

Half Yearly Report 2005



DEWAN TEXTILE MILLS LIMITED



DEWAN TEXTILE MILLS LIMITED

CONTENTS

<u>Company Information</u>	4
<u>Director's Review</u>	5
<u>Auditor's Review Report to the Members</u>	6
<u>Balance Sheet</u>	7
<u>Profit & Loss Accounts</u>	8
<u>Cash Flow Statement</u>	9
<u>Statement of Change in Equity</u>	10
<u>Notes to the Financial Statement</u>	11



COMPANY INFORMATION

- Board of Directors** : **Dewan Zia-ur-Rehman Farooqui**
Chairman
- Dewan Ghulam Mustafa Khalid**
Chief Executive / Managing Director
- Dewan Muhammad Ayub Khalid**
Resident Director
- Dewan Mohammad Yousuf Farooqui**
- Dewan Mohammad Hamza Farooqui**
- Dewan Abdul Rehman Farooqui**
- Mr. Iqbal Naeem Pasha**
- Audit Committee** : **Dewan Mohammad Yousuf Farooqui - Chairman**
Dewan Muhammad Ayub Khalid - Member
Dewan Abdul Rehman Farooqui - Member
- Auditors** : **Messrs Faruq Ali & 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
Citibank N.A.
Habib Bank Limited
Standard Chartered Bank
Union Bank Limited
Meezan Bank Limited
ABN Amro Bank
United Bank Limited
Bank Al Falah
- Registered Office** : **Dewan Centre**
3-A, Lalazar,
Beach Hotel Road,
Karachi-74000,
Pakistan.
- Factory Office** : H/20 & H/26, S.I.T.E.,
Kotri, District Dadu,
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. 13.99 million during the six months under review as compared to Rs. 3.17 earned during comparable period of last year. Sales were decreased from Rs. 1,129 million to Rs. 946 million, thus showing decrease of 16.18%. Gross profit ratio during the period improved from 9.60% to 16.10%. Operating expenses were decreased by Rs. 1.42 million and finance cost was increased by Rs. 48.99 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 الدَّعَآءِ (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

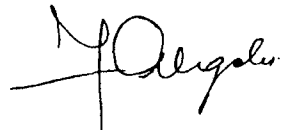
Resident Director
28 February, 2006

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of Dewan 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 (here-in-after referred to as the "financial statements") 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 profit and loss account for quarter and half year ended December 31, 2004 and figures of cash flow statements for the half year ended December 31, 2004 have not been reviewed by us.

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 misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides 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 standards as applicable in Pakistan.



Dated: February 28, 2006
Place: Karachi

FARUQALI & CO.
CHARTERED ACCOUNTANTS



BALANCE SHEET AS AT DECEMBER 31, 2005

	(Un-audited) December 31, 2005	(Audited) June 30, 2005
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
(Rs. in '000')		
Authorized capital (30,000,000 ordinary shares of Rs.10/- each)	<u>300,000</u>	<u>300,000</u>
Issued, subscribed and paid up capital	122,769	111,608
Reserves and Surplus	<u>652,659</u>	<u>649,830</u>
	775,428	761,438
NON CURRENT LIABILITIES		
Long term financing - Secured	45,375	53,625
Redeemable capital - Secured (non - participatory)	50,000	100,000
Liabilities against assets subject to finance lease	129,369	109,741
Deferred liability for staff gratuity	27,713	25,621
Deferred taxation	33,868	39,653
CURRENT LIABILITIES		
Trade and other payables	856,831	561,831
Markup accrued	25,317	26,676
Short term borrowings - Secured	1,501,325	1,581,931
Current portion of long term financing	20,625	12,375
Current portion of redeemable capital	100,000	100,000
Current portion of lease liabilities	40,175	51,368
Taxes payable - Net	5,153	--
	2,549,426	2,334,181
CONTINGENCIES AND COMMITMENTS		
	--	--
	<u>3,611,179</u>	<u>3,424,259</u>
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	1,213,475	1,175,743
Long term investment - At cost	210,000	210,000
Long term deposits	12,614	12,614
CURRENT ASSETS		
Stores and spares	22,859	27,663
Stock in trade	1,809,477	1,556,961
Trade debtors - Considered good	279,053	315,310
Advances - Considered good	45,369	53,254
Short term deposits and current account balances with statutory authorities	9,006	12,350
Taxes recoverable - Net	--	57,102
Cash and bank balances	9,326	3,262
	<u>2,175,090</u>	<u>2,025,902</u>
	<u>3,611,179</u>	<u>3,424,259</u>

The annexed notes form an integral part of these financial statements

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the company is presently out of the country, therefore these financial statements have been signed by two Directors of the company duly authorized by the Board of Directors.

Dewan Mohammad Ayub Khalid
Resident Director

Dewan Abdul Rehman Farooqui
Director



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

	3 months Oct - Dec 2005 (Rs. in '000')	3 months Oct - Dec 2004 (Rs. in '000')	6 months July - Dec 2005 (Rs. in '000')	6 months July - Dec 2004 (Rs. in '000')
Sales	426,258	700,508	955,561	1,253,417
Sales tax, duties and commission	(2,537)	(66,363)	(9,250)	(124,004)
Sales - Net	423,721	634,145	946,311	1,129,413
Cost of sales	(351,952)	(577,426)	(794,315)	(1,021,212)
Gross profit	71,769	56,719	151,996	108,201
OPERATING EXPENSES				
Distribution cost	(9,062)	(18,188)	(27,047)	(29,152)
Administrative expenses	(5,977)	(5,898)	(11,542)	(10,861)
	(15,039)	(24,086)	(38,589)	(40,013)
OPERATING PROFIT	56,730	32,633	113,407	68,188
OTHER CHARGES				
Finance cost	(50,873)	(27,165)	(97,535)	(48,548)
Donation	(86)	--	(136)	(25)
Worker's profit participation fund	(289)	(273)	(787)	(981)
	(51,248)	(27,438)	(98,458)	(49,554)
Profit for the period	5,482	5,195	14,949	18,634
Other income	--	--	--	6,876
Profit before taxation	5,482	5,195	14,949	25,510
Taxation				
Deferred	(5,785)	--	(5,785)	10,349
Current	4,097	3,503	6,744	11,992
	(1,688)	3,503	959	22,341
Profit after taxation	7,170	1,692	13,990	3,169
Earning per share - basic	0.58	0.14	1.14	0.26

The annexed notes form an integral part of these financial statements

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the company is presently out of the country, therefore these financial statements have been signed by two Directors of the company duly authorized by the Board of Directors.

Dewan Mohammad Ayub Khalid
Resident Director

Dewan Abdul Rehman Farooqui
Director



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

	6 months ended December 31, 2005	6 months ended December 31, 2004
Cash Flow from Operating Activities		
Profit before taxation	14,949	25,510
Adjustment for non-cash and other items		
Depreciation	45,133	48,287
Provision for gratuity	5,259	5,260
Finance cost	97,535	48,548
	<u>147,927</u>	<u>102,095</u>
	162,876	127,605
Changes in Operating Assets and Liabilities		
(Increase) / Decrease in Current Assets		
Stores and spares	4,804	(4,125)
Stock in trade	(252,516)	(469,796)
Trade debtors - Considered good	36,257	(54)
Advances - Considered good	7,885	6,818
Short term deposits and current account balances with statutory authorities	3,344	3,113
Increase / (Decrease) in Current Liabilities		
Trade and other payables	295,000	581,734
Short term borrowings - Secured	(80,606)	(122,512)
	<u>14,168</u>	<u>(4,822)</u>
Payments for		
Income tax - net	55,511	(6,520)
Gratuity	(3,167)	(5,393)
	<u>52,344</u>	<u>(11,913)</u>
Net cash flow from operating activities	229,388	110,870
Cash Flow from Investing Activities		
Fixed capital expenditures	(37,865)	(39,052)
Net cash flow from investing activities	<u>(37,865)</u>	<u>(39,052)</u>
Cash Flow from Financing Activities		
Long term financing	--	66,000
Term finance certificates	(50,000)	(50,000)
Finance lease repayment	(36,565)	(27,462)
Financial charges paid	(98,894)	(60,971)
Net cash flow from financing activities	<u>(185,459)</u>	<u>(72,433)</u>
Net increase / (decrease) in cash and cash equivalents	6,064	(615)
Cash and cash equivalents at beginning of the period	3,262	6,833
Cash and cash equivalents at end of the period	<u>9,326</u>	<u>6,218</u>

The annexed notes form an integral part of these financial statements

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the company is presently out of the country, therefore these financial statements have been signed by two Directors of the company duly authorized by the Board of Directors.

Dewan Muhammad Ayub Khalid
Resident Director

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	101,462	333,000	--	307,110	741,572
Transfer to reserve for bonus shares	--	--	10,146	(10,146)	--
Net profit for the period	--	--	--	3,169	3,169
Balance as at December 31, 2004	101,462	333,000	10,146	300,133	744,741
Balance as at July 01, 2005	111,608	333,000	--	316,830	761,438
Transfer to reserve for bonus shares	--	--	11,161	(11,161)	-
Bonus shares issued	11,161	--	(11,161)	-	-
Net profit for the period	--	--	--	13,990	13,990
Balance as at December 31, 2005	122,769	333,000	--	319,659	775,428

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

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the company is presently out of the country, therefore these financial statements have been signed by two Directors of the company duly authorized by the Board of Directors.

Dewan Mohammad Ayub Khalid
Resident Director

Dewan Abdul Rehman Farooqui
Director



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

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 International Accounting Standard (IAS 34) "Interim Financial Reporting" and are being submitted to shareholders in accordance with the requirements of section 245 of the Companies Ordinance 1984.

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 financial statements for the period ended June 30, 2005.

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

December 31, June 30,
2005 2005
Rupees in '000'

5 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets

- at cost less accumulated depreciation	827,101	869,738
Capital work - in - progress - at cost		
Civil works and building constructions	115,543	92,395
Plant and machinery	152,518	140,297
Plant and machinery - Leased	118,313	73,313
	386,374	306,005

1,213,475 1,175,743

6 TRANSACTION WITH ASSOCIATED COMPANIES

Transaction with associated companies during the period were purchases amounting to Rs.53.045 million and Sales amounting to Rs. 115.119 million.



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

7 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 "Interim Financial Reporting", balance sheet has been compared with the balances of annual financial statements, whereas profit and loss account, cash flow statement and statement of changes in equity have been compared with the balances of comparable period of immediately preceding financial year.

8 DATE OF AUTHORIZATION FOR ISSUE

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

9 GENERAL

Figures have been rounded off to the nearest thousand of rupee.

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the company is presently out of the country, therefore these financial statements have been signed by two Directors of the company duly authorized by the Board of Directors.

Dewan Mohammad Ayub Khalid
Resident Director

Dewan Abdul Rehman Farooqui
Director