



**DEWAN MUSHTAQ TEXTILE MILLS LTD.**  
**HALF YEARLY REPORT 2005**



## 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** : **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

The Board of Directors takes pleasure in presenting the Un-audited Financial statements for the half-year ended March 31, 2005.

During the period under review, your company made a profit before tax of Rs. 8.18 million as compared to the profit of Rs. 12.48 million for the corresponding period of the last year this is mainly due to decrease in sales revenue. Sales revenue was decreased by Rs. 204.81 million where as gross profit ratio is improved from 8.11 % to 9.32 % in the current period. Your company earned a profit after taxation of Rs. 4.51 million as compared to the profit of Rs. 6.65 million in the corresponding period.

The Management of your Company is putting all possible efforts in maximizing the production of quality Yarn & minimizing associated costs by timely conducting BMR activities because the economic success of any industry especially in the Post WTO regime depends on effective arrangements for the replacement and maintenance of its manufacturing assets.

The Board is extremely grateful to our valued customers, who have placed their confidence in our products. We are also thankful to our financial Institutions who have directly or indirectly helped us in our growth. The Board appreciate for team work, discipline of the employees of the Company who have made it fine place to work.

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 and 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 of 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

30 May, 2005


## REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of Dewan Mushtaq Textile Mills Limited as at March 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. The figures of the profit and loss account for the quarters ended March 31, 2004 and March 31, 2005 have not been reviewed as we are required to review only the cumulative figures for the half ended March 31, 2005.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. The 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 primarily limited 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.

Place : Karachi  
Date : May 30 , 2005



Feroze Sharif Tariq & Co.  
Chartered Accountants



## BALANCE SHEET (Un audited) As at March 31, 2005

	Note	(Un-audited) March 31, 2005	(Audited) Sep. 30, 2004
(Rs. in '000')			
<b>CAPITAL AND LIABILITIES</b>			
Authorised Capital		100,000	100,000
10,000,000 Ordinary Shares of Rs. 10/- each			
<b>Issued, Subscribed and Paid-up Capital</b>			
2,838,041 Ordinary Shares of Rs. 10/- each; including 2,148,041 Ordinary Shares of Rs. 10/- each issued as fully paid bonus shares		28,380	25,800
Reserves & Surplus		121,809	119,880
<b>SHAREHOLDERS EQUITY</b>		<b>150,189</b>	<b>145,680</b>
<b>NON-CURRENT LIABILITIES</b>			
REDEEMABLE CAPITAL - Non-Participatory, Secured Privately Placed Term Finance Certificates	4	76,978	107,769
<b>DEFERRED LIABILITIES</b>			
Staff Gratuity		21,599	22,316
Taxation		21,908	20,147
		43,507	42,463
<b>CURRENT LIABILITIES</b>			
Current Portion of:			
- Redeemable Capital - Non-Participatory, Secured		61,582	61,583
Short Term Running Finances - Secured		241,585	263,245
Creditors, Accrued Expenses & Other Liabilities		683,222	605,482
Provisions for Taxation		54,351	52,436
Unclaimed Dividend		325	335
		1,041,065	983,081
Contingent Liabilities & Commitments	5	1,311,739	1,278,993
<b>PROPERTY AND ASSETS</b>			
<b>TANGIBLE FIXED ASSETS</b>			
- At cost less accumulated depreciation		401,365	412,763
<b>CAPITAL WORK IN PROGRESS - At Cost</b>	6	17,353	10,120
		418,718	422,883
<b>LONG TERM INVESTMENT</b>		40,000	40,000
<b>LONG TERM DEPOSITS</b>		560	560
<b>CURRENT ASSETS</b>			
Stores and Spares		13,073	17,374
Stock-in-Trade		698,237	650,919
Trade Debtors - Unsecured, Considered Good		46,030	50,801
Advances, Deposits, Prepayments & Other Receivables - Consd. Good		92,085	92,882
Cash and Bank Balances		3,036	3,574
		852,461	815,550
		<b>1,311,739</b>	<b>1,278,993</b>

Review report issued by the auditors in accordance with the International Standard on Auditing applicable to review engagements is annexed.

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

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

**Dewan Abdul Rehman Farooqui**  
Director

**PROFIT & LOSS ACCOUNT (Un-audited)**  
**For the half year ended March 31, 2005**

	Half-Year Ended		Quarter-Ended	
	March 31, 2005	March 31, 2004	March 31, 2005	March 31, 2004
	(Rs. in '000')		(Rs. in '000')	
<b>GROSS SALES</b>	439,615	644,427	222,134	363,685
Less: Sales Tax	56,431	57,310	28,366	33,455
Commission	2,100	5,213	1,483	1,307
	58,531	62,523	29,849	34,762
<b>NET SALES</b>	381,084	581,904	192,285	328,923
<b>COST OF SALES</b>	345,551	534,709	174,116	302,474
<b>GROSS PROFIT</b>	35,533	47,195	18,169	26,449
<b>OPERATING EXPENSES</b>				
Administrative & General Expenses	8,715	7,569	4,896	3,915
Selling and Distribution	5,998	11,777	3,603	5,624
	14,713	19,346	8,499	9,539
<b>OPERATING PROFIT</b>	20,820	27,849	9,670	16,910
<b>OTHER CHARGES:</b>				
Financial Charges	12,027	14,478	6,073	8,602
Worker's Welfare Fund	176	227	72	376
Worker's Profit Participation Fund	431	657	176	404
	12,634	15,362	6,321	9,382
<b>PROFIT BEFORE TAXATION</b>	8,186	12,487	3,349	7,528
<b>TAXATION:</b>				
Deferred	1,761	2,929	1,761	1,929
Current	1,916	2,910	972	1,645
	3,677	5,839	2,733	3,574
<b>PROFIT AFTER TAXATION</b>	4,509	6,648	616	3,954
<b>UNAPPROPRIATED PROFIT B/F</b>	72,300	65,666	76,193	68,360
<b>UNAPPROPRIATED PROFIT C/F</b>	76,809	72,314	76,809	72,314
Earnings per Share - Basic	1.59	2.58	0.22	1.53

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



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



**Dewan Abdul Rehman Farooqui**  
 Director



## CASH FLOW STATEMENT(Un-audited) For the half year ended March 31, 2005

	March 31, 2005	March 31, 2004
	(Rs. in '000')	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before taxation	8,186	12,487
<b>Adjustment for Non-Cash &amp; Other items:</b>		
Depreciation	21,258	17,531
Provision for Gratuity	2,627	2,400
Financial charges	12,027	14,478
	<u>35,912</u>	<u>34,409</u>
	44,098	46,896
<b>Changes in Operating Assets &amp; Liabilities</b>		
<b>Decrease / (Increase) in Current Assets</b>		
Stores & Spares	4,301	1,783
Stock-in Trade	(47,318)	(81,258)
Trade Debts	4,771	25,955
Advances, Deposits, Prepayments & Other Receivables	3,031	(34,001)
<b>Increase/(Decrease) in Current Liabilities</b>		
Short Term Running Finances	(21,660)	63,732
Creditors, Accrued and Others Liabilities	74,106	38,416
	<u>17,231</u>	<u>14,627</u>
Taxes paid - Net of Refunds	(2,234)	(2,977)
Gratuity paid	(3,344)	(2,374)
	<u>(5,578)</u>	<u>(5,351)</u>
<b>Net Cash inflow from Operating Activities</b>	<u>55,751</u>	<u>56,172</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed Capital Expenditures	(17,092)	(3,228)
<b>Net Cash flow from Investing Activities</b>	<u>(17,092)</u>	<u>(3,228)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of Lease Liabilities	-	(849)
Repayment of Redeemable Capital	(30,792)	(30,791)
Financial Charges paid	(8,394)	(15,362)
Dividend paid	(11)	(2)
<b>Net Cash Flow from Financing Activities</b>	<u>(39,197)</u>	<u>(47,004)</u>
<b>Net (Decrease) / Increase In Cash &amp; Cash Equivalents</b>	(538)	5,940
<b>Cash &amp; Cash Equivalents at the Beginning of the period</b>	3,574	5,734
<b>Cash &amp; Cash Equivalents at the End of the period</b>	<u>3,036</u>	<u>11,674</u>

Review report issued by the auditors in accordance with the International Standard on Auditing applicable to review engagements is annexed.

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

**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 March 31, 2005

	Share Capital	General Reserve	Reserve for proposed issue of Bonus Shares	Unappropriated Profit	Total
(Rs. in '000')					
<b>Balance as on September 30, 2003</b>	23,455	45,000	2,345	65,666	136,466
Net Profit/(Loss) for the period	--	--	--	6,648	6,648
Issue of Bonus Shares	2,345	--	(2,345)	--	--
<b>Balance as on March 31, 2004</b>	25,800	45,000	--	72,314	143,114
Net Profit/(Loss) for the period	--	--	--	2,566	2,566
Reserve for proposed issue of Bonus Shares	--	--	2,580	(2,580)	--
<b>Balance as on September 30, 2004</b>	25,800	45,000	2,580	72,300	145,680
Net Profit/(Loss) for the period	--	--	--	4,509	4,509
Issue of Bonus Shares	2,580	--	(2,580)	--	--
<b>Balance as on March 31, 2005</b>	28,380	45,000	--	76,809	150,189

Review report issued by the auditors in accordance with the International Standard on Auditing applicable to review engagements is annexed.

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



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



**Dewan Abdul Rehman Farooqi**  
Director



## NOTES TO THE ACCOUNTS For the Half-Year Ended March 31, 2005

1. These financial statements have been prepared in accordance with the requirements of International Accounting Standard 34- "interim Financial Reporting"

In order to comply with the requirements of the above IAS, these financial statements include the following:

- Balance sheet as at March 31, 2005, with comparative balance sheet as at September 30, 2004
  - Profit and loss account for the Quarter and six months ended March 31, 2005, with comparable profit and loss account for the comparable interim periods, i.e. quarter and six months ended March 31, 2004
  - Cash flow statement and statement of changes in equity cumulatively for the six months ended March 31, 2005, with a comparative statement for the comparable six months ended March 31, 2004
2. These financial statements are un-audited and are being submitted to the shareholder under the requirement of Section 245 of the companies ordinance, 1984.
3. The accounting policies and methods of computation adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual financial statements of the company for the preceding year ended September 30, 2004.

March 31, 2005      Sep. 30, 2004  
(Pak. Rupees)

4. Redeemable Capital - Secured		
Term Finance Certificates	138,560,625	169,351,875
Transferred to Current Maturity	<u>61,582,500</u>	<u>61,582,500</u>
	<u>76,978,125</u>	<u>107,769,375</u>

5. There have been no significant changes in contingencies during the period, while commitments for capital expenditures stand at Rs. 2.5 Million.
6. Capital expenditures incurred during the period materially represent those incurred for Purchase of Machinery and for civil works.
7. During the period, the aggregate of the transactions made by the company with its associated companies were purchases of Rs. 286.21 million (September 30, 2004: 435.705 million) and sales of Rs. 29.93 million (September 30, 2004: 284.141 million.)
8. Comparative figures have been re-arranged/re-grouped, wherever necessary, in order to facilitate comparison.
9. These financial statements were authorized for issue on May 30, 2005 by the board of directors of the company.

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

**Dewan Abdul Rehman Farooqui**  
Director