

# Woven by a common thread

The Dawood Group is proud to present the fifty fourth annual report of its newly integrated company;

**Dawood Lawrencepur Limited,**

(formerly Dawood Cotton Mills Limited)

which has emerged from the amalgamation of -

Lawrencepur Woollen and Textile Mills Limited,

Burewala Textile Mills Limited, and Dilon Limited.

For the past half a century, these companies have embodied tradition and quality - common threads that now bind them together for the collective benefit of all customers, shareholders, employees and other stakeholders.



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## COMPANY INFORMATION

### Board of Directors

Hussain Dawood (Chairman)  
Shahzada Dawood (Chief Executive)  
Khawaja Amanullah  
A. Samad Dawood  
A. Aziz Moon  
Haroon Mahenti  
Yousuf A. Deshi

### Board Audit Committee

Khawaja Amanullah (Chairman)  
A. Samad Dawood (Member)  
A. Aziz Moon (Member)

### Company Secretary

Yousuf A. Deshi

### Auditors

Gangat & Company  
(Chartered Accountants)

### Bankers

Bank Al-Habib Limited  
Habib Bank Limited  
Metropolitan Bank Limited  
Meezan Bank Limited

### Registered Office

35-A, Shahrah-e-Abdul  
Hameed Bin Baadees  
(Empress Road), Lahore.

### Karachi Office / Shares Department

Dawood Centre,  
M.T. Khan Road,  
Karachi.

### Mills

#### Dawood

Landhi Industrial Area,  
Karachi.

Ph: 021-5018476, 5018751  
Fax: 021- 5018463, 5024520

#### Dilon

Landhi Industrial Area,  
Karachi.

Ph: 021-5018668, 5019350  
Fax: 021-5019349

#### Burewala

Dawoodabad,  
District Vehari.

Ph: 0447-53347, 53145, 53246  
Fax: 0447-54679

#### Lawrencepur

Dawoodpur,  
District Attock.

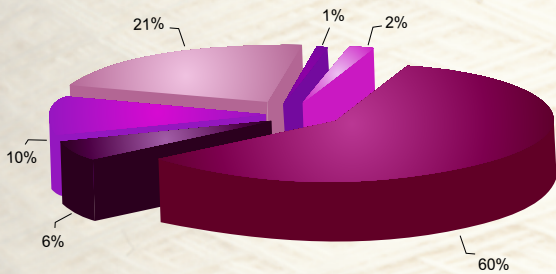
Ph: 0597-641074-6  
Fax: 0597-641073

## OPERATING HIGHLIGHTS Six Years at a Glance

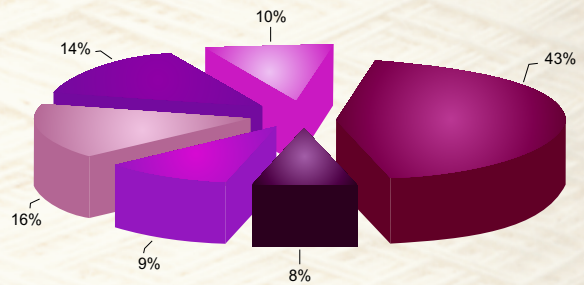
PARTICULARS	UNIT	2004	2003	2002	2001	2000	1999
<b>A) INCOME STATEMENT</b>							
1 Sales Value	Rs. in Thousands	1,610,683	647,465	485,892	308,341	84,406	77,147
2 Gross Profit/(Loss)	Rs. in Thousands	145,752	41,183	22,676	(5,222)	5,804	(12,707)
3 Operating Profit/(Loss)	Rs. in Thousands	20,483	16,577	4,057	(21,604)	(7,024)	(22,711)
4 Profit Before Taxation	Rs. in Thousands	162,816	82,909	84,811	49,408	100,218	53,647
5 Profit After Taxation	Rs. in Thousands	156,187	76,459	79,811	42,908	92,718	53,647
<b>B) DIVIDEND</b>							
1 Cash Dividend	%	25	25	-	35	65	60
2 Bonus Shares	%	-	50	100	-	-	-
3 Total Dividend	%	25	75	100	35	65	60
<b>C) BALANCE SHEET</b>							
1 Total Assets Employed	Rs. in Thousands	4,454,000	1,647,916	993,047	580,908	599,866	549,654
2 Current Assets	Rs. in Thousands	1,643,684	364,609	248,865	186,564	209,790	432,370
3 Current Liabilities	Rs. in Thousands	804,590	175,076	90,198	103,491	142,389	136,872
4 Paid-up Capital	Rs. in Thousands	350,759	222,708	74,236	74,236	74,236	74,236
5 Shareholders' Equity	Rs. in Thousands	3,407,256	1,426,200	849,441	424,013	407,088	362,624
6 No. of Ordinary Shares	In Thousands	35,076	22,270.81	7,423.60	7,423.60	7,423.60	7,423.60
<b>D) RATIO ANALYSIS</b>							
1 Gross Profit/(Loss)	%	9.05	6.36	4.67	(1.69)	6.88	(16.47)
2 Earning Per Share	Rs.	4.45	3.43	10.75	5.78	12.49	7.23
3 Dividend Yield	%	2.91	11.72	27.70	10.61	15.85	30.00
4 Return on Equity	%	4.58	5.36	9.40	10.12	22.78	14.79
5 Break-up Value of Shares	Rs.	97.14	64.04	114.42	57.12	54.84	48.85
6 Market Value of Shares	Rs.	86.00	64.00	36.10	33.00	41.00	20.00
<b>E) PRODUCTION</b>							
<b>1 Capacity</b>							
PolyesterYarn-Dilon	Kgs. in Thousands	1400	-	-	-	-	-
Cloth-Dawood Mills	Meters in Thousands	8,698	8,698	8,698	8,698	8,698	7,649
Yarn-Dawood Mills	Kgs. in Thousands	12,355	12,355	6,988	6,988	6,988	6,988
Cloth-Burewala Mills	Meters in Thousands	9,218	-	-	-	-	-
Yarn-Burewala Mills	Kgs. in Thousands	9,679	-	-	-	-	-
Cloth-Lawrencepur Mills	Meters in Thousands	1,953	-	-	-	-	-
Yarn-Lawrencepur Mills	Kgs. in Thousands	676	-	-	-	-	-
<b>2 Actual Production</b>							
PolyesterYarn-Dilon	Kgs. in Thousands	1,525	-	-	-	-	-
Cloth-Dawood Mills	Meters in Thousands	355	2,668	2,137	77	-	-
Yarn-Dawood Mills	Kgs. in Thousands	8,810	8,580	6,440	4,365	648	390
Cloth-Burewala Mills	Meters in Thousands	2,710	-	-	-	-	-
Yarn-Burewala Mills	Kgs. in Thousands	6,687	-	-	-	-	-
Cloth-Lawrencepur Mills	Meters in Thousands	816	-	-	-	-	-
Yarn-Lawrencepur Mills	Kgs. in Thousands	292	-	-	-	-	-
<b>3 Capacity Utilization</b>							
- Yarn	%	71.81	69.45	92.16	62.46	9.27	5.58
- Cloth	%	19.53	30.67	24.57	0.89	-	-
<b>F) OTHERS</b>							
1 Employees	Nos.	2,658	1,105	763	737	335	73
2 Capital Expenditure	Rs. in Thousands	204,619	1,318	49,639	74,659	874	-

**NOTE:** The figures of the years 1999 to 2003 are of the years when the Merger has not taken place with the other three Companies.

### SALES VALUE - 2004

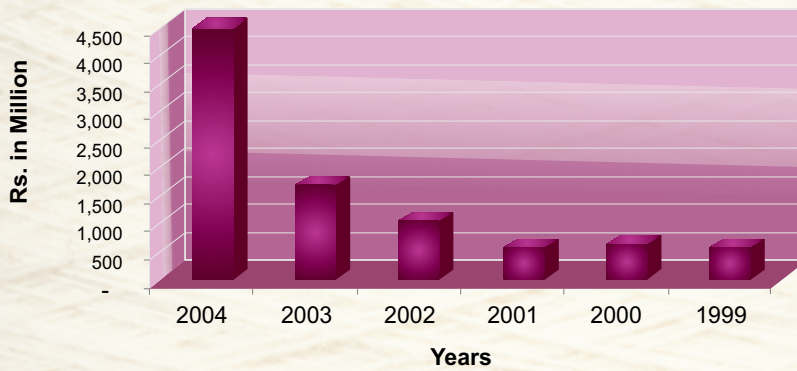


### SALES QUANTITY - 2004

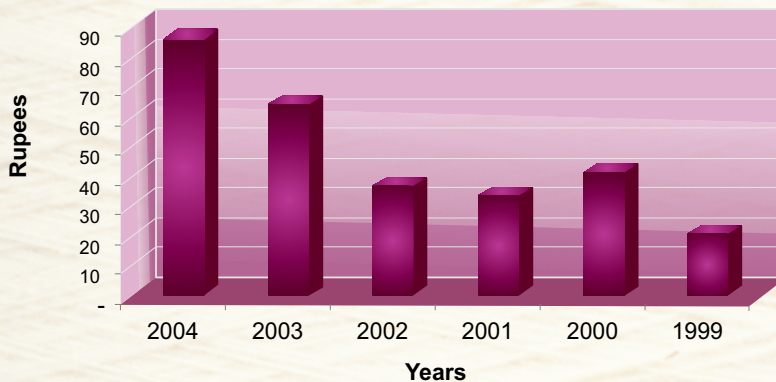


- Cotton Yarn
- Export
- Polyester Yarn
- Fabric
- Processing / Weaving
- Waste

### TOTAL ASSETS EMPLOYED



### MARKET VALUE OF SHARES



**NOTE:** The figures of the years 1999 to 2003 are of the years when the Merger has not taken place with the other three Companies.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifty-fourth Annual General Meeting of the members of the Company will Insha Allah be held on Wednesday January 26, 2005 at 11:00 a.m. at the Company's Registered Office, 35-A, Shahra-e-Abdul Hameed Bin Baadees (Empress Road), Lahore to transact the following business after recitation from the Holy Quran:

1. To confirm the minutes of the Extra Ordinary General Meeting held on May 19, 2004;
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended September 30, 2004 together with the Directors' and Auditors' Reports thereon;
3. To consider and approve payment of final cash dividend @ 25% i.e. Rs.2.50 per share as recommended by the Board of Directors;
4. To appoint Auditors for the year ended June 30, 2005 and to fix their remuneration. The present auditors M/s Gangat & Co. (Chartered Accountants) retire and 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 of the Companies Ordinance 1984 in place of following who have since resigned:
  - 1) Hussain Dawood
  - 2) Shahzada Dawood
  - 3) A. Samad Dawood
  - 4) Khawaja Amanullah
  - 5) A. Aziz Moon
  - 6) Haroon Mahenti
  - 7) Yousuf A. Deshi

### **SPECIAL BUSINESS:**

6. To approve proposed amendment / alteration in the Articles of Association of the Company (Per Annexure "A") and pass the following special resolution with or without modification:

"Resolved that the Articles of Association of the Company, a copy whereof is laid before the members and initialed by the Chairman for the purpose of identification be and is hereby approved."
7. To seek consent of the shareholders for transmission of quarterly accounts through Website in compliance with Section 245 of the Companies Ordinance, 1984 and Security and Exchange Commission of Pakistan's ("SECP") Circular No.19 of 2004 and if deemed fit pass the following resolutions as ordinary resolution;

### **RESOLVED THAT:**

- a) Consent be and is hereby granted to place the quarterly accounts of the Company on the website of the Company, pursuant to the Security & Exchange Commission of Pakistan ("SECP") Circular No.19 of 2004 dated 14th April 2004;
- b) The Chief Executive and the Company Secretary be and are hereby authorized severally or jointly to do all necessary acts, deeds and things in connection therewith and ancillary thereto including consultation with the Stock Exchanges on which the Company is listed.
8. To transact any other business with the permission of the Chairman.

**By Order of the Board**

**Notes:**

1. The share transfer books of the Company will remain close from January 18, 2005 to January 26, 2005 (both days inclusive). Transfer documents received in order at the Registered Office or at Dawood Centre, M.T. Khan Road, Karachi of the Company, upto 17:00 hours on January 17, 2005 will be in time for entitlement to the final dividend and the right to attend the AGM.
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 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 or at Dawood Centre, M.T. Khan Road, Karachi not later than forty-eight hours before the Meeting.
3. A Beneficial Owner of the Company through Central Depository Company (CDC) or his / her proxy, entitled to attend and vote at this meeting, must bring original NIC or passport to prove his / her identity. Proxy Form of a shareholder through CDC must be accompanied with attested copies of NIC or passport of such shareholder and his / her proxy. Representatives of corporate members should bring the usual documents required for such purpose.
4. Any person who seeks to contest as a Director must file with the Company at the Registered Office a notice of his intention not later than fourteen days before Annual General Meeting in accordance with Article 93 of Articles of Association of the Company.
5. The members are requested to notify the change in address, if any, immediately.

**STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984**

This statement set out the material facts concerning Special Business given in Agenda Item No. 6 & 7

**a) Agenda Item No. 6**

The Board of Directors has recommended that Company's Articles of Association be amended / substituted for and to the exclusion of some of existing articles by amendment / changes by taking into account several changes made in the Company's Ordinance 1984. A copy of amended Articles of Association is being circulated to the Shareholders alongwith Annual Report 2004 of the Company.

**b) Agenda Item No. 7**

- i) The Security & Exchange Commission of Pakistan (SECP) vide Circular No. 19 of 2004 has allowed the listed Companies to place the quarterly accounts on their website instead of sending the same to each shareholder by post. This decision would ensure prompt disclosure of information to the shareholders, besides saving of costs associated with printing and dispatch of the accounts.
- ii) The Company is maintaining a website [www.dawoodlawrencepur.com](http://www.dawoodlawrencepur.com). Prior permission of the Security & Exchange Commission of Pakistan would be sought for transmitting the quarterly accounts through Company's website after the approval of the shareholders. The Company, however, will supply copies of accounts to the shareholders on demand at their registered address, free of cost, within one week of receiving such request.

**The Directors of the Company have no interest in the above resolutions except as a shareholder.**

## DIRECTORS' REPORT

### Dear Members Assalam-o-Alaikum

The Directors are pleased to present their Annual Report together with the Audited Financial Statements for the year ended September 30, 2004 before the fifty-fourth Annual General Meeting of the Company.

In May 2004, the Company name was changed to 'Dawood Lawrencepur Limited', so as to take advantage of the goodwill associated with the name of Lawrencepur. This report being the first annual report of the merged entity, demonstrates the commitment to be better prepared in the post WTO scenario.

### Operating Results

The sales of the Company was Rs. 1,610,682,606 for the year under review as compared to Rs. 1,350,796,657 last year. The net profit after taxation for the year is Rs. 156,186,643 as compared to Rs. 240,234,997 for the previous year, after providing for depreciation, all operating, administrative, selling and distribution, financial/other expenses.

The summary of the financial results is as follows:

	2004 Rupees	2003 Rupees
<b>Sales</b>	1,610,682,606	1,350,796,657
<b>Gross profit</b>	145,752,195	124,472,357
<b>Operating profit</b>	20,482,878	29,900,490
<b>Other income</b>	161,232,853	218,220,637
<b>Profit before taxation</b>	162,815,747	230,257,556
<b>Profit after taxation</b>	156,186,643	240,234,997
<b>Un-appropriated profit brought forward</b>	386,167,591	345,309,506
<b>Total Amount Available for Appropriation</b>	542,354,234	585,544,503

### Dividends

The Directors recommend a payment of Cash Dividend of 25% (Rs. 2.50 per share) of the Paid up Capital of the Company. The following appropriations have been recommended:

	2004	2003
<b>Profit available for appropriation</b>	542,354,234	585,544,503
<b>Appropriations:</b>		
Bonus shares Nil (2003: 50%)	-	74,236,020
Cash dividend on ordinary shares @ 25% (2003: 25% and Preference shares 9%)	87,689,810	125,140,892
	87,689,810	199,376,912
Un-appropriated profit carried forward	454,664,424	386,167,591
<b>Earnings Per Share - Basic</b>	4.45	6.80



### **Corporate and Financial Reporting Frame Work**

- a) The financial statements have been drawn up by the management in conformity with the Companies Ordinance 1984. These statements fairly present the Company's state of affairs, the result of its operations, cash flows and changes in equity;
- b) These accounts including corresponding figures for the year ended September 30, 2003, reflect combined results of the merged entities prepared on a "pooling of interest basis" in accordance with IAS-22 (Business Combination);
- c) Proper books of accounts have been maintained by the Company;
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed;
- e) The system of internal control is sound in design and has been effectively implemented and monitored;
- f) The annual audited financial statements are circulated within four months of the close of the financial year.

### **Pattern of Shareholdings**

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

### **Key Operating and Financial Data**

The statement summarizing the key operating and financial data for the past six years including the current year is attached to the Annual Report. However, the figures for the past five years (1999 - 2003) represent the period when the Merger had not taken place.

### **Vision and Mission**

The statement reflecting the vision and mission of the Company is annexed to the Annual Report.

### **Ethics and Business Practices**

The statement outlining the Ethics and Business Practices of the Company is also annexed to the Annual Report.

### **Board Audit Committee**

The Board has constituted an audit committee.

### **Statutory Payments**

As on the closing date, no government taxes, duties, levies and charges were outstanding / overdue except the routine payments of various levies and the amounts in dispute pending in various appellate forums.

### **Value of Investments of Gratuity Funds**

The face value of the investments made out of the Gratuity Fund of the management cadre staff was NIL on the closing date.

### **Trading in the Company's Shares**

Directors, CEO, CFO and Company Secretary have not traded in Company's shares during the period under review.

### Board Meetings

During the financial year under review, seven (7) meetings were held and the attendance by the respective directors was as follows:

S. No.	Directors	No. of Meetings	
		Held	Attended
1	Hussain Dawood	7	6
2	Shahzada Dawood	7	5
3	Khawaja Amanullah	7	3
4	A. Samad Dawood	7	4
5	A. Aziz Moon	7	6
6	Haroon Mahenti	7	6
7	Yousuf A. Deshi	7	7

Leave of absence was granted to the directors who could not attend the meeting due to their pre-occupation.

### Future Prospects

The overall sales during the year have increased by 19.24%. This is because of increase in quantity as well as average selling prices of both the yarns and the fabrics.

The Company looks favourably at the post WTO scenario. The management feels that opportunities in the future can be better realised with a merged balance sheet. The Company is implementing its BMR (Balancing, Modernization & Replacement) to develop a strategic position in the textile industry.

### Auditors

The Auditors, Messrs Gangat & Co. Chartered Accountants, retire at the conclusion of the Annual General Meeting, being eligible, offer themselves for re-appointment. The Audit Committee has also recommended the re-appointment of M/s Gangat & Co. Chartered Accountants.

### 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.

On behalf of the Board

Karachi  
December 23, 2004

HUSSAIN DAWOOD  
(Chairman)



## VISION AND MISSION STATEMENT

**Dawood Lawrencepur Limited** has been at the forefront in manufacturing high quality textile products for the past 55 years. Although the future of textile products in Pakistan is faced with tough competition, we intend to strive for our corporate objectives.

**a. Vision Statement:**

Our vision is:

To remain the pioneers in textile industry by producing quality products at competitive prices to the entire satisfaction of our customers without compromising on our principles of ethics, integrity and professional standards.

**b. Mission Statement:**

Our mission is to:

1. Maintain the reputation of a reliable manufacturer and supplier of high quality textile products through technology and effective resource management while maintaining high ethical and professional standards.
2. Have sustainable growth in this era of competition in quality of products and its prices.
3. Achieve high returns on investment through a continuous process of improvement for the benefit of the stakeholders.
4. Strive for excellence through commitment, integrity, honesty and teamwork.
5. Provide excellent working atmosphere and growth potential to talented professionals and develop long term relationships with its employees.
6. Be a good corporate citizen.

## STATEMENT OF ETHICS AND BUSINESS PRACTICES

**Dawood Lawrencepur Limited** was established on very sound principles of its development and growth on the basis of making no compromises in any aspect of business practices. The Company takes pride in adherence to its principles and continues to serve its customers, stakeholders and society on the following guidelines:

1. The Company strongly believes in free and fair business practices and open competitive markets. Developing any association within the segment, industry or with competitors to distort the pricing and availability is contradictory to our business code of conduct.
2. The Company's financial policies for conducting business are transparency, integrity and following the principles of accounting and finance as approved by regulations and contemporary accounting codes.
3. The Company believes in uprightness of performance and expects it to be a fundamental responsibility of our employees to act in Company's best interest while holding confidential information. We expect our employees neither to solicit internal information from others nor to disclose Company's figures, data or any material information to any unauthorized person/body.
4. The Company believes in encouraging the individuals' respect and growth. Our employment and HR policies develop individuals without any discrimination on the basis of race, religion, gender or any other factor.
5. The Company as a responsible corporate citizen strongly adheres to the principles of corporate governance and complies with regulatory obligations enforced by regulatory bodies for improving corporate performance.
6. The Company anticipates integrity and honesty of employees in doing business for the Company. Any unfair or corrupt practices either to solicit business for the Company or for personal gains of the employee is fundamentally inconsistent with business codes of the Company.
7. The Company believes in community development without political affiliations with any person or group of persons working for gains. We contribute our resources for a better environment with an unprejudiced approach. Within our mills our policies gear towards unbiased and impartial employees betterment.

## STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Company is in the process of implementing the requirements of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan and adopted by the Stock Exchanges. Steps are being taken by the management of the Company for its implementation.

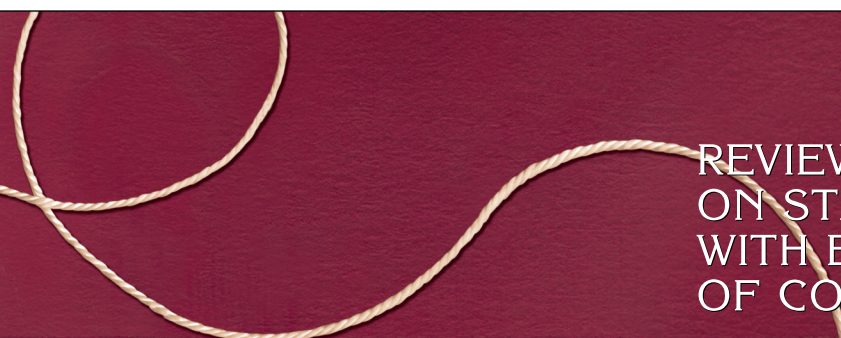
The Company has applied the principles contained in the Code in the following manner:

1. The election of the Board of Directors was held before the Code of Corporate Governance became applicable.
2. None of the members of the Board are directors in more than ten listed companies.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.
4. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
5. The Board has developed a "Vision and Mission Statement", which is annexed to the Annual Report. The Board is in the process of revision and approval of significant policies of the Company.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive Directors, have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and the Board met at least once every quarter. Written notices of the Board meetings, along with agenda and working papers, were normally circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. The Board is in the process of arranging orientation courses for its directors to further apprise them of their duties and responsibilities.
9. The Company Secretary was appointed before the Code of Corporate Governance became applicable. The CFO duly possesses the qualification as required by the Code of Corporate Governance. The Board has also approved the appointment of head of internal audit.
10. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.
13. The Company is in the process of fully complying with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises of three members, majority of whom including the Chairman of the Committee are non-executive directors.

15. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
16. The Board has appointed a "head of internal audit function" who is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. We confirm that the efforts are being made by the Company to become fully compliant with all material principles contained in the Code of Corporate Governance by the end of next accounting year.

**Karachi**  
**December 23, 2004**

**SHAHZADA DAWOOD**  
**(Chief Executive)**

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## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Dawood Lawrencepur Limited (formerly Dawood Cotton Mills Limited)**, to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange and clause 49 (Chapter XIII) of Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

The Board is stated to be in the process of revision and approval of significant policies, arranging orientation courses, enhancing and strengthening of internal audit function.

Based on our review except for the matters noted in the previous paragraph, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Karachi  
December 23, 2004

**GANGAT & CO.**  
*(Chartered Accountants)*



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **Dawood Lawrencepur Limited (formerly Dawood Cotton Mills Limited)** as at September 30, 2004 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. The financial statements of merging Companies for the previous financial year have been audited by other firms of auditors, whose reports expressed an unqualified opinion. The interim period financial statements from July 1, 2003 to September 30, 2003 of two Companies (Dilon Limited and Lawrencepur Woollen and Textile Mills Limited) were subject to our review and audit for management purposes, due to the fact that these companies year ended on June 30, 2003.

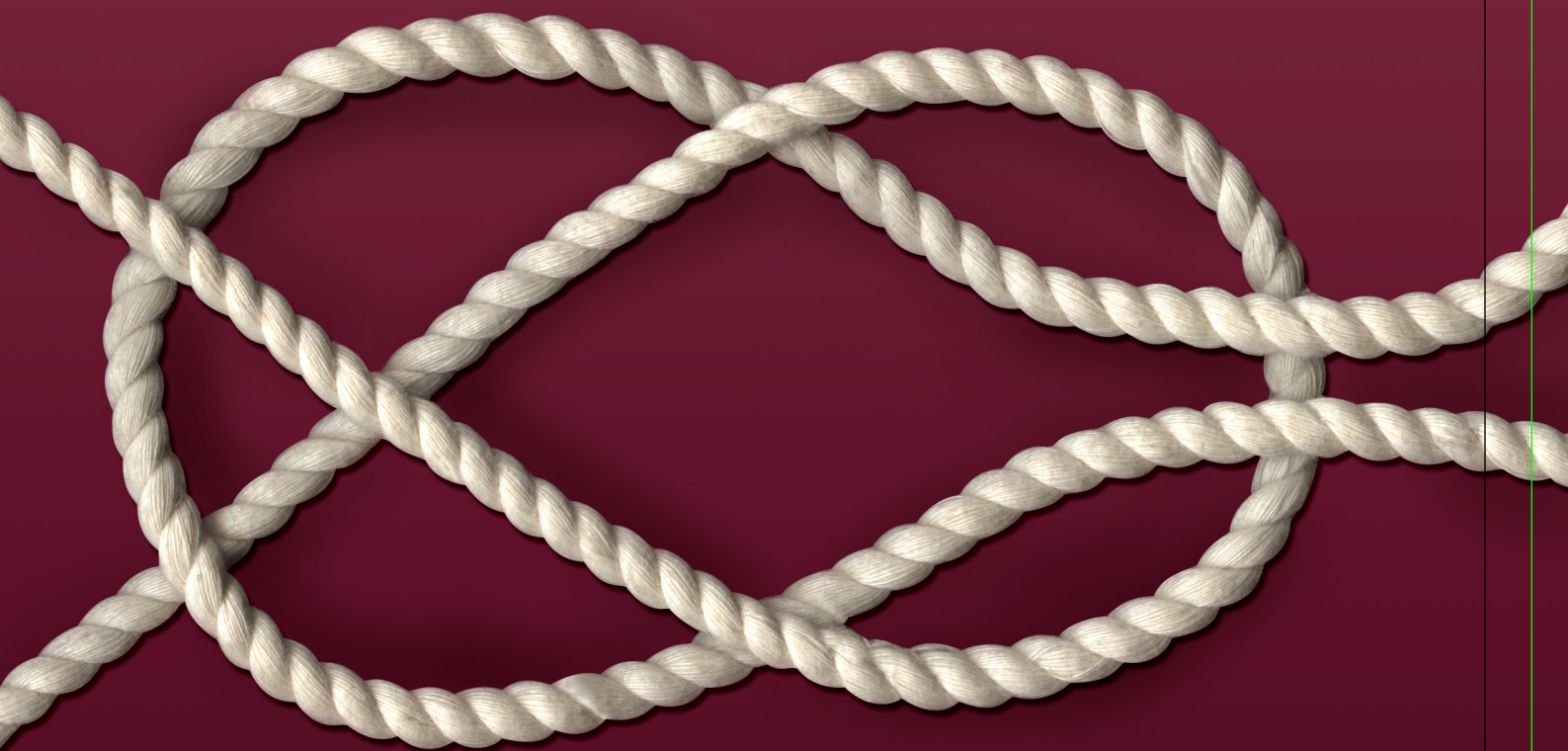
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an 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, except for proposed dividend classified as liability, these respectively give a true and fair view of the state of the Company's affairs as at September 30, 2004 and of the profit, its cash flows 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 (XVIII of 1980), was deducted by the Company and deposited in the central zakat fund established under section 7 of that Ordinance.



# FINANCIAL STATEMENTS



**BALANCE SHEET AS AT SEPTEMBER 30, 2004**

	Note	2004 Rupees	2003 Rupees
<b>CAPITAL AND LIABILITIES</b>			
<b>Share Capital:</b>			
Authorised: 55,000,000 (2003: 55,000,000) Ordinary shares of Rs.10/- each		550,000,000	550,000,000
Issued, subscribed & paid up	5	350,759,240	350,759,240
<b>Reserves</b>	6	602,011,976	602,011,976
<b>Unappropriated Profit</b>		454,664,424	386,167,591
<b>Capital and Reserves</b>		1,407,435,640	1,338,938,807
Fair Value Reserve on Investments		1,999,820,436	1,924,914,623
<b>Liabilities Against Assets Subject to Finance Lease</b>	7	122,133,261	16,007,404
<b>Deferred Liabilities</b>	8	120,021,099	127,195,607
<b>Current Liabilities:</b>			
Creditors, accrued and other liabilities	9	174,886,810	163,842,701
Dividend payable	10	107,525,311	114,258,365
Short term bank finances-secured	11	462,124,893	42,859,261
Current portion of lease liabilities	7	45,957,987	7,569,477
Provision for taxation		14,094,792	27,106,325
		804,589,793	355,636,129
<b>Contingencies and Commitments</b>	12		
		4,454,000,229	3,762,692,570

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

**SHAHZADA DAWOOD**  
(Chief Executive)

**BALANCE SHEET AS AT SEPTEMBER 30, 2004**

	Note	2004 Rupees	2003 Rupees
<b>PROPERTY AND ASSETS</b>			
<b>Fixed Assets</b>			
<b>Operating Assets</b>	13	484,619,363	317,928,936
<b>Long Term Investments</b>	14	2,294,884,722	2,226,081,144
<b>Long Term Loans and Advances</b>	15	699,403	560,815
<b>Long Term Deposits</b>	16	30,113,123	12,385,592
<b>Current Assets:</b>			
Stores and spares	17	75,941,077	75,984,097
Stock-in-trade	18	968,073,123	437,579,769
Short term investments	19	14,597,200	81,129,635
Trade debtors	20	292,874,527	226,212,978
Loans, advances, deposits, prepayments and other receivables	21	190,006,083	124,770,872
Cash and bank balances	22	102,191,608	260,058,732
		<u>1,643,683,618</u>	<u>1,205,736,083</u>
		<u>4,454,000,229</u>	<u>3,762,692,570</u>

**A. AZIZ MOON**  
*(Director)*

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Note	2004 Rupees	2003 Rupees
<b>Sales</b>	23	1,610,682,606	1,350,796,657
<b>Cost of Goods Sold</b>	24	(1,464,930,411)	(1,226,324,300)
<b>Gross Profit</b>		145,752,195	124,472,357
<b>Operating Expenses:</b>			
Administrative and general	25	67,052,991	64,415,395
Selling and distribution	26	58,216,326	30,156,472
		(125,269,317)	(94,571,867)
<b>Operating Profit</b>		20,482,878	29,900,490
Other income	27	161,232,853	218,220,637
Financial and other charges	28	(18,899,984)	(17,863,571)
<b>Profit Before Taxation</b>		162,815,747	230,257,556
<b>Provision for Taxation</b>			
- Current		(14,094,792)	(27,106,325)
- Prior		(253,463)	(3,192,239)
- Deferred		7,719,151	40,276,005
		(6,629,104)	9,977,441
<b>Profit After Taxation</b>		156,186,643	240,234,997
<b>Unappropriated Profit brought forward</b>		386,167,591	345,309,506
<b>Total Amount Available for Appropriation</b>		542,354,234	585,544,503
<b>Appropriations:</b>			
Transfer to reserve for issue of bonus shares		-	74,236,020
Interim dividend		-	29,526,868
Proposed dividend on ordinary shares		87,689,810	93,861,724
Proposed dividend on preference shares		-	1,752,300
Unappropriated profit carried forward		454,664,424	386,167,591
		542,354,234	585,544,503
<b>Earnings per share</b>	30	4.45	6.80

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

**SHAHZADA DAWOOD**  
(Chief Executive)

**A. AZIZ MOON**  
(Director)

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	2004 Rupees	2003 Rupees
<b>Cash Flow from Operating Activities:</b>		
Profit before taxation	162,815,747	230,257,556
<b>Adjustment for:</b>		
Depreciation	36,929,869	36,861,445
Profit on sale of fixed assets	(29,458,964)	(63,505)
Provision for gratuity	16,644,152	15,737,192
Gain on sale of investments	(11,362,481)	(72,333,579)
Income from investments	(119,274,958)	(144,091,029)
Sundry sales & receipts	(913,722)	(841,665)
Financial charges	15,181,403	9,166,500
Operating profit before working capital changes	70,561,046	74,692,915
Net increase in working capital	(618,087,346)	(54,932,115)
Cash (used in) / generated from operations	(547,526,300)	19,760,800
<b>Payments for:</b>		
Gratuity	(16,099,509)	(11,406,150)
Tax	(57,160,448)	(65,885,923)
Financial charges	(13,199,233)	(8,552,203)
Net cash outflow from Operating Activities (A)	(633,985,490)	(66,083,476)
<b>Cash Flow from Investing Activities</b>		
Sales of fixed assets	30,457,500	100,132
Purchase of shares	(192,384,389)	(324,626,471)
Sale of shares	276,381,540	306,613,478
Income from investments	113,873,929	120,755,329
Sundry sales & receipts	913,722	841,665
Fixed capital expenditure	(25,996,453)	(2,083,983)
Net cash inflow from Investing Activities (B)	203,245,849	101,600,150
<b>Cash Flow from Financing Activities</b>		
Dividend paid	(94,422,864)	(83,765,727)
Finance Lease	(51,970,251)	(8,587,399)
Net cash outflow from Financing Activities (C)	(146,393,115)	(92,353,126)
Net decrease in cash and cash equivalents (A+B+C)	(577,132,756)	(56,836,452)
Cash and cash equivalents at the beginning of the year	217,199,471	274,035,923
Cash and cash equivalents at the end of the year	(359,933,285)	217,199,471
<b>Movement in Working Capital (Increase) / Decrease in Current Assets</b>		
Long term deposits	134,708	(756,821)
Stores and spares	43,020	620,449
Stock-in-trade	(530,493,354)	(3,495,900)
Trade debts	(66,661,549)	(45,779,797)
Loans, advances, deposits, prepayments and other receivables	(30,172,110)	2,645,428
	(627,149,285)	(46,766,641)
<b>Increase / (Decrease) in Current Liabilities</b>		
Creditors, accrued and other liabilities	9,061,939	(8,165,474)
<b>Net Increase in Working Capital</b>	(618,087,346)	(54,932,115)
<b>Cash and Cash Equivalents</b>		
Cash in hand and balance with banks	102,191,608	260,058,732
Short term bank finances	(462,124,893)	(42,859,261)
<b>Cash and Cash Equivalents at the end of the year</b>	(359,933,285)	217,199,471

**SHAHZADA DAWOOD**  
(Chief Executive)

**A. AZIZ MOON**  
(Director)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Share Capital	Preference Shares	Bonus Shares to be Issued	Share Premium	CAPITAL RESERVE					Merger Reserve	Revenue Reserve	Unappropriated Profit	Fair value reserve on investments	Total
					Capital Reserve	Capital Redemption Reserve	Exchange Realization Reserve	Capital Reserve	Share Premium					
Balance as at October 01, 2002	221,127,240	25,960,000	74,236,020	136,865,545	33,310,918	-	1,000,000	-	-	420,314,584	327,309,506	732,511,593	1,972,635,406	
Adjustment relating to effect of taxation (Note 4)											18,000,000		18,000,000	
Cancellation of intergroup shareholding and related fair value reserve on amalgamation	(23,233,380)	-	-	-	-	-	-	-	14,914,269	-	-	(140,374,521)	(148,693,632)	
Cancellation of shares of merging companies	(146,891,220)	-	-	-	-	-	-	-	-	-	-	-	(146,891,220)	
Shares to be issued on amalgamation and difference between face value of shares issued and cancelled on amalgamation	151,284,560	-	-	-	-	-	-	-	(4,393,340)	-	-	-	146,891,220	
Profit for the year	-	-	-	-	-	-	-	-	-	-	240,234,997	-	240,234,997	
Appropriations:														
Dividend on Ordinary Shares	-	-	-	-	-	-	-	-	-	-	(123,388,592)	-	(123,388,592)	
Dividend on Preference Shares	-	-	-	-	-	-	-	-	-	-	(1,752,300)	-	(1,752,300)	
Proposed issue of bonus shares	-	-	74,236,020	-	-	-	-	-	-	-	(74,236,020)	-	-	
Bonus shares issued	148,472,040	-	(148,472,040)	-	-	-	-	-	-	-	-	-	-	
Increase in carrying value of investments carried at market value	-	-	-	-	-	-	-	-	-	-	-	1,332,777,551	1,332,777,551	
Transfer to revenue reserve	-	-	-	-	-	-	(1,000,000)	-	-	1,000,000	-	-	-	
Redemption of shares	-	(25,960,000)	-	-	-	25,960,000	-	-	-	(25,960,000)	-	-	(25,960,000)	
Balance as at September 30, 2003	350,759,240	-	-	136,865,545	33,310,918	25,960,000	-	-	10,520,929	395,354,584	386,167,591	1,924,914,623	3,263,853,430	
Profit for the year	-	-	-	-	-	-	-	-	-	-	156,186,643	-	156,186,643	
Appropriations:														
Proposed dividend on ordinary shares	-	-	-	-	-	-	-	-	-	-	(87,689,810)	-	(87,689,810)	
Transfer to profit and loss account on sale of investments	-	-	-	-	-	-	-	-	-	-	-	8,858,485	8,858,485	
Increase in carrying value of investments carried at market value	-	-	-	-	-	-	-	-	-	-	-	66,047,328	66,047,328	
Balance as at September 30, 2004	350,759,240	-	-	136,865,545	33,310,918	25,960,000	-	-	10,520,929	395,354,584	454,664,424	1,999,820,436	3,407,256,076	

Rupees

**SHAHZADA DAWOOD**  
(Chief Executive)

**A. AZIZ MOON**  
(Director)

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**1. STATUS AND BUSINESS ACTIVITIES OF THE COMPANY**

**1.1 The Company and its Operations**

Dawood Lawrencepur Limited (formerly Dawood Cotton Mills Limited) is a public limited Company and is quoted on Karachi and Lahore Stock Exchanges. It is principally engaged in the manufacture and sale of yarns and fabrics made from natural and man-made fibres and blends thereof.

**1.2 Merger / Amalgamation**

In December, 2003 the Boards of Directors of Dawood Cotton Mills Limited, The Burewala Textile Mills Limited, Lawrencepur Woollen & Textile Mills Limited and Dilon Limited (the merging Companies) approved the scheme of arrangement for Amalgamation (the Scheme) whereby the merging Companies were to be merged into Dawood Cotton Mills Limited. The Scheme was approved by the members of the respective Companies at the Extraordinary General Meetings held on January 26, 2004 under the direction of the Honourable Lahore High Court, Lahore. Ultimately, on April 1, 2004, the Lahore High Court, Lahore sanctioned the Scheme according to which the shareholders of the merging Companies were to be allotted shares in Dawood Cotton Mills Limited as per the swap ratio stipulated in the Scheme. The Scheme became effective from the date of filing of the certified copy of the Order of the Lahore High Court, Lahore to the Companies Registration Office on April 7, 2004 with respect to the appointed date i.e. July 1, 2003. As a result of the scheme, the following shares would be issued to the shareholders of the merging Companies.

	<b>Swap Ratio</b>	<b>No. of Shares to be Issued</b>
The Burewala Textile Mills Limited	1 : 1.17	8,523,574
Lawrencepur Woollen and Textile Mills Limited	1 : 0.92	4,607,866
Dilon Limited	1 : 0.85	1,997,016
		<b>15,128,456</b>

The shares of the Company are in the process of being issued to the members of the merging companies in accordance with the Scheme.

**1.3 Method of Accounting**

These accounts including corresponding figures for the year ended September 30, 2003, reflect the combined results of the merged entities prepared on a "pooling of interest basis" in accordance with IAS-22 (Business Combinations). The cost of merger has been charged to expenses as and when incurred.

**2. BASIS OF PRESENTATION**

**2.1** These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984, and Approved Accounting Standards as applicable in Pakistan, unless otherwise disclosed. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the SECP differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

**2.2** These financial statements have been prepared under the historical cost 'convention', unless otherwise disclosed.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Fixed Assets

##### Owned

Operating fixed assets, except for freehold land, are stated at cost less accumulated depreciation. Capital work-in-progress, if any, is stated at cost.

Except for leasehold land which is amortized on straight line method at 1 percent, depreciation on operating assets is provided on the diminishing balance method at the rates mentioned in the relevant note.

Cost in relation to certain fixed assets, including capital work in progress, signifies historical cost and financial charges on borrowings for financing the qualifying asset until the same is put to use.

During the year, the Company changed its accounting estimate in respect of merging companies for charging depreciation from the date of acquisition and upto the date of disposal. Upto last year acquisitions were depreciated for the full year irrespective of the date of purchase and no depreciation was charged on assets in the year of their disposal.

Had there been no change the depreciation charge and profit for the year would have increased and decreased by Rs. 5.4 million.

Minor renewals or replacement and repairs and maintenance are expensed. Major renewals or betterments are capitalized. Gains and losses on disposal of assets are reflected in income currently.

##### Leased

Assets held under finance lease are stated at the lower of present value of minimum lease payment under the lease agreement and the fair value of asset acquired on lease. The aggregate amount of obligations relating to assets subject to finance lease is accounted for at the net present value of liabilities. Value of leased assets is depreciated over the useful lives of assets using the same rates applicable to the own assets. Depreciation of leased assets is charged to income. The related obligations of leased assets are accounted for as liabilities.

The finance charge is calculated at interest rate implicit in the lease and is charged to the profit and loss account, unless capitalised as stated in note 3.1 above.

#### 3.2 Investments

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs. These are recognised and classified as follows:

##### Available for Sale

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or significant change in rate are classified as available for sale.

##### a) Quoted

The Company is carrying its investment at market value in accordance with the requirement of IAS-39.

Any resulting increase/decrease in the carrying value of investments are transferred to reserves.

##### b) Unquoted

Except for the investment in Karnaphuli Paper Mills Limited which is stated at nominal value, all other investments are stated at cost, less provision for impairment, if any.



### 3.3 Stores and Spares

These are valued at average cost basis. Provision is made for items considered obsolete and slow moving. Items in transit are valued at cost comprising invoice price and other charges paid thereon.

### 3.4 Stock in Trade

Stock-in-trade is valued at the lower of cost and net realisable value except for goods in transit/bond which are stated at cost. Cost of raw material is arrived at on average cost basis while that of work-in-process and finished goods at average production cost. Cost of work-in-process and finished products includes direct materials, direct wages and direct expenses.

Net realisable value signifies the selling prices prevailing in the market less cost necessary to be incurred to make the sale.

### 3.5 Trade Debts

Known bad debts are written off, while provisions are made against debts considered doubtful based on review of outstanding amount at the end of the year.

### 3.6 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

### 3.7 Taxation

Taxation is provided at current rates on the basis of profits reflected in the Profit and Loss Account adjusted for fiscal purposes, or turnover tax which ever is higher.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which these can be utilized.

### 3.8 Staff Retirement Benefits

#### Gratuity

The company operates a funded gratuity scheme covering its management employees of one unit and an unfunded gratuity scheme for all other eligible employees.

As per actuarial valuation carried out as at September 30, 2004 the following significant assumptions were used for determining the gratuity liability:

Discount rate	8%
Expected rate of salary increase	7%
Expected rate return on plan assets	7%
Average expected remaining life of employees	5 - 11 years

Actuarial gain and losses are recognised as per the recommendation in actuarial valuation report.

### **Provident Fund**

The Company also operates a contributory provident fund scheme covering its management employees of one unit. These benefits are payable to employees on completion of prescribed qualifying period of service under the scheme. Equal contribution are made both by the Company and the employees.

### **Compensated Absences**

The Company accounts for these benefits in the period in which the absences are earned.

## **3.9 Provisions**

Provisions are recognized when the company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

## **3.10 Foreign Currency Translations**

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange ruling at the balance sheet date, except those covered against exchange risk which are stated at cover rate. Foreign currency transactions are converted into rupees at the rate of exchange ruling at date of transaction, except those covered under forward contract which are translated at contracted rate.

## **3.11 Revenue Recognition**

Sales are recorded on dispatch of goods to customers.  
Income from investments/deposits is recognised on accrual basis.  
Dividend income is recognised when right to receive dividend is established.

## **3.12 Related party transactions**

Transactions with related parties are stated at arm's length determined in accordance with the prescribed method.

## **3.13 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalent include cash in hand and with banks and short term bank finances. The fair value of cash and cash equivalents approximates their carrying amount.

## **3.14 Financial Assets and Liabilities**

All financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on the recognition and de-recognition of the financial assets and financial liabilities is taken to the profit and loss account currently. Financial assets and liabilities, other than specifically mentioned in these policies, are carried at amortized cost. The fair value of these approximate their carrying amount.

## **3.15 Off-setting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

## **4. Restatement of Accumulated Profit**

As a result of the scheme of amalgamation during the year the management decided to reconcile the amounts of tax provisions and payments appearing in the books with amounts relating to appeal effect and determined refund. The same exercise is in process and the difference is



## 7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2004 Rupees	2003 Rupees
Opening balance	23,576,881	31,916,656
Finance lease obtained during the year	178,622,379	-
Less : Repayments during the year	34,108,012	8,339,775
	168,091,248	23,576,881
Less: Current maturity	45,957,987	7,569,477
	122,133,261	16,007,404

The minimum lease payments has been discounted @ 7% to 19.73 % (2003 : 10.26 % to 19.73%) per annum to arrive at the present value of minimum lease payments. These liabilities are secured against relevant assets and security deposits of Rs. 21.3 million. The amount of future payments and the period in which they will become due are:

	Minimum lease payments	Financial Charges	Present value of minimum lease payment
	----- Rupees -----		
2004-2005	57,176,372	11,218,385	45,957,987
2005-2006	55,799,001	7,156,047	48,642,954
2006-2007	37,197,611	3,896,207	33,301,404
2007-2008	35,663,919	2,233,395	33,430,524
2008-2009	7,062,664	304,285	6,758,379
	192,899,567	24,808,319	168,091,248

## 8. DEFERRED LIABILITIES

Gratuity	(Note 8.1)	105,316,255	104,771,612
Deferred Taxation	(Note 8.2)	14,704,844	22,423,995
		120,021,099	127,195,607

### 8.1 Gratuity dues

Opening balance	104,771,612
Expense	16,644,152
	121,415,764
Payments during the year	16,099,509
	105,316,255

### Expense for 2004

Current service cost	9,011,454
Interest cost	8,082,044
Actuarial gain recognised	(271,634)
Return on plan assets	(177,712)
Charged to profit and loss account	16,644,152

### Reconciliation

Present value of obligation	97,571,938
Fair value of plan assets	(2,163,019)
Unrecognised actuarial gain	9,907,336
	105,316,255

### 8.2 Deferred tax

The liability for deferred taxation comprises of timing differences relating to :

Accelerated tax depreciation	56,567,389
Provision for gratuity	(36,860,689)
Finance lease	21,497,342
Tax losses	(26,499,189)
	14,704,844

		2004 Rupees	2003 Rupees
<b>9. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Deposits	(Note 9.1)	908,933	496,814
Creditors	(Note 9.2)	54,393,787	33,920,913
Accrued expenses	(Note 9.2)	76,051,550	85,835,836
Accrued markup on bank finance		2,690,784	708,614
Sales tax payable		-	5,376,954
Provision for Workers' Welfare Fund		-	405,000
Provision for Workers' Profit Participation Fund	(Note 9.3)	279,105	3,488,330
Advance from customers and others		6,922,107	1,692,805
Withholding tax		973,414	296,758
Due to Islamic Development Bank	(Note 9.4)	25,960,000	25,960,000
Others		6,707,130	5,660,677
		<u>174,886,810</u>	<u>163,842,701</u>

**9.1** All deposits are re-payable on demand and no interest is payable thereon.

**9.2** These includes amount due to following associated undertakings:

Central Insurance Company Limited	1,531,437	-
Dawood Foundation	636,408	-
Dawood Corporation (Pvt) Limited	115,726	-
Dawood Hercules Chemicals Limited	734,135	-

**9.3 WORKERS' PROFIT PARTICIPATION FUND**

Opening balance	3,488,330	3,581,152
Provision of interest on WPPF for the year	181,201	598,314
Provision for the year	83,310	2,269,019
	<u>3,752,841</u>	<u>6,448,485</u>
Less: Paid during the year	<u>(3,473,736)</u>	<u>(2,960,155)</u>
Closing balance	<u>279,105</u>	<u>3,488,330</u>

**9.4** This represents preference share capital of one of the merging company namely Lawrencepur Woollen and Textile Mills Limited issued to Islamic Development Bank with right to redeem. The merging company had served notice to the Bank for redemption before the scheme of amalgamation was approved and as such the same has been classified as liability and redemption reserve has been created.

**10. DIVIDEND PAYABLE**

Unclaimed dividend	19,835,501	20,396,641
Proposed dividend	87,689,810	93,861,724
	<u>107,525,311</u>	<u>114,258,365</u>

**11. SHORT TERM BANK FINANCES-SECURED**

This represents running finance facilities of Rs. 500 million (2003 : 170 million) obtained from commercial banks and are secured against pledge of 1,270,000 shares of Engro Chemicals Pakistan Limited and hypothecation of stock in trade. The rate of markup ranges from 3.00% to 4.00% (2003: 4.00% to 8.50%) per annum.

**12. CONTINGENCIES AND COMMITMENTS**

**12.1 Contingencies :**

- The Company is contingently liable against the guarantees and the counter guarantees amounting to Rs. 37.38 million (2003: Rs 35.7 million) and indemnity bonds amounting to Rs Nil (2003: Rs. 0.97 million). These are secured against guarantee margin, investment in NIT and lien over current account.

- The Company is contingently liable for sales tax demands amounting to Rs. Nil million (2003: Rs 48.2 million).
- The Company is contingently liable for income tax demands amounting to Rs. Nil (2003 : 7.4 million).
- The Company is in litigation on different issues, the outcome of which cannot be reliably measured as the cases are pending adjudication before various appellate forums.

### 12.2 Commitments:

- The Company has letter of credit commitments for capital expenditures amounting to Rs. 10.95 million (2003 : 163.15 million).
- The Company has letter of credit commitments for purchases amounting to Rs. 67.31million (2003: Rs. 0.15 million).

### 13. OPERATING ASSETS

PARTICULARS	C O S T				D E P R E C I A T I O N							Dep Rate %
	As at October 1, 2003	Additions During the year	Deleted/Sold during the year	Adjustment	As at September 30, 2004	As at October 1, 2003	Provided during the year	On Sale / (deletion)	Adjustment	Accumulated Depreciation upto September 30, 2004	Book value As at September 30, 2004	
<b>PROPERTY PLANT AND EQUIPMENT</b>												
<b>Owned Assets</b>												
Land -Free hold	4,154,594	-	(997,978)	-	3,156,616	-	-	-	-	-	3,156,616	-
-Lease hold	1,080,702	-	-	-	1,080,702	427,955	10,808	-	-	438,763	641,939	-
Building - on free hold land	66,539,276	-	-	-	66,539,276	52,847,637	1,120,806	-	-	53,968,443	12,570,833	5-10%
- on lease hold land	35,105,945	2,521,116	-	-	37,627,061	30,277,903	503,526	-	-	30,781,429	6,845,632	10%
Plant & Machinery	1,026,270,733	12,751,059	-	-	1,039,021,792	783,780,978	26,320,141	-	-	810,101,119	228,920,673	10-20%
Furniture & fixtures and office equipment	16,362,659	2,508,200	-	-	18,870,859	11,877,236	515,350	-	-	12,392,586	6,478,273	10-15%
Electric installations	50,967,234	-	-	-	50,967,234	37,087,595	1,387,964	-	-	38,475,559	12,491,675	10%
Tools and equipment	2,791,041	17,000	-	-	2,808,041	2,212,796	57,825	-	-	2,270,621	537,420	10%
Vehicles	16,733,095	212,644	(31,300)	1,380,018	18,294,457	12,252,504	1,045,012	(30,742)	927,814	14,194,588	4,099,869	-
<b>Leased Assets</b>												
Vehicles	2,208,208	-	-	(1,380,018)	828,190	1,353,172	80,566	-	(927,814)	505,924	322,266	20%
Plant and Machinery	34,353,488	186,608,813	-	-	220,962,301	6,527,163	5,887,871	-	-	12,415,034	208,547,267	10%
	1,256,566,975	204,618,832	(1,029,278)	-	1,460,156,529	938,644,939	36,929,869	(30,742)	-	975,544,066	484,612,463	-
<b>INTANGIBLE</b>												
Trade marks	24,190	-	-	-	24,190	17,290	-	-	-	17,290	6,900	-
<b>Total 2004 Rupees</b>	<b>1,256,591,165</b>	<b>204,618,832</b>	<b>(1,029,278)</b>	<b>-</b>	<b>1,460,180,719</b>	<b>938,662,229</b>	<b>36,929,869</b>	<b>(30,742)</b>	<b>-</b>	<b>975,561,356</b>	<b>484,619,363</b>	<b>-</b>
<b>Total 2003 Rupees</b>	<b>1,254,867,886</b>	<b>2,083,983</b>	<b>(360,704)</b>	<b>-</b>	<b>1,256,591,165</b>	<b>902,124,861</b>	<b>36,861,445</b>	<b>(324,077)</b>	<b>-</b>	<b>938,662,229</b>	<b>317,928,936</b>	<b>-</b>

**13.1** The Company is in the processes of transferring Land and other assets in the name of Dawood Lawrencepur Limited.

**13.2** Additions to plant and machinery includes Rs. 8 million in respect of borrowing cost capitalised till the date of commencement of commercial production. Other than lease financial charges capitalised at the rate disclosed in relevant note, the rate used to determine the borrowing cost eligible for capitalisation is 3.5 % per annum.

**13.3** Depreciation/Amortization has been charged to:

Cost of goods sold  
Administrative and general expenses  
Selling and distribution expenses

	2004 Rupees	2003 Rupees
Cost of goods sold	35,830,888	35,603,174
Administrative and general expenses	909,338	1,029,496
Selling and distribution expenses	189,643	228,775
	<b>36,929,869</b>	<b>36,861,445</b>

### 13.4 DETAILS OF FIXED ASSETS SOLD DURING THE YEAR - BY NEGOTIATION

Particulars	Original Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Profit	Sold to
LAND	997,978	-	997,978	30,432,500	29,434,522	Descon Engineering Ltd Lahore
VEHICLE	31,300	30,742	558	25,000	24,442	Mr. Nadeem Ahmed Karachi
<b>Total 2004 Rupees</b>	<b>1,029,278</b>	<b>30,742</b>	<b>998,536</b>	<b>30,457,500</b>	<b>29,458,964</b>	
<b>Total 2003 Rupees</b>	<b>360,704</b>	<b>324,077</b>	<b>36,627</b>	<b>100,132</b>	<b>63,505</b>	

**14. LONG TERM INVESTMENTS****Available For Sale****Quoted****Associated Undertakings**

Dawood Hercules Chemicals Ltd.

11,667,850 (2003 : 11,667,850 )

Ordinary shares of Rs.10/- each

Equity held 16.19 % (2003 : 16.19 %)

Market-value Rs. 1,872,689,925 (2003: Rs.1,850,534,301)

2004  
Rupees2003  
Rupees

65,294,230

65,294,230

Engro Chemicals Pakistan Ltd.

4,558,655 (2003 : 4,558,655)

Ordinary shares of Rs.10/- each

Equity held 3% (2003 : 3 %)

Market value Rs. 414,609,672 (2003:Rs.369,251,055)

223,501,036

223,501,036

288,795,266

288,795,266

**Others**

Sui Southern Gas Company Ltd.

55,310 (2003 : 55,310) Ordinary shares of Rs.10/- each

Market value Rs. 1,449,122 (2003:Rs. 1,299,785)

698,313

698,313

National Investment Trust

Units 200,000 (2003 : 200,000) of Rs. 10/- each

Market value Rs. 6,120,000 (2003:Rs.4,980,000)

2,440,000

2,440,000

3,138,313

3,138,313

291,933,579

291,933,579

Increase in carrying value of Investments carried at market value

Opening balance

1,934,131,562

1,506,863,519

During the year

68,803,578

427,268,043

Closing balance

2,002,935,140

1,934,131,562

2,294,868,719

2,226,065,141

**Unquoted**

Karnaphuli Paper Mills Ltd.

795,000 (2003 : 795,000) Ordinary shares of Rs.10/- each

3

3

Mianwali Central Co-operative Bank Ltd

100 (2003 : 100) Ordinary shares of Rs.10/- each

1,000

1,000

Asian Co-operative Society Ltd. (Associated undertaking)

1500 (2003 : 1,500) Ordinary shares of Rs.10/- each

15,000

15,000

2,294,884,722

2,226,081,144

**15. LONG TERM LOANS AND ADVANCES - CONSIDERED GOOD**

Due from Executives

(Note 15.1)

Opening balance

686,148

472,281

Disbursements during the year

-

550,000

686,148

1,022,281

Transferred / Received during the year

(Note 15.2)

(686,148)

(336,133)

-

686,148

Receivable within one year

-

(295,547)

-

390,601

Due from other employees

(Note 15.1)

Opening balance

340,536

442,644

Transferred from due from executives

(Note 15.2)

686,148

Disbursements during the year

492,700

-

1,519,384

442,644

Received during the year

(507,892)

(102,108)

1,011,492

340,536

Receivable within one year

(312,089)

(170,322)

699,403

170,214

Considered good

699,403

560,815

**15.1** The above loan are given to employees for house furnishing, purchase of household appliances and marriage loan in accordance with company policy and are repayable in 5 years. These advances are secured against gratuity dues and carries interest at the rate of 0.39 paisas per rupees thousand per day.

**15.2** This represents amount transferred to due from other employees due to the change in the definition of executives as per the revised disclosure requirements.

**15.3** The maximum amount due from executives at the end of any month during the year was Rs. Nil (2003 : Rs. 753,240).

	2004 Rupees	2003 Rupees
<b>16. LONG TERM DEPOSITS</b>		
This included lease security deposits of Rs. 21,297,587 (2003 : 3,570,056).		
<b>17. STORES AND SPARES</b>		
Stores	34,970,368	40,637,049
Stores in transit	2,699,585	-
Spares	38,271,124	35,347,048
	<u>75,941,077</u>	<u>75,984,097</u>
<b>18. STOCK IN TRADE</b>		
Raw materials	449,887,007	83,484,502
Raw materials in transit	7,400,399	6,081,608
Work in process	83,760,291	67,544,063
Finished goods	427,025,426	280,469,596
	<u>968,073,123</u>	<u>437,579,769</u>
<b>19. SHORT TERM INVESTMENTS - Available for sale</b>		
Faysal Bank Limited		
Nil (2003 : 75,000) Ordinary shares of Rs.10/- each	-	2,203,200
Muslim Commercial Bank		
Nil (2003 : 1,321,500) Ordinary shares of Rs.10/- each	-	70,431,470
Market value Rs. Nil (2003 : Rs.61,572,985)	-	-
Pakistan State Oil Company Ltd		
19,000 (2003 : 19,000) Ordinary shares of Rs.10/- each	3,799,854	3,799,854
Market value Rs.4,755,700 (2003 : Rs. 3,441,400)	-	-
Southern Electric Co. Ltd		
729,000 (2003 : 729,000) Ordinary shares of Rs.10/- each	13,912,050	13,912,050
Market value Rs. 9,841,500	17,711,904	90,346,574
	<u>(3,114,704)</u>	<u>(9,216,939)</u>
Decrease in carrying value of Investments carried at market value	14,597,200	81,129,635
<b>20. TRADE DEBTORS</b>		
Trade debtors (unsecured)	295,191,087	228,529,538
Less: Provision for doubtful debts	<u>(2,316,560)</u>	<u>(2,316,560)</u>
Considered good	<u>292,874,527</u>	<u>226,212,978</u>
	<b>Amount Outstanding</b>	<b>Maximum Month End Balance</b>
<b>2004</b>		
Sach International (Pvt) Limited	8,612,539	8,978,436
<b>2003</b>		
Dawood Hercules Chemicals Limited	-	1,752,655
Sach International (Pvt) Limited	-	15,432,100

The amount due and maximum aggregate amount due from associated undertakings at the end of any month during the year are as follows:



	2004 Rupees	2003 Rupees
<b>21. LOANS, ADVANCES, DEPOSITS PREPAYMENTS AND OTHER RECEIVABLES</b>		
<b>Unsecured- Considered good</b>		
Loans and advances due from employees (including current maturity)	4,259,962	4,328,751
Advances to suppliers and others (Note 21.1)	18,141,049	1,151,840
Letters of credit	295,101	506,986
Income tax	115,720,588	85,919,928
Sales tax	7,240,682	-
Excise duty	90,920	90,920
Security deposits	4,613,767	3,071,451
Prepayments	5,714,117	2,889,226
Employees Provident Fund	2,866,513	3,026,120
Insurance claim (Note 21.1)	1,958,147	-
Dividend receivable (Note 21.1)	28,730,395	23,335,700
Accrued interest	6,334	-
Others	368,508	449,950
	<b>190,006,083</b>	<b>124,770,872</b>
<b>21.1</b> The amount due and maximum aggregate amount due from associated undertakings at the end of any month during the year are as follows:		
	<b>Amount Outstanding</b>	<b>Maximum Month End Balance</b>
<b>2004</b>		
Central Insurance Company Limited	1,958,147	5,515,250
Dawood Corporation (Pvt) Limited	52,516	159,521
Dawood Hercules Chemicals Limited	28,642,311	29,336,561
<b>2003</b>		
Dawood Hercules Chemicals Limited	23,335,700	24,976,590
Dawood Corporation (Pvt) Limited	-	369,134
<b>22. CASH AND BANK BALANCES</b>		
In Hand	2,190,768	2,210,747
At Banks in current accounts	69,988,391	80,991,601
At Banks in deposit accounts	30,012,449	176,856,384
	<b>102,191,608</b>	<b>260,058,732</b>
<b>23. SALES</b>		
Local	1,761,152,214	1,552,292,519
Export	90,187,507	18,633,983
Sales Tax	232,012,417	214,820,587
Brokerage, commission and discount	8,644,698	5,870,745
	<b>(240,657,115)</b>	<b>(220,691,332)</b>
Export rebate	-	561,487
	<b>1,610,682,606</b>	<b>1,350,796,657</b>

	2004 Rupees	2003 Rupees
<b>24. COST OF GOODS SOLD</b>		
<b>Raw Materials:</b>		
Opening inventory	83,484,502	107,708,876
Purchases	1,402,784,656	648,783,601
	1,486,269,158	756,492,477
Less: Closing inventory	(449,887,007)	(83,484,502)
Raw materials consumed	1,036,382,151	673,007,975
<b>Other Costs:</b>		
Cloth and yarn purchased	39,807,564	20,769,555
Salaries, wages and allowances (Note 24.1)	182,118,992	183,860,849
Stores and spares consumed	81,448,973	84,340,849
Electricity, gas and water consumed	224,105,730	220,441,233
Yarn conversion cost	1,277,964	5,084,933
Depreciation	35,830,888	35,603,174
Insurance	9,737,015	8,373,479
Repair and maintenance	5,574,309	7,313,587
Rent, rates and taxes	2,555,978	2,886,641
Workers' welfare	2,794,682	2,671,723
Other expenses	6,068,223	7,327,146
	1,627,702,469	1,251,681,144
Add: Opening work in process	67,544,063	78,660,956
Less: Closing work in process	(83,760,291)	(67,544,063)
<b>COST OF PRODUCTION</b>	1,611,486,241	1,262,798,037
Add: Opening inventory of finished goods	280,469,596	243,995,859
Less: Closing inventory of finished goods	(427,025,426)	(280,469,596)
	1,464,930,411	1,226,324,300
<b>24.1</b> This includes staff retirement benefits of Rs.13,931,776 (2003:Rs.15,363,930)		
<b>25. ADMINISTRATIVE AND GENERAL EXPENSES</b>		
Salaries and allowances (Note 25.1)	39,496,412	37,806,604
Printing and stationary	2,365,665	1,513,748
Rent, rates and taxes	4,678,267	4,900,935
Electricity and gas	3,675,530	4,226,318
Conveyance and travelling	4,862,318	3,932,881
Postage, fax and telephone	2,890,946	2,418,533
Insurance	965,448	973,120
Repair and maintenance	1,279,727	1,149,893
Legal and professional charges (Note 25.2)	2,995,307	2,224,303
Fees and subscription	1,135,146	2,806,310
Advertisement	450,305	223,322
Entertainment	380,552	451,330
Depreciation	909,338	1,029,496
Other miscellaneous expenses	968,030	758,602
	67,052,991	64,415,395
<b>25.1</b> This includes staff retirement benefits of Rs. 3,115,802 (2003:Rs.3,789,288)		
<b>25.2</b> This includes:		
Audit fee	300,000	372,500
Review and other certification fee	60,000	105,000
Tax services	-	30,000
	360,000	507,500

**26. SELLING AND DISTRIBUTION EXPENSES**

	2004 Rupees	2003 Rupees
Storage and forwarding charges	4,606,850	3,382,944
Salaries and allowances (Note 26.1)	8,410,500	8,082,556
Printing and stationary	264,171	257,655
Rent, rates and taxes	3,379,601	3,537,895
Electricity and gas	458,713	417,082
Conveyance and travelling	1,647,635	690,528
Postage, fax and telephone	747,064	778,151
Freight and Insurance	2,808,704	1,403,942
Repair and maintenance	146,348	199,107
Loading and unloading charges	70,201	76,815
Depreciation	189,643	228,775
Entertainment	146,925	130,889
Terminal tax and transportation charges	2,911,216	2,024,767
Advertisement charges	29,593,560	7,293,950
Packing charges	1,842,624	1,047,141
Other miscellaneous expenses	992,571	604,275
	<b>58,216,326</b>	<b>30,156,472</b>

**26.1** This includes staff retirement benefits of Rs. 115,610 (2003:Rs.134,298)

**27. OTHER INCOME**

## (i) Dividend Income

Dawood Hercules Chemicals Ltd.	75,841,026	101,121,368
Engro Chemicals Pakistan Ltd.	36,469,241	34,189,930
Faisal Bank Ltd	-	750,000
Muslim Commercial Bank	1,651,876	-
Pakistan State Oil Co. Limited	653,000	171,000
Sui Southern Gas Co. Ltd	99,558	96,792
Southern Electric Power Co. Ltd	1,093,500	-
The Hub Power Company Limited	-	264,000
NIT Units	510,000	350,000
	<b>116,318,201</b>	<b>136,943,090</b>

## (ii) Profit / Interest Income

Profit / Interest on Call/Time/Security Deposits	2,612,676	7,056,753
Interest on Deposits with KESC/SSGC	344,081	91,186
	<b>2,956,757</b>	<b>7,147,939</b>
Profit on sale of fixed assets	29,458,964	63,505
Capital gain on sale of shares	11,362,481	72,333,579
Exchange gain	100,063	1,165
Sundry sales and receipts	913,722	841,665
Write back of liabilities	122,665	889,694
	<b>161,232,853</b>	<b>218,220,637</b>

**28. FINANCIAL AND OTHER CHARGES****Financial expenses**

Markup on bank finance	8,936,398	5,166,320
Lease financial charges	3,489,660	2,413,668
Bank charges	2,378,364	791,968
Interest on WPPF	181,201	598,314
Interest on NIT deposits	195,780	196,230

**Other charges**

Merger expenses	2,523,203	1,162,500
Additional sales tax paid under amnesty scheme	1,062,068	4,248,271
Workers' Profit Participation Fund	83,310	2,269,019
Workers' Welfare Fund	-	967,281
Zakat	50,000	50,000

18,899,984

17,863,571

The provision for Workers' profit participation fund is based on profits caused by business and excludes non operating income as advised by the legal advisors.

**29. RECONCILIATION OF TAX CHARGE FOR THE YEAR**

Tax on accounting profit	35.00%
Tax effect of expenses that are not deductible in determining taxable income	3.51%
Tax effect of payments allowed as expenses in determining taxable income	-14.24%
Tax effect of income exempt from tax	-8.77%
Tax effect of applicability of lower rate of tax	-21.43%
Others	-3.57%
Prior year tax	0.16%
Tax effect of minimum tax liability	18.00%
	8.66%

**30. EARNINGS PER SHARE**

Net profit after tax	156,186,643	240,234,997
Average ordinary shares in issue	35,075,924	35,075,924
Earnings per share	4.45	6.80

**31. EMOLUMENTS OF CHIEF EXECUTIVE AND EXECUTIVES**

The aggregate amount charged in the accounts for the year for emoluments including all benefits were as under:

	Chief Executive	Executives	Total
Remuneration	1,599,996	4,241,088	5,841,084
House rent allowance	640,008	1,610,652	2,250,660
Utilities	159,996	423,408	583,404
2004 - Rupees	2,400,000	6,275,148	8,675,148
2003 - Rupees	2,400,000	27,380,040	29,780,040
No. of persons			
2004	1	6	7
2003	1	72	73

**31.1** Chief Executive, Directors and some senior executives are provided with free use of cars owned and maintained by the company and some other benefits in accordance with the company policy.

**32. TRANSACTIONS WITH RELATED PARTIES**INSURANCE PREMIUM

Central Insurance Company Limited

2004  
Rupees

16,658,510

2003  
Rupees

10,868,057

RENTAL CHARGES

Dawood Foundation

2,817,138

2,811,052

STORAGE CHARGES

Dawood Corporation (Pvt) Limited

908,165

836,443

SALE

Sach International (Pvt) Limited

21,132,906

30,715,268

Dawood Hercules Chemicals Limited

22,100,089

5,293,347

Dawood Corporation (Pvt) Limited

-

6,300

PURCHASE

Sach International (Pvt) Limited

798,013

1,610,971

**32.1** Comparable uncontrol price method is used to determine the transaction price with related parties. The transaction with related party are in the normal course of business and have been entered on arm's length basis.

**33. ADDITIONAL DISCLOSURE AS REQUIRED BY IAS 22 (Business Combination)**

**33.1** Net profit and other items prior to July 1, 2003 ( i.e. date of combination) included in the profit and loss account.

	Sales Revenue	Other Operating Revenue	Extraordin ary Items	Net Profit
	-----Rupees in '000-----			
Dawood Cotton Mills Ltd.	476,971	54,776	-	67,926
The Burewala Textile Mills Ltd.	307,984	48,448	-	21,803
Lawrencepur Woollen and Textile Mills Ltd.	200,929	1,998	-	31,372
Dilon Ltd.	118,115	7,194	-	14,295

**33.2** Amount of assets and liabilities contributed

	Assets Rupees in '000	Liabilities Rupees in '000	2004		2003	
			Capacity	Actual	Capacity	Actual
Dawood Cotton Mills Ltd.	1,742,985	287,709				
The Burewala Textile Mills Ltd.	1,688,758	127,498				
Lawrencepur Woollen and Textile Mills Ltd.	377,445	119,715				
Dilon Ltd.	165,235	49,461				

**34. CAPACITY AND PRODUCTION**Dilon Mills

Polyester yarn

Kg.

14.00

15.25

14.00

15.44

Dawood Cotton Mills

Cloth

Sq. Mtr.

86.98

3.55

86.98

26.68

Yarn

Kg.

123.55

88.10

123.55

85.81

Burewala Mills

Cloth

Sq. Mtr.

92.18

27.10

92.18

38.19

Yarn

Kg.

96.79

66.87

96.79

80.54

Lawrencepur Mills

Cloth

Sq. Mtr.

19.53

8.16

19.53

5.10

Yarn

Kg.

6.76

2.92

6.76

1.71

Reason for under utilization: Due to low demand of cotton bags and other economic factors.

## 35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 35.1 Financial Assets and Liabilities

	Interest/Markup Bearing			Non Interest/Markup Bearing			Total 2004	Total 2003	Effective Rate %
	Less than one year	Over one year	Sub-Total	Less than one year	Over one year	Sub-Total			
<b>Financial Assets</b>									
Long term Investments	-	-	-	-	2,294,884,722	2,294,884,722	2,294,884,722	2,226,081,144	
Long term loans and advances	312,089	699,403	1,011,492	-	-	-	1,011,492	1,026,684	14%
Long term deposits	-	6,421,591	6,421,591	-	23,691,532	23,691,532	30,113,123	12,385,592	5%
Short term Investments	-	-	-	14,597,200	-	14,597,200	14,597,200	81,129,635	
Trade debtors	-	-	-	292,874,527	-	292,874,527	292,874,527	226,212,978	
Loan, advances, deposits, prepayments & other receivables	-	-	-	60,927,687	-	60,927,687	60,927,687	35,404,929	
Cash and bank balances	30,012,449	-	30,012,449	72,179,159	-	72,179,159	102,191,608	260,058,732	0.75-8%
	<u>30,324,538</u>	<u>7,120,994</u>	<u>37,445,532</u>	<u>440,578,573</u>	<u>2,318,576,254</u>	<u>2,759,154,827</u>	<u>2,796,600,359</u>	<u>2,842,299,694</u>	
<b>Financial Liabilities</b>									
Lease liabilities	45,957,987	122,133,261	168,091,248	-	-	-	168,091,248	23,576,881	7-13%
Short term bank finance	462,124,893	-	462,124,893	-	-	-	462,124,893	42,859,261	3-4%
Creditors, accrued & other liabilities	-	-	-	174,886,810	-	174,886,810	174,886,810	158,465,747	
Dividend	-	-	-	107,525,311	-	107,525,311	107,525,311	114,258,365	
	<u>508,082,880</u>	<u>122,133,261</u>	<u>630,216,141</u>	<u>282,412,121</u>	<u>-</u>	<u>282,412,121</u>	<u>912,628,262</u>	<u>339,160,254</u>	

### 35.2 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. Other than cash and bank balance, all other financial assets are subject to credit risk. The Company applied credit limits to its customers and does not have significant exposure to any individual customer.

### 35.3 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The Company is not exposed to any interest rate risk due to the fact that funds are borrowed at fixed market based rates.

### 35.4 Fair Values of financial instruments

The carrying value of all the financial instruments reported in the financial statements approximate their fair value. This assessment is based on settlement / realisable value.

### 35.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its commitments. Due to effective working capital management policy, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

## 36. AUTHORISATION OF FINANCIAL STATEMENTS AND DIVIDEND

These financial statements were authorised for issue on December 23, 2004 by the Board of Directors. The Board of Directors have proposed final dividend @ Rs. 2.50 per share.

## 37. NUMBER OF EMPLOYEES

Number of employees as at year end 2,658 (2003 : 3,215).

## 38. GENERAL

**38.1** Corresponding figures have been re-arranged for the purposes of comparison of combined figures of merging companies. Apart from this, no significant re-arrangement have been made.

**38.2** Figures have been rounded off to the nearest rupee.

**SHAHZADA DAWOOD**  
(Chief Executive)

**A. AZIZ MOON**  
(Director)

**PATTERN OF SHAREHOLDING  
AS AT SEPTEMBER 30, 2004**

Shareholding Range		Number of Shareholders	Total Shares Held
From	To		
1	100	3,293	119,922
101	500	1,910	454,957
501	1,000	556	381,581
1,001	5,000	683	1,431,152
5,001	10,000	83	543,736
10,001	15,000	20	252,358
15,001	20,000	12	198,702
20,001	25,000	6	132,293
25,001	30,000	7	196,169
30,001	35,000	3	100,279
35,001	40,000	1	37,378
40,001	45,000	4	160,163
60,001	65,000	2	121,789
65,001	70,000	1	69,650
95,001	100,000	1	96,000
110,001	115,000	1	114,320
120,001	125,000	1	121,161
130,001	135,000	1	134,478
140,001	145,000	3	433,874
145,001	150,000	1	145,291
195,001	200,000	2	390,879
210,001	215,000	1	211,164
220,001	225,000	1	223,388
260,001	265,000	1	263,165
270,001	275,000	3	815,537
275,001	280,000	1	279,234
280,001	285,000	1	281,585
295,001	300,000	1	297,268
315,001	320,000	1	317,855
330,001	335,000	3	1,003,212
335,001	340,000	1	336,766
425,001	430,000	1	427,513
480,001	485,000	1	480,216
530,001	535,000	1	532,855
630,001	635,000	1	634,959
640,001	645,000	1	642,247
695,001	700,000	2	1,397,801
745,001	750,000	1	750,000
800,001	805,000	1	804,341
810,001	815,000	1	811,165
975,001	980,000	1	975,145
1,060,000	1,065,000	1	1,063,521
1,315,001	1,320,000	1	1,316,155
1,480,001	1,485,000	1	1,484,672
1,500,001	1,505,000	1	1,501,869
3,115,001	3,120,000	1	3,119,913
9,465,001	9,470,000	1	9,468,246
		<b>6622</b>	<b>35,075,924</b>

<b>Categories of Shareholders as at September 30, 2004</b>	<b>Number of Shareholders</b>	<b>Total Shares Held</b>	<b>Percentage</b>
Individuals	6072	14544667	41.47
Investment Companies	7	12334	0.03
Insurance Companies	8	3054657	8.71
Joint Stock Companies	43	14216797	40.53
Financial Institutions	10	1048264	2.99
Modaraba Company	1	32112	0.09
Mutual Fund	1	17012	0.05
Others			
Trusts (Charitable Organisation)	4	1946162	5.55
Co-Operative Societies	472	94634	0.27
Administrator, Abandoned Properties Organisation	1	81959	0.23
Administrator General of Sindh	1	952	0.00
Kaukab Agencies (Pakistan)	1	18	0.00
H.P.Byramji & Sons	1	26356	0.08
<b>Total</b>	<b>6622</b>	<b>35075924</b>	<b>100.00</b>

#### **PATTERN OF SHAREHOLDING AS AT SEPTEMBER 30, 2004**

##### **Disclosure Required under Code of Corporate Governance**

(1)	Associated Companies / Undertakings:	<u>Shares held</u>
	Central Insurance Co. Ltd.	1,949,174
	Dawood Corporation (Pvt) Ltd.	12,568,424
	Sach International (Pvt) Ltd.	4,683
	Dawood Industries (Pvt) Ltd.	4,500
	Patek (Pvt) Ltd.	742,054
	Dawood (Pvt) Ltd.	750,000
(2)	NIT and ICP:	
	National Bank of Pakistan Trustee Deptt.	639,928
	Investment Corporation of Pakistan	19,074
(3)	Directors and CEO:	
	Hussain Dawood (Chairman)	5,545,691
	Shahzada Dawood (Chief Executive)	791,399
	A. Samad Dawood (Director)	789,815
	Khawaja Amanullah (Director)	11,914
	A. Aziz Moon (Director)	12,922
	Haroon Mehanti (Director)	9,094
	Yousuf A. Deshi (Director)	2,594
(4)	Banks, DFI, NBF, Insurance Companies, Modaraba and Mutual Funds	1,543,869
(5)	Investment Companies	12,334
(6)	Joint Stock Companies	147,136
(7)	Others	
	Charitable Institutions	1,946,162
	Co-operative Societies	94,634
	Administrator General of Sindh	952
	Kaukab Agencies (Pakistan)	18
	H.P.Byramji & Sons	26,356
	Administrator, Abandoned Properties Organisations	81,959
(8)	Shareholders holding ten percent or more shares :	
	Dawood Corporation (Pvt) Ltd.	12,568,424
	Hussain Dawood	5,545,691



# FORM OF PROXY

Fifty-fourth Annual General Meeting

The Secretary  
Dawood Lawrencepur Limited  
35-A, Shahrah-e-Abdul Hameed Bin Baadees  
(Empress Road), Lahore  
OR  
Dawood Centre,  
M. T. Khan Road,  
Karachi - 75530

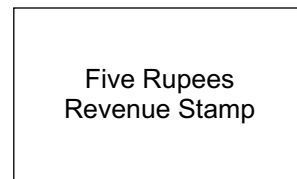
I / We \_\_\_\_\_  
of \_\_\_\_\_  
being a member(s) of **Dawood Lawrencepur Limited**, holding ordinary shares, do hereby appoint  
Mr/Mrs/Miss \_\_\_\_\_  
a member of the Company having Folio No. \_\_\_\_\_  
failing him \_\_\_\_\_ another member of the Company having Folio  
No. \_\_\_\_\_ as my / our proxy to attend and vote for me / us on my / our behalf at the  
fifty-fourth Annual General Meeting of the Company to be held on January 26, 2005 and at any  
adjournment thereof.

As witness my/our hand (s) this \_\_\_\_\_ day of \_\_\_\_\_ 2005

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Signed this day of

Signature



Folio No. \_\_\_\_\_

**Important:**

1. Signature should agree with the specimen signature registered with Company.
2. In order to be valid, this proxy must be received at the Registered Office of the Company or at Dawood Centre, M. T. Khan Road, Karachi - 75530 at least forty-eight hours before the time fixed for the Meeting, duly completed in all respects.

AFFIX  
CORRECT  
POSTAGE

**The Secretary**  
**Dawood Lawrencepur Limited**  
35-A, Shahrah-e-Abdul Hameed Bin Baadees  
(Empress Road), Lahore