u>1,319,955</u>

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

**Dewan Muhammad Ayub Khalid**  
Managing Director / Chief Executive

**Dewan Abdul Rehman Farooqui**  
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	698,430	345,265	185,522	188,800
COST OF SALES	<u>(637,692)</u>	<u>(310,023)</u>	<u>(160,452)</u>	<u>(171,435)</u>
GROSS PROFIT	60,738	35,242	25,070	17,365
<b>Operating Expenses</b>				
Distribution Costs and Selling Expenses	(11,052)	(7,042)	(4,145)	(2,395)
Administrative and General Expenses	(12,608)	(6,870)	(6,106)	(3,819)
	(23,660)	(13,912)	(10,251)	(6,214)
<b>OPERATING PROFIT</b>	37,078	21,330	14,819	11,151
Finance Cost	(18,651)	(9,165)	(9,452)	(5,954)
	18,427	12,165	5,367	5,197
Other Charges	(1,271)	(840)	(370)	(359)
<b>PROFIT BEFORE TAXATION</b>	17,156	11,325	4,997	4,838
<b>Taxation</b>				
Current	(5,292)	(2,543)	(1,462)	(944)
Deferred	2,921	(4,174)	2,921	--
	(2,371)	(6,717)	1,459	(944)
<b>PROFIT AFTER TAXATION</b>	14,785	4,608	6,456	3,894
Earning Per Share - Basic	4.74	1.79	2.07	1.51

The annexed notes form an integral part of these accounts.

The even dated auditors report hitherto is annexed.

**Dewan Mohammad Ayub Khalid**  
Managing Director / Chief Executive

**Dewan Abdul Rehman Farooqui**  
Director



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

	6 Months ended Dec 31, 2005 (Rs. in '000')	6 Months ended Dec 31, 2004
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before Taxation	17,156	11,325
Adjustment for Non-Cash and Other Items:		
Depreciation	20,206	21,108
Provision for Gratuity	2,627	2,300
Financial Expenses	18,651	9,165
	<u>41,484</u>	<u>32,573</u>
	58,639	43,898
<b>Working Capital Changes</b>		
(Increase) / Decrease in Current Assets		
Stores, Spares and Loose Tools	1,884	2,783
Stock-in-Trade	209,562	8,351
Trade Debts	(60,089)	(5,154)
Loans and Advances	3,698	2,897
Trade deposits, Prepayments & Statutory balances	6,204	24,387
Other Receivables	(1,035)	(400)
Increase / (Decrease) in Current Liabilities		
Trade and Other Payables	(141,932)	(4,480)
Short Term Borrowings	(27,740)	9,977
	<u>(9,448)</u>	<u>38,361</u>
Taxes Refund / ( Paid )- Net	9,401	(2,377)
Gratuity Paid	(1,416)	(2,994)
	<u>7,985</u>	<u>(5,371)</u>
<b>Net Cash Inflow/ (Outflow) from Operating Activities</b>	<b>57,177</b>	<b>76,888</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed Capital Expenditure	(6,992)	(33,176)
<b>Net Cash Inflow/ (Outflow) from Investing Activities</b>	<b>(6,992)</b>	<b>(33,176)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Redeemable Capital - Net	(30,791)	(30,791)
Financial Expenses Paid	(18,351)	(15,753)
Dividend Paid	(8)	(431)
<b>Net Cash Inflow/ (Outflow) from Financing Activities</b>	<b>(49,150)</b>	<b>(46,975)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,035</b>	<b>(3,263)</b>
Cash and Cash Equivalents at the Beginning	3,665	6,496
Cash and Cash Equivalents at the End	<u>4,700</u>	<u>3,233</u>

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

**Dewan Mohammad Ayub Khalid**  
Managing Director / Chief Executive

**Dewan Abdul Rehman Farooqui**  
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	25,800	45,000	--	74,166	144,966
Net Profit for the period	--	--	--	4,608	4,608
Transfer to reserve for bonus shares	--	--	2,580	(2,580)	--
<b>Balance as at December 31, 2004</b>	<b>25,800</b>	<b>45,000</b>	<b>2,580</b>	<b>76,194</b>	<b>149,574</b>
Balance as at July 01, 2005	28,380	45,000	--	78,109	151,489
Transfer to reserve for bonus shares	--	--	2,838	(2,838)	--
Net profit for the period	--	--	--	14,785	14,785
Bonus shares	2,838	--	(2,838)	--	--
<b>Balance as at December 31, 2005</b>	<b>31,218</b>	<b>45,000</b>	<b>--</b>	<b>90,056</b>	<b>166,274</b>

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

**Dewan Mohammad Ayub Khalid**  
Managing Director / Chief Executive

**Dewan Abdul Rehman Farooqui**  
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 Stock Exchange. 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.399.05 million and Sales amounting to Rs 69.21 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 Mohammad Ayub Khalid**  
Managing Director / Chief Executive

**Dewan Abdul Rehman Farooqui**  
Director