

# Burewala Textile Mills Limited

Annual Report 2001

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## COMPANY INFORMATION

<b>Board of Directors</b>	M. Hussain Dawood (Chairman) Shahzada Dawood (Chief Executive) Khawaja Amanullah Abdul Samad Dawood Mohammad Aslam Malik Mushtaq Ali Khan Iftikhar Ahmed Dar
<b>Company Secretary</b>	Ismail Habib
<b>Auditors</b>	Rahman Sarfaraz & Co. Chartered Accountants
<b>Bankers</b>	Habib Bank Limited United Bank Limited National Bank of Pakistan Metropolitan Bank Limited
<b>Registered Office</b>	35-A, Shahrah-e-Abdul Hameed Bin Baadees (Empress Road), Lahore. Phones: (042) 6301601 - 07
<b>Mills</b>	Dawoodabad, District Vehari. Phones: (0447) 53246, 53145, 53347

## FINANCIAL HIGHLIGHTS

### Five Years at a Glance

Particulars	<i>(All amounts in thousands)</i>				
	2001	2000	1999	1998	1997
Turnover	360,363	431,110	373,605	360,098	445,668
Profit before taxation	67,003	81,969	32,318	38,460	32,490
Profit after taxation	50,503	60,469	33,113	39,190	48,961
Paid up capital	73,074	73,074	73,074	73,074	73,074
Number of shares (Ordinary) (numbers)	7,307,405	7,307,405	7,307,405	7,307,405	7,307,405
Owners' equity	359,202	337,929	335,919	353,957	333,036

Break up value of shares of Rs. 10 each (rupees)	49.16	46.25	45.97	48.44	45.58
Earning per share-basic (rupees)	6.91	8.28	4.53	5.36	6.70
Bank balances (net)	50,960	143,683	35,036	38,808	31,242
Dividend (percentage)	40%	80%	70%	25%	50%
Total assets	488,864	509,743	482,781	477,710	480,921

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the forty-eighth Annual General Meeting of the members of The Burewala Textile Mills Limited will Insha Allah be held on March 18, 2002 at 3.00 p.m. at the Registered Office of the Company at Lahore to transact the following business after recitation from the Holy Quran:

1. To confirm the minutes of the forty-seventh Annual General Meeting held on March 17, 2001;
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended September 30, 2001 together with the Directors' and Auditors' Reports thereon;
3. To consider and approve payment of cash dividend as recommended by the Directors;
4. To appoint Auditors and to fix their remuneration. The retiring Auditors M/s. Rahman Sarfaraz & Co., being eligible, offer themselves for re-appointment.
5. To elect seven Directors of the Company for a period of three years as fixed by the Board under section 178(1) of the Companies Ordinance 1984 in place of the following retiring Directors:

- |                           |                           |
|---------------------------|---------------------------|
| 1. Mr. M. Hussain Dawood  | 2. Mr. Shahzada Dawood    |
| 3. Khawaja Amanullah      | 4. Mr. Abdul Samad Dawood |
| 5. Mr. Mohammad Aslam     | 6. Malik Mushtaq Ali Khan |
| 7. Mr. Iftikhar Ahmed Dar |                           |

6. To transact any other business with the permission of the Chairman.

BY ORDER OF THE BOARD

Lahore  
February 20, 2002

**Ismail Habib**  
(Company Secretary)

### Notes:

1. The Share Transfer Books of the Company will remain closed from March 11, 2002 to March 18, 2002 (both days inclusive).
2. A member entitled to attend and vote at the Meeting may appoint another member as his / her proxy to attend and vote. Votes may be given personally or by proxy or by an attorney or in case of Corporation by a duly authorized representative. The instrument of proxy duly executed should be lodged at the Registered Office of the Company not later than forty-eight hours before the Meeting.
3. The members are requested to notify the change in addresses, if any, immediately.
4. Any person, who seeks to contest as Director of the Company, must file with the Company at the Registered Office, a notice of his intention not later than fourteen days before the Annual General Meeting in accordance with section 178(3) of the Companies Ordinance 1984.

## DIRECTORS' REPORT

The Directors are pleased to present their Annual Report together with the Audited Accounts for the year ended September 30, 2001 before the forty-eighth Annual General Meeting of the Company.

### Financial Results

The gross profit has decreased to Rs. 50,512,540/- during the year under review, as compared to Rs. 65,245,597/- for the previous year. The gross profit percentage has decreased to 14.02% as compared to 15.13% for the previous year. The net profit before taxation for the year is Rs. 67,003,078/- as compared to Rs. 81,969,238/- for the previous year, after providing for all the operating, administrative, selling & distribution and financial expenses. The summary of the financial results is being furnished hereunder for a quick glance:

	<b>2001</b>	<b>2000</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>Sales</b>	360,362,859	431,110,172
Gross profit	50,512,540	65,245,597
<b>Operating profit</b>	17,197,406	34,561,506
Other income	52,001,788	51,250,660
	=====	=====
<b>Profit before taxation</b>	67,003,078	81,969,238
Provision for taxation (including deferred taxation)	(16,500,000)	(21,500,000)
	-----	-----
<b>Profit after taxation</b>	50,503,078	60,469,238
Un-appropriated profit brought forward	20,113,121	18,103,123
	-----	-----
Profit available for appropriation	70,616,199	78,572,361
	=====	=====

#### **Dividend**

The Directors recommend a payment of final cash dividend of 20% (Rs. 2.00 per share) on the paid up capital of the Company. This is in addition to the interim dividend @ 20% already paid during the year. Accordingly the following appropriations have been made:

<b>Profit available for appropriation</b>	70,616,199	78,572,361
<b>Appropriations:</b>		
Interim cash dividend @ 20% - already paid (2000: nil)	(14,614,811)	--
Final cash dividend @ 20% (2000: 80%)	(14,614,811)	(58,459,240)
	-----	-----
Un-appropriated profit carried forward	41,386,577	20,113,121
	=====	=====
<b>Earning Per Share - Basic</b>	6.91	8.28

#### **Future Prospects**

The sales during the current year indicate that the year 2001-02 will not be favourable when compared to the profits of the year under review. The continued acute recession in the country coupled with the Afghanistan crisis further worsens the prospects at present for the remaining financial year. Nevertheless, if the sales during the remaining part of the year show improvement, the prospects of earnings may equal the earnings of the year under review.

#### **Pattern of Shareholdings**

A statement reflecting the pattern of shareholdings is attached to the Annual Report.

#### **Auditors**

The Auditors Messers Rahman Sarfaraz & Co., Chartered Accountants retire at the conclusion of the Annual General Meeting. Being eligible, offer themselves for re-appointment.

#### **Staff Relations**

The Company continues to benefit from the efforts and dedication of all its employees. The Directors are pleased to record their appreciation for the hard work and devotion to duty by all cadres of employees.

#### **Miscellaneous**

The Board places on record its deep sense of sorrow on passing away of Mr. Ahmed Dawood, Chairman and founder of Dawood Group of Industries. His services to Dawood Group and indeed to the industrialization of Pakistan cannot be adequately described and his demise is

an irreplaceable loss to the country.

The Board would also like to place on record with profound sorrow the passing away of one of the pioneering members of the Group Mr. Suleman Dawood, whose contribution not only to the Group but the country's industrial development cannot be overstated.

The Board would also like to express its grief on the demise of Mr. Sardar Ali Khan and Khan Amir Abdullah Khan Rokhari who were Directors of the Company.

The Board offered Fateha for the departed souls and prayed to Allah to grant them peace and extends sympathies to their families.

ON BEHALF OF THE BOARD

**LAHORE**  
**February 09, 2002**

**M. Hussain Dawood**  
**(Chairman)**

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of THE BUREWALA TEXTILE MILLS LIMITED as at 30 September, 2001 and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statement in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September, 2001 and of the profit, its cash flow and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

**(RAHMAN SARFARAZ & CO.)**  
Chartered Accountants

**Lahore**  
**February 09, 2002**

## BALANCE SHEET AS AT SEPTEMBER 30, 2001

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>CAPITAL AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Share Capital:			
Authorized	3	150,000,000	150,000,000
Issued, subscribed and fully paid up	4	73,074,050	73,074,050
Reserves	5	244,741,688	244,741,688
		-----	-----
		317,815,738	317,815,738
<b>Un-appropriated Profit</b>		41,386,577	20,113,121
		-----	-----
		359,202,315	337,928,859
<b>Obligations Under Finance Lease</b>	6	501,415	775,911
<b>Deferred Liabilities:</b>			
Deferred taxation	7	25,500,000	25,500,000
Provision for gratuity	8	39,361,959	23,148,087
		-----	-----
		64,861,959	48,648,087
<b>Current Liabilities:</b>			
Current portion of obligations under finance lease	6	274,497	225,707
Bank overdraft	9	1,233,586	790,430
Creditors, accrued charges and other liabilities	10	24,379,417	30,690,547
Provision for taxation	11	23,796,230	32,224,479
Proposed dividend on ordinary shares		14,614,811	58,459,240
		-----	-----
		64,298,541	122,390,403
<b>Contingencies and Commitments</b>	12	-----	-----
		488,864,230	509,743,260
		=====	=====
<b>PROPERTY AND ASSETS</b>			
<b>Operating Fixed Assets</b>	13	118,964,328	127,063,234
<b>Investments</b>	14	64,639,262	64,639,262
<b>Long Term Deposits</b>		1,820,987	1,852,282
<b>Current Assets:</b>			
Stores, spare pans and loose tools	15	16,810,876	18,330,444
Stock in trade	16	198,642,366	136,584,472
Book debts	17	14,151,020	11,522,551
Advances, deposits, prepayments and other receivables	18	21,641,942	5,277,444
Cash and bank balances	19	52,193,449	144,473,571
		-----	-----
		303,439,653	316,188,482
		-----	-----
		488,864,230	509,743,260
		=====	=====

Notes: The annexed notes (1 to 33) form an integral part of these accounts.

**Shahzada Dawood**  
Chief Executive

**Khawaja Amanullah**  
Director

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2001**

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>Sales</b>	20	360,362,859	431,110,172
<b>Cost of Goods Sold</b>	21	309,850,319	365,864,575
		-----	-----
<b>Gross Profit</b>		50,512,540	65,245,597
<b>Operating Expenses</b>			
Administrative and general	22	29,151,680	25,535,976
Selling and distribution	23	4,163,454	5,148,115
		-----	-----
		33,315,134	30,684,091
		-----	-----
<b>Operating Profit</b>		17,197,406	34,561,506
Other income	24	52,001,788	51,250,660
		-----	-----
Financial and other charges	25	2,196,116	3,842,928
		-----	-----
<b>Profit Before Taxation</b>		67,003,078	81,969,238
Provision for taxation:			
-Current		(16,500,000)	(21,000,000)
- Deferred		--	(500,000)
		-----	-----
		(16,500,000)	(21,500,000)
		-----	-----
<b>Profit After Taxation</b>		50,503,078	60,469,238
<b>Un-appropriated Profit Brought Forward</b>		20,113,121	18,103,123
		-----	-----
Profit available for appropriation		70,616,199	78,572,361
<b>Appropriations:</b>			
Interim dividend		14,614,811	--
Proposed dividend on ordinary shares		14,614,811	58,459,240
<b>Un-appropriated Profit Carried Forward</b>		41,386,577	20,113,121
		-----	-----
<b>Earning Per Share - Basic</b>	26	6.91	8.28
		=====	=====

Notes: The annexed notes (1 to 33) form an integral part of these accounts.

**Shahzada Dawood**  
Chief Executive

**Khawaja Amanullah**  
Director

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2001**

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	27	15,794,509	170,804,966
Less: Payments:			
- Income tax		(25,743,249)	(254,224)

- Staff gratuity	(4,133,760)	(6,164,021)
	-----	-----
	(29,877,009)	(6,418,245)
	-----	-----
<b>Net cash (outflow)/inflow from operating activities</b>	(14,082,500)	164,386,721
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Long term deposits	31,295	--
Fixed capital expenditure	(4,065,806)	(6,314,803)
Sale proceeds of fixed assets	164,465	95,652
	-----	-----
<b>Net cash (outflow) from investing activities</b>	(3,870,046)	(6,219,151)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Obligations under finance lease (net)	(225,706)	(225,707)
Dividend paid	(74,101,870)	(48,504,548)
	-----	-----
Net cash (outflow) from financing activities	(74,327,576)	(48,730,255)
	-----	-----
<b>Net increase/(decrease) in cash and cash equivalents</b>	(92,280,122)	109,437,315
<b>Cash and cash equivalents at the beginning of the year</b>	144,473,571	35,036,256
	-----	-----
Cash and cash equivalents at the end of the year	28	52,193,449
	=====	=====

**Shahzada Dawood**  
Chief Executive

**Khawaja Amanullah**  
Director

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2001

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>ISSUED, SUBSCRIBED AND FULLY PAID UP SHARE CAPITAL</b>		
7,307,405 ordinary shares of Rs. 10 each	73,074,050	73,074,050
<b>RESERVES</b>		
Share premium:		
Balance as on October 01	89,535,125	89,535,125
Appropriation from/(to) profit	--	--
	-----	-----
Balance as on September 30	89,535,125	89,535,125
<b>Capital reserve:</b>		
Balance as on October 01	6,563	6,563
Appropriation from/(to) profit	--	--
	-----	-----
Balance as on September 30	6,563	6,563
<b>General reserve:</b>		
Balance as on October 01	154,200,000	154,200,000
Appropriation from/(to) profit	--	--
	-----	-----
Balance as on September 30	154,200,000	154,200,000
<b>Exchange Equalization Reserve:</b>		
Balance as on October 01	1,000,000	1,000,000
Appropriation from/(to) profit	--	--
	-----	-----

Balance as on September 30	1,000,000	1,000,000
<b>UN-APPROPRIATED PROFIT</b>		
Balance as on October 01	20,113,121	18,103,123
Profit for the year after taxation	50,503,078	60,469,238
Interim dividend	(14,614,811)	--
Final Dividend	(14,614,811)	(58,459,240)
	-----	-----
Balance as on September 30	41,386,577	20,113,121
	-----	-----
<b>OWNERS' EQUITY</b>	359,202,315	337,928,859
	=====	=====

**Shahzada Dawood**  
Chief Executive

**Khawaja Amanullah**  
Director

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2001

### 1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on April 06, 1954 as a public limited company. Its shares are quoted on the Karachi and Lahore Stock Exchanges. It is engaged in the manufacture and sale of cotton yarns and fabrics.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance 1984 and International Accounting Standards as applicable in Pakistan.

#### 2.2 Accounting convention

These financial statements have been prepared under historical cost convention, without any adjustment for the effect of inflation or reference to current values.

#### 2.3 Staff retirement benefits

The Company operates a contributory provident fund scheme covering its management employees. Equal monthly contributions are made both by the Company and the employees at the rate of 8.25 percent of basic pay.

The Company also operates an unfunded gratuity scheme for its non-management employees. The latest actuarial valuation of unfunded gratuity scheme was carried out as at September 30, 2000. The fair value of the un-funded gratuity scheme plan assets at the latest actuarial valuation date was Rs. nil.

The future contribution rates of these plans include allowances for deficit and surplus. The following significant assumptions were used for calculation of these plans.

Discount rate	12%
Expected rate of return on plan assets during the year	12%
Expected rate of salary increase in future years	10%
Actuarial valuation method	Projected Unit Credit Method

Consequential to adoption of IAS 19 (revised 1998), the actuarial valuation for the gratuity plan determined a transitional liability of Rs. 34.11 million as at September 30, 1999. As a result, transitional liability was recognized over three years. As such the gratuity expense for the year includes amount of Rs. 11.37 million. The balance amount of Rs. 11.37 million shall be charged in next financial year.

### 2.4 Taxation



**Current:**

The charge for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and tax rebates if available.

**Deferred:**

The Company accounts for deferred taxation using the liability method on all significant timing differences.

**2.5 Fixed assets and depreciation**

Operating fixed assets, except freehold land, are stated at cost less accumulated depreciation. Free hold land is stated at cost. Capital work in progress is stated at cost.

Depreciation is charged on reducing balance method at the rates specified in note No. 13. Full year's depreciation is charged on additions during the year, whereas, no depreciation is charged on the assets disposed off during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized.

Gains or losses on disposal of fixed assets are included in the current year's income.

**2.6 Assets subject to finance lease**

The Company accounts for assets acquired under finance lease by recording the assets and related liabilities. Finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged at the rates specified in note No. 13.

**2.7 Long term investments**

Provision is made for permanent diminution in the value of any investment, excepting such provisions, the investments are stated at lower of cost and market value determined on a portfolio basis.

**2.8 Stocks, stores and spare parts**

These are valued as under:

Stores and spare parts	: at moving average cost
Raw and packing materials	: at average cost
Work in process and finished goods	: at lower of average cost and estimated net realizable value. Cost of W. I.P. and finished goods comprises cost of materials, labour and appropriate manufacturing overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less necessary cost to make the sale.

**2.9 Revenue recognition**

Revenue from sales is recognized on despatch of goods.

Dividend income is recognized as and when declared.

Profit / interest is accounted for on accrual basis.

Rebates are accounted for as and when allowed.

**2.10 Corresponding Figures**

Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

**3. AUTHORIZED SHARE CAPITAL**

	2001		2000	
	<i>No. of Shares</i>	<i>Amount Rupees</i>	<i>No. of Shares</i>	<i>Amount Rupees</i>
Ordinary shares of Rs. 10 each	15,000,000	150,000,000	15,000,000	150,000,000

#### 4. ISSUED, SUBSCRIBED AND FULLY PAID UP SHARE CAPITAL

Ordinary shares of Rs. 10 each, fully paid in cash.	4,331,415	43,314,150	4,331,415	43,314,150
Ordinary shares of Rs. 10 each, issued for consideration other than cash	749,990	7,499,900	749,990	7,499,900
Ordinary shares of Rs. 10 each, issued as bonus shares	2,226,000	22,260,000	2,226,000	22,260,000
	-----	-----	-----	-----
	7,307,405	73,074,050	7,307,405	73,074,050

#### 5. RESERVES

	CAPITAL		REVENUE		2001	2000
	<i>Capital Reserve</i>	<i>Premium on Shares</i>	<i>General Reserve</i>	<i>Exchange Equalization Reserve</i>	<i>Rupees</i>	<i>Rupees</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>		
Balance at the end of the year	6,563	89,535,125	154,200,000	1,000,000	244,741,688	244,741,688

#### 6. OBLIGATIONS UNDER FINANCE LEASE

The amounts of future lease rentals are payable during:

2000-2001	--	377,064
2001-2002	377,064	377,064
2002-2003	377,064	377,064
2003 -2004	33,686	33,686
	-----	-----
	787,814	1,164,878
Add: Security adjustable at the expiry of lease term	134,707	134,707
Less: financial charges not currently due	(146,609)	(297,967)
	-----	-----
Present value of minimum lease payments	775,912	1,001,618
Less: Current maturity shown under current liabilities	(274,497)	(225,707)
	-----	-----
	501,415	775,911

This represents finance leases entered into with Askari Leasing Limited for vehicles. The balance of the liability is payable by November 2003 in monthly installments.

Monthly lease rentals include financial charges of 19.73% per annum which is used as discounting factor. Taxes, repairs, replacements and insurance costs are borne by the Company.

The leases are partially secured against cash deposit of Rs. 134,707 (2000: Rs. 134,707).

#### 7. DEFERRED TAXATION

Credit / (debit) balance arising in respect of:

- Accelerated tax depreciation allowance	25,500,000	25,500,000
--	------------	------------

No adjustment is required this year as no material difference has occurred in the gap between tax depreciation availed and the depreciation charged to the accounts.

**8. PROVISION FOR GRATUITY**

The amounts recognized in the balance sheet are as follows:

Present value of defined benefit obligation	52,366,374	49,855,463
Unrecognized actuarial gains/(losses)	(1,633,061)	(3,964,669)
Unrecognized transitional liability	(11,371,354)	(22,742,707)
	-----	-----
	39,361,959	23,148,087
	=====	=====
Balance sheet liability as previously reported	23,148,087	9,883,558
Effect of change in accounting policy	11,371,354	11,371,354
	-----	-----
Balance sheet liability restated	34,519,441	21,254,912
Amount recognized during the year	8,976,278	8,057,196
	-----	-----
Benefits paid during the year	43,495,719	29,312,108
	(4,133,760)	(6,164,021)
	-----	-----
Balance sheet liability as at September 30 (as per new IAS 19 (revised 1998))	39,361,959	23,148,087
	=====	=====

**9. BANK OVERDRAFT**

Represents cheques issued but not presented, in excess of the balance with bank and therefore is not liable to any interest.

	<b>2000</b>	<b>2001</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>10. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Creditors		
Accrued expenses	562,649	936,753
Deposits	14,582,763	14,678,579
Advances from customers	173,282	221,308
Due to associated undertakings	20,805	483,828
Workers' Profit Participation Fund (Note 10.1)	2,132,093	1,419,055
Un-claimed dividend	852,555	1,739,143
Income tax payable	4,689,978	5,717,797
Sales tax payable	80,149	158,377
	1,285,143	5,335,707
	-----	-----
	24,379,417	30,690,547
	=====	=====

**10.1 Workers' Profit Participation Fund**

Balance at the beginning of the year	1,739,143	--
Allocation for the year	852,555	1,739,143
	-----	-----
	2,591,698	1,739,143
Payments made during the year	(1,739,143)	--
	-----	-----
Balance at the end of the year	852,555	1,739,143
	=====	=====

**11. PROVISION FOR TAXATION**

Balance at the beginning of the year	29,922,033	9,887,641
Provision for the year	16,500,000	21,000,000
	-----	-----
	46,422,033	30,887,641
Paid / adjusted during the year	(25,743,249)	(965,608)
	-----	-----
	20,678,784	29,922,033

Workers' Welfare Fund	3,117,446	2,302,446
	-----	-----
Balance at the end of the year	23,796,230	32,224,479
	=====	=====

## 12. CONTINGENCIES AND COMMITMENTS

### Contingencies

The Company is currently liable for the sales tax demands amounting to Rs. 11,346,588 (2000: Rs. 8,702,684). The management has gone into appeal and is confident that the outcome of the appeal shall ultimately be in favour of the Company. The Company has also issued a bank guarantee favouring Collector of Customs - Multan amounting Rs. 8,976,458 being the amount in dispute.

The Company is currently liable for the income tax demands amounting to Rs. 47,433,458 (2000: nil). The management has gone into appeals and is confident that ultimately the tax liability shall not be payable.

### Commitments

There are no capital commitments outstanding at the year end (2000: Rs. nil).

## 13. OPERATING FIXED ASSETS

Description	Cost				Depreciation		Accumulated as on Sep 30, 2001	Book Value as on Sep 30, 2001	Depreciation Rate per annum
	As on Oct 01, 2000	Additions/ (deletions)	As on Sep 30, 2001	Accumulated as on Oct 01,2000	Charge for the year	Adjust- ments			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	%
<b>Tangible Assets:</b>									
<b>Owned Assets:</b>									
	4,107,199	--	4,107,199	--	--	--	--	4,107,199	
Buildings on freehold land:									
- Factory	13,308,578	--	13,308,578	12,217,511	109,107	--	12,326,618	981,960	10
-Others	13,936,233	--	13,936,233	9,672,072	213,208	--	9,885,280	4,050,953	5
Plant and machinery	265,927,489	3,010,683	268,938,172	175,050,124	9,388,805	--	184,438,929	84,499,243	10
Tools and equipment	2,791,041	--	2,791,041	1,997,838	79,320	--	2,077,158	713,883	10
Electrical installations	47,238,425	--	47,238,425	31,345,832	1,589,259	--	32,935,091	14,303,334	10
Furniture, fixtures and office equipment	5,014,573	224,565	5,239,138	3,651,894	158,724	--	3,810,618	1,428,520	10
Vehicles	4,948,229	830,558	5,062,737	3,880,931	364,327	(639,829)	3,605,429	1,457,308	20
		(716,050)							
Hospital equipment	100,022	--	100,022	99,445	--	--	99,445	577	--
Agricultural Equipment	343,542	--	343,542	252,559	9,098	--	261,657	81,885	10
Ginning factory	17,894,490	--	17,894,490	13,572,780	--	--	13,572,780	4,321,710	--
Poultry feed plant	4,647,399	--	4,647,399	2,343,111	--	--	2,343,111	2,304,288	--
<b>Subtotal:</b>	380,257,220	4,085,806	383,606,976	254,084,097	11,911,848	(639,829)	265,356,116	118,250,860	
		(716,050)							
<b>Leased Assets:</b>									
Vehicles	1,380,018	--	1,380,018	496,807	176,642	--	673,449	706,569	20
<b>Intangible Assets,</b>									
Trademarks	24,190	--	24,190	17,290	--	--	17,290	6,900	
<b>Total 2001:</b>	381,661,428	4,065,806	385,011,184	254,598,194	12,088,491	(639,829)	266,046,856	118,964,328	
		(716,050)							
<b>Total 2000:</b>	375,968,201	6,314,803	381,661,428	242,249,501	12,946,331	(597,638)	254,598,194	127,063,234	
		(621,576)							

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
<b>13.1 The depreciation charge for the year has been allocated as follows:</b>			
a) Cost of goods sold	21	11,166,491	12,072,692
b) Administrative and general expenses	22	922,000	873,639
		-----	-----
		12,088,491	12,946,331
		=====	=====

**13.2 Disposal of operating fixed assets:**

<b>Descriptions</b>	<i>Cost Rupees</i>	<i>Accumulated Depreciation Rupees</i>	<i>Book Value Rupees</i>	<i>Sale Proceeds Rupees</i>	<i>Profit/ (Loss) Rupees</i>	<i>Sold to</i>	<i>Mode of Sale</i>
Vehicles:							
Honda Civic-Car (LOB-2975)	584,000	533,835	50,165	124,850	74,685	Mrs. Abida Ahmed (Employee)	Company policy
Yamaha-Motor Cycle-100CC (VRD-4940)	46,500	36,748	9,752	13,950	4,198	Mr. Faran Ahmed (Employee)	Company policy
Yamaha-Motor Cycle-100CC (VRD-4942)	46,500	36,748	9,752	13,950	4,198	Mr. Abu Baker Saddique (Employee)	Company policy
Yamaha-Motor Cycle-100CC (LOR-9891 )	39,050	32.50	6.55	11,715	5,163	Mr. M. Rafique (Ex-employee)	Company policy
	-----	-----	-----	-----	-----		
Total 2001	716,050	639,829	76,221	164,465	88,244		
	-----	-----	-----	-----	-----		
Total 2000	621,576	597,638	23,938	95,652	71,714		
	=====	=====	=====	=====	=====		

*2001  
Rupees*      *2000  
Rupees*

**14. INVESTMENTS****Quoted****Associated Undertakings:****Dawood Hercules Chemicals Limited**

4,676,001 (2000:3,896,668) fully paid ordinary shares of Rs. 10 each.

(The increase in number of shares represents bonus shares)

56,315,150      56,315,150

**Dawood Cotton Mills Limited**

774,446 (2000:774,446) fully paid ordinary shares of Rs. 10 each

[Equity held 10.43% (2000: 10.43%)]

8,319,111      8,319,111

-----  
64,634,261      64,634,261

=====

**Unquoted****Associated Undertakings:****Karnaphuli Paper Mills Limited**

(Formerly an Associated Company now under foreign occupation)

185,000 (2000:185,000) fully paid ordinary shares of Rs. 10 each

Value written off

2,497,500      2,497,500

2,497,499      2,497,499

-----

Balance	1	1
<b>Others:</b>		
<b>Asian Cooperative Society Limited</b>		
500 (2000: 500) fully paid ordinary shares of Rs. 10 each	5,000	5,000
	-----	-----
	5,001	5,001
	-----	-----
	64,639,262	64,639,262
	=====	=====

14.1 Aggregate market value of investments of quoted companies was Rs. 381,400,470 (2000: Rs. 362,774,233).

#### 15. STORES AND SPARE PARTS

Stores	9,032,699	10,059,954
Spare parts and loose tools	7,778,177	8,270,490
	-----	-----
	16,810,876	18,330,444
	=====	=====

#### 16. STOCK IN TRADE

Raw materials	37,910,380	22,597,527
Work in process	10,043,048	12,764,893
Finished goods	150,688,938	101,222,052
	-----	-----
	198,642,366	136,584,472
	=====	=====

#### 17. BOOK DEBTS

Unsecured- considered good	14,151,020	11,522,551
	=====	=====

#### 18. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances:		
- Employees	1,025,344	1,122,860
- Employees Provident Fund	589,708	1,237,563
- Goods suppliers	326,410	336,438
Deposits and prepayments	19,700,480	2,580,583
	-----	-----
	21,641,942	5,277,444
	=====	=====

#### 19. CASH AND BANK BALANCES

Cash in hand	314,357	353,566
With banks in:		
-Current accounts	34,046,028	5,000,356
-PLS account	17,833,064	139,119,649
	-----	-----
	51,879,092	144,120,005
	-----	-----
	52,193,449	144,473,571
	=====	=====

#### 20. SALES

Local	358,564,217	424,335,261
Less: Brokerage	(198,155)	(367,024)
	-----	-----
	358,366,062	423,968,237

Exports	1,996,797	7,141,935
	-----	-----
	360,362,859	431,110,172
	=====	=====

**21. COST OF GOODS SOLD**

Raw materials:		
- Opening stock	22,597,527	27,738,828
- Purchases	176,340,061	112,843,980
	-----	-----
- Closing stock	198,937,588	140,582,808
	(37,910,380)	(22,597,527)
	-----	-----
Raw materials consumed	161,027,208	117,985,281
Stores and spare parts consumed	19,697,556	24,178,931
Salaries, wages and benefits	74,174,782	70,975,780
Fuel and power	80,128,715	74,757,380
Repairs and maintenance	3,310,478	3,121,676
Insurance	4,216,928	3,451,113
Depreciation (Note: 13.1)	11,166,491	12,072,692
Other manufacturing expenses	2,873,202	5,136,463
	-----	-----
	356,595,360	311,679,316
<b>Work in process:</b>		
- Opening stock	12,764,893	14,494,323
- Closing Stock	(10,043,048)	(12,764,893)
	-----	-----
	2,721,845	1,729,430
	-----	-----
Cost of goods manufactured	359,317,205	313,408,746
<b>Finished goods:</b>		
- Opening stock	101,222,052	153,677,881
- Closing stock	(150,688,938)	(101,222,052)
	-----	-----
	(49,466,886)	52,455,829
	-----	-----
	309,850,319	365,864,575
	=====	=====

	<b>2001</b>	<b>2000</b>
	<b>Rupees</b>	<b>Rupees</b>

**22. ADMINISTRATIVE AND GENERAL EXPENSES**

Directors' fee	12,000	6,000
Directors' remuneration and expenses	2,224,564	3,007,657
Salaries, wages and benefits	15,788,729	14,243,799
Travelling and conveyance	989,049	265,732
Rent, rates and taxes	1,284,785	973,524
Postage, telegram, fax and telephone	761,613	918,260
Repairs and maintenance	853,229	150,117
Insurance	503,890	612,203
Electricity, gas and water	3,646,918	1,803,473
Printing and stationery	455,145	391,050
Entertainment	414,380	471,834
Newspapers, periodicals and subscriptions	138,437	530,998
Advertisement and publicity	106,722	38,698
Audit fee	75,000	75,000
Legal and professional charges	605,917	497,272
Depreciation (Note: 13.1)	922,000	873,639
Miscellaneous	369,302	676,720
	-----	-----
	29,151,680	25,535,976

**23. SELLING AND DISTRIBUTION EXPENSES**

Salaries, wages and benefits	1,675,423	1,850,573
Shipping and forwarding	831,939	1,614,326
Travelling and conveyance	15,513	37,735
Rent, rates and taxes	224,123	189,022
Postage, telegram, fax and telephone	118,650	148,977
Repairs and maintenance	308	11,213
Insurance	996,493	1,068,798
Electricity and gas	110,292	148,353
Printing and stationery	17,656	22,939
Entertainment	8,628	7,926
Advertisement and publicity	97,908	16,266
Miscellaneous	66,521	31,987
	-----	-----
	4,163,454	5,148,115

**24. OTHER INCOME**

Dividend income	44,779,958	43,613,356
Interest	6,529,770	5,360,383
Sale of scrap	382,247	685,757
Rent	221,569	183,748
Liability for purchase consideration (written back)	--	1,335,702
Profit on sale of fixed assets	88,244	71,714
	-----	-----
	52,001,788	51,250,660

**25. FINANCIAL AND OTHER CHARGES**

## Financial Charges:

Financial charges on leased assets	151,356	191,474
Mark-up on bank overdraft	--	296
Bank charges	377,205	272,630
	-----	-----
	528,561	464,400

**Other Charges:**

Workers' Profit Participation Fund	852,555	1,739,143
Workers' Welfare Fund	815,000	1,639,385
	-----	-----
	1,667,555	3,378,528
	-----	-----
	2,196,116	3,842,928

**26. EARNING PER SHARE - BASIC**

Profit attributable to ordinary shareholders	50,503,078	60,469,238
	<b>Number of Shares</b>	
Average ordinary shares in issue	7,307,405	7,307,405
	<b>Rupees</b>	<b>Rupees</b>
Earning per share	6.91	8.28

**27. CASH GENERATED FROM OPERATIONS**

Profit before taxation	67,003,078	81,969,238
Add / (deduct) adjustments for non cash charges and other items:		



Depreciation	12,088,491	12,946,331
(Profit) on sale of fixed assets	(88,244)	(71,714)
Provision for gratuity	20,347,632	19,428,550
Purchase consideration (written back)	--	(1,335,702)
Provision for W.W.F.	815,000	--
	-----	-----
	33,162,879	30,967,465
	-----	-----
Profit before working capital changes	100,165,957	112,936,703
<b>(Increase) / decrease in current assets</b>		
Bank overdraft	443,156	--
Stores, spare parts and loose tools	1,519,568	1,069,182
Stock in trade	(62,057,894)	59,326,560
Trade debts	(2,628,469)	15,598,044
Advances, deposits, prepayments and other receivables	(16,364,498)	(174,503)
	-----	-----
	(79,088,137)	75,819,283
<b>Increase / (decrease) in current liabilities</b>		
Creditors, accrued charges and other liabilities	(5,283,311)	(17,951,020)
	-----	-----
	15,794,509	170,804,966
	=====	=====
<b>28. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	52,193,449	144,473,571
	=====	=====

**29. REMUNERATION OF DIRECTORS AND EXECUTIVES**

The aggregate amounts charged in the accounts for the year as remuneration including all benefits to chief executive, directors and executives of the Company are as follows:

Particulars	Chief Executive		Directors		Executives	
	2001 Rupees	2000 Rupees	2001 Rupees	2000 Rupees	2001 Rupees	2000 Rupees
- Meeting fee	--	--	6,000	6,000	--	--
- Managehal remuneration	2,100,655	2,842,984	--	--	7,947,643	7,200,819
- Re-imbursable expenses	--	--	6,000	--	1,567,198	974,043
- Company's contribution towards provident fund	123,909	164,673	--	--	400,435	647,829
	-----	-----	-----	-----	-----	-----
Total	2,224,564	3,007,657	12,000	6,000	9,915,276	8,822,691
	-----	-----	-----	-----	-----	-----
Number of persons	1	1		4	3	29

29.1 Certain executives have been provided with Company maintained cars.

**30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

The aggregate amount of purchases from and sales to associated undertakings of goods and services during the year amounted to Rs. 4,951,102 (2000: Rs. 4,425,092) and Rs. 15,874,637 (2000: Rs. 25,247,723) respectively.

Purchases / sales of goods and services are made at prevailing market prices. No buying or selling commission has been paid to any associated undertaking.

The maximum aggregate balance due by associated undertakings at the end of any month during the year was Rs. 12,400,498 (2000: Rs. 11,141,947).

**31. PRODUCTION AND INSTALLED CAPACITY**

The installed spindles and looms are 42,912 (2000:42,912) and 312 (2000:312) respectively, out of which 41,227 (2000:36,651) spindles and 62 (2000: 93) looms were in operation during the year. The installed capacity and production have been averaged out on the basis of 20 count

yarn and 50 picks per inch fabric. The installed capacity is based on three shifts working, while the actual production is based on two / three shifts during the year:

Particulars	Unit	Capacity	Actual Production	
			2001	2000
Yarn	Kgs	9,678,823	4,751,005	4,474,608
Fabric	Mtrs	9,218,040	1,726,902	2,639,531
Cotton ginning	Bales	144,000	--	--

The reasons for the down trend in spinning and weaving production are mainly attributed to lower demand and recession in the country.

### 32. FINANCIAL ASSETS AND LIABILITIES

	Interest / mark-up bearing			Non interest I mark up bearing				
	Maturity up to one year Rupees	Maturity after one year Rupees	Sub total Rupees	Maturity up to one year Rupees	Maturity after one year Rupees	Sub total Rupees	2001 Total Rupees	2000 Total Rupees
<b>Financial assets</b>								
Investments	--	--	--	--	64,639,262	64,639,262	64,639,262	64,639,262
Long-term deposits	--	--	--	--	1,820,987	1,820,987	1,820,987	1,852,282
Book debts	--	--	--	14,151,020	--	14,151,020	14,151,020	11,522,551
Advances, deposits and other receivables	--	--	--	21,641,942	--	21,641,942	21,641,942	5,277,444
Cash and bank balances	17,833,064	--	17,833,064	34,360,385	--	34,360,385	52,193,449	144,473,571
	-----	-----	-----	-----	-----	-----	-----	-----
	17,833,064	--	17,833,064	70,153,347	66,460,249	136,613,596	154,446,660	227,765,110
<b>Financial liabilities</b>								
Bank overdraft	--	--	--	1,233,586	--	1,233,586	1,233,586	790,430
Obligations under finance lease	274,497	501,415	775,912	--	--	--	775,912	1,001,618
Creditors, accrued charges and other liabilities	--	--	--	18,383,491	--	18,383,491	18,383,491	19,153,215
	-----	-----	-----	-----	-----	-----	-----	-----
	274,497	501,415	775,912	19,617,077	--	19,617,077	20,392,989	20,945,263

#### 32.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted.

Out of the total financial assets of Rs. 154,446,660 (2000: Rs. 227,765,110) such financial assets of Rs. 14,151,020 (2000: Rs. 11,522,551 ) are subject to credit risk. The management believes that it is not exposed to credit risk as parties are credit worthy.

#### 32.2 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except for investments, which are stated at cost.

### 33. NUMBER OF EMPLOYEES

	2001	2000
Number of employees as at the year end	1349	1403
	=====	=====

Shahzada Dawood  
Chief Executive

Khawaja Amanullah  
Director

### PATTERN OF SHAREHOLDINGS

**As at September 30, 2001**

<i>Number of Shareholders</i>	<i>Shareholdings</i>		<i>Number of Shares Held</i>
	<i>From</i>	<i>To</i>	
758	1	100	31,269
566	101	500	149,491
193	501	1,000	149,064
264	1,001	5,000	582,068
18	5,001	10,000	129,714
12	10,001	15,000	158,119
2	15,001	20,000	33,414
2	25,001	30,000	50,246
1	35,001	40,000	36,828
1	70,001	75,000	71,000
1	75,001	80,000	76,019
1	80,001	85,000	80,500
1	150,001	155,000	151,592
2	160,001	165,000	325,522
1	190,001	195,000	191,515
1	225,001	230,000	225,616
1	230,001	235,000	232,500
1	265,001	270,000	268,800
1	275,001	280,000	276,700
1	290,001	295,000	292,284
1	365,001	370,000	366,515
1	440,001	445,000	440,818
1	520,001	525,000	521,616
2	595,001	600,000	1,198,360
1	1,265,001	1,270,000	1,267,835
-----	-----	-----	-----
1834			7,307,405
=====	=====	=====	=====

<b>Categories of Shareholders</b>	<i>Numbers</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	1,784	3,212,936	43.96
Investment Companies	5	478,042	6.54
Insurance Companies	6	231,325	3.17
Joint Stock Companies	15	2,863,955	39.19
Financial Institutions	9	287,558	3.94
Others (see below)	15	233,589	3.20
	-----	-----	-----
	1,834	7,307,405	100.00
	=====	=====	=====

**Others:**

Charitable Institutions	4	229,722	3.15
Administrator Abandoned Properties (Government of Pakistan)	11	3,867	0.05
	-----	-----	-----
	15	233,589	3.20
	=====	=====	=====