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COMPANY INFORMATION

Board of Directors

Hussain Dawood (Chairman)
M. S. Farooqui (Chief Executive)
A. Samad Dawood
Aleem A. Dani
Haroon Mahenti
Shahzada Dawood
S. M. Asghar

Board Audit Committee

Shahzada Dawood
Aleem A. Dani
Haroon Mahenti
S. M. Asghar

Company Secretary

Yousuf A. Deshi

Auditors

Gangat & Company
(Chartered Accountants)

Bankers

Bank Al-Habib Limited
Habib Bank Limited
Metropolitan Bank Limited
Meezan Bank Limited
Muslim Commercial 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 Landhi

Landhi Industrial Area,
Karachi.
Ph: 021-5018476, 5018751
Fax: 021- 5018463, 5024520

Landhi (Synthetic)

Landhi Industrial Area,
Karachi.
Ph: 021-5018668, 5019350
Fax: 021-5019349

Dawoodabad

District Vehari.
Ph: 0447-53347, 53145, 53246
Fax: 0447-54679

Dawoodpur

District Attock.
Ph: 0597-641074-6
Fax: 0597-641073

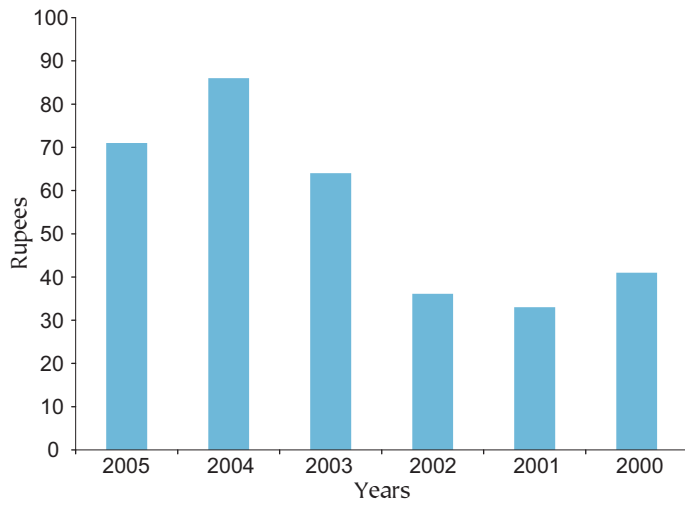
OPERATING HIGHLIGHTS

Six Years at a Glance

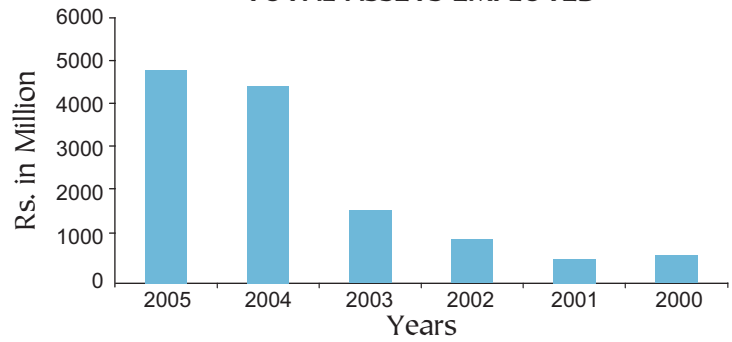
PARTICULARS	UNIT	2005 (9 Months)	2004	2003	2002	2001	2000
A) INCOME STATEMENT							
1 Sales Value	Rs. In (000)	1,220,919	1,610,683	647,465	485,892	308,341	84,406
2 Gross Profit/(Loss)	Rs. In (000)	127,366	145,752	41,183	22,676	(5,222)	5,804
3 Operating Profit/(Loss)	Rs. In (000)	24,240	20,483	16,577	4,057	(21,604)	(7,024)
4 Profit Before Taxation	Rs. In (000)	499,801	162,816	82,909	84,811	49,408	100,218
5 Profit After Taxation	Rs. In (000)	486,766	156,187	76,459	79,811	42,908	92,718
B) DIVIDEND							
1 Cash Dividend	%	-	25	25	-	35	65
2 Bonus Shares	%	10	-	50	100	-	-
3 Total Dividend	%	10	25	75	100	35	65
C) BALANCE SHEET							
1 Total Assets Employed	Rs. In (000)	4,823,081	4,454,000	1,647,916	993,047	580,908	599,866
2 Current Assets	Rs. In (000)	1,541,179	1,643,684	364,609	248,865	186,564	209,790
3 Current Liabilities	Rs. In (000)	874,696	804,590	175,076	90,198	103,491	142,389
4 Paid-up Capital	Rs. In (000)	350,759	350,759	222,708	74,236	74,236	74,236
5 Shareholders' Equity	Rs. In (000)	3,740,376	3,407,256	1,426,200	849,441	424,013	407,088
6 No. of Ordinary Shares	In (000)	35,076	35,076	22,271	7,424	7,424	7,424
D) RATIO ANALYSIS							
1 Gross Profit/(Loss)	%	10.43	9.05	6.36	4.67	(1.69)	6.88
2 Earning Per Share	Rs.	13.88	4.45	3.43	10.75	5.78	12.49
3 Dividend Yield	%	1.41	2.91	11.72	27.70	10.61	15.85
4 Return on Equity	%	13.01	4.58	5.36	9.40	10.12	22.78
5 Break-up Value of Shares	Rs.	106.63	97.14	64.04	114.42	57.12	54.84
6 Market Value of Shares	Rs.	71.00	86.00	64.00	36.10	33.00	41.00
7 Price Earing Ratio	Rs.	5.12	19.33	18.66	3.36	5.71	3.28
8 Dividend Payout	%	7.20	56.18	218.66	93.02	60.55	52.04
E) PRODUCTION							
1 Capacity							
PolyesterYarn	Kgs. in (000)	1,050	1,400	-	-	-	-
Yarn	Kgs. in (000)	17,135	22,847	12,355	6,988	6,988	6,988
Cloth	Mtrs. in (000)	6,396	17,179	8,698	8,698	8,698	8,698
2 Actual Production							
PolyesterYarn	Kgs. in (000)	1,067	1,525	-	-	-	-
Yarn	Kgs. in (000)	11,276	15,789	8,580	6,440	4,365	648
Cloth	Mtrs. in (000)	1,173	3,881	2,668	2,137	77	-
3 Capacity Utilization							
- Yarn	%	67.88	71.40	69.45	92.16	62.46	9.27
- Cloth	%	16.77	19.53	30.67	24.57	0.89	-
F) OTHERS							
1 Employees	Nos.	3,668	3,814	1,105	763	737	335
2 Capital Expenditure	Rs. in (000)	33,557	204,619	1,318	49,639	74,659	874

NOTE: 1. The figures for the current year (2005) are of nine months due to the change in accounting year.
2. The figures of the years 2000 to 2003 are of the years when the Merger has not taken place with the other three Companies.

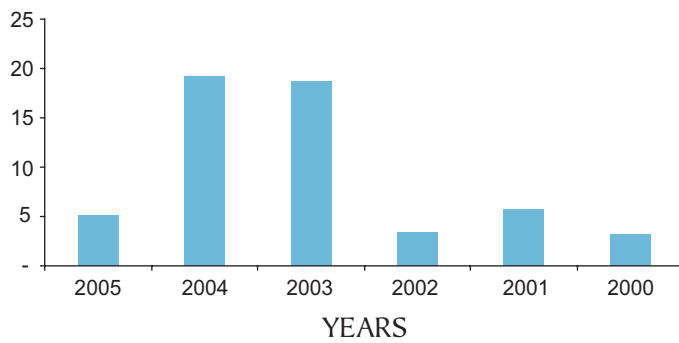
MARKET VALUE OF SHARES



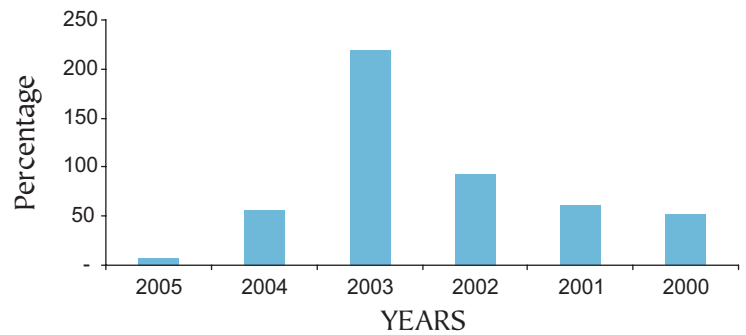
TOTAL ASSETS EMPLOYED



PRICE EARNING RATIO



DIVIDEND PAYOUT



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifty-fifth Annual General Meeting of the members of the Company will Insha Allah be held on Saturday October 29, 2005 at 10:00 a.m. at the Company's Registered Office at 35-A, Shakra-e-Abdul Hameed Bin Baadees (Empress Road), Lahore to transact the following business after recitation from the Holy Quran:

ORDINARY BUSINESS:

1. To confirm the minutes of the Annual General Meeting held on January 26, 2005;
2. To receive, consider and adopt the Audited Accounts of the Company for the period ended June 30, 2005 together with the Directors' and Auditors' Reports thereon;
3. To appoint Auditors for the year ending June 30, 2006 and to fix their remuneration. The present auditors M/s. Gangat & Company (Chartered Accountants) retire and being eligible, offer themselves for re-appointment;

SPECIAL BUSINESS:

4. To approve the issue of Bonus Shares as recommended by the

Directors in the ratio of one share for every ten ordinary shares held by the shareholders.

5. The Directors have recommended to consider and if thought fit to pass with or without modification the following Resolution as Ordinary Resolution:

“RESOLVED that a sum of Rs.35,075,920/- out of the free reserves of the Company be capitalized and applied towards the issue of 3,507,592 ordinary shares of Rs.10/- each, to be allotted as bonus shares in proportion of one new share for every ten existing ordinary share held by the members of the Company who are registered in the books of the Company on October 18, 2005, and that such new shares shall rank *pari passu* in all respect with the existing ordinary shares of the Company.”

Members entitled to fractions of shares as a result of their holding either being less than 10 Ordinary Shares or in excess of an exact multiple of 10 Ordinary Shares be given the sale proceeds of their fractional entitlements for which purpose the fractions be

consolidated and sold in the Stock Exchange.

For the purpose of giving effect to the foregoing, Mr. Hussain Dawood, Chairman of the Company be and is hereby authorized to take all necessary actions under the law and to settle any questions or difficulties that may arise in the distribution of the said Bonus Shares or in the disposal of fractions and payment of proceeds thereof.”

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

By Order of the Board

Karachi
Sept. 13, 2005

Yousuf A. Deshi
Company Secretary

Notes:

1. The share transfer books of the Company will remain closed from October 19, 2005 to October 29, 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, up to 15:00 hours on October 18, 2005 will be in time for entitlement to Bonus Shares to the transferees 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. Members are requested to submit declaration for zakat on the required format and to advise change in address, if any.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984 REGARDING THE SPECIAL BUSINESS:

BONUS SHARES-ITEM No.4 OF THE NOTICE

This Statement is annexed to the Notice of the fifty-fifth Annual General Meeting of Dawood Lawrencepur Limited to be held on October 29, 2005 at which certain Special Business is to be transacted. The purpose of this Statement is to set forth the material facts concerning such Special Business.

The Directors of the Company are interested in the business to the extent of their shareholding in the Company.

DIRECTORS' REPORT

Dear Members
Assalam-o-Alaikum

The Directors are pleased to present their Annual Report together with the Audited Financial Statements for the period ended June 30, 2005 before the fifty-fifth Annual General Meeting of the Company.

The financial period for 2004-05 is being closed after nine months to comply with the change in legislation which now requires the textile industry to close its financial year on 30th of June instead of 30th September.

Operating Results

The sale of the Company was Rs. 1,220,919,297/- for the period under review (nine months) as compared to Rs. 1,610,682,606/- last year. The net profit after taxation for the period (nine months) is Rs. 486,766,226/- as compared to Rs. 156,186,643/- for the previous year, (after providing for depreciation, all operating, administrative, selling and distribution, financial/other expenses).

The Key financial results are as under:

	9 months ended June 30, 2005 (Rupees)	12 months ended September 30, 2004 (Rupees)
Sales	1,220,919,297	1,610,682,606
Gross profit	127,366,092	145,752,195
Operating profit	24,239,907	20,482,878
Other income	506,081,960	161,232,853
Profit before taxation	499,801,141	162,815,747
Profit after taxation	486,766,226	156,186,643
Un-appropriated profit brought forward	454,664,424	386,167,591
Total Amount Available for Appropriation	941,430,650	542,354,234

Your Directors proposed following appropriations of profit:

Profit available for appropriation	941,430,650	542,354,234
Appropriations:		
Cash Dividend on ordinary shares 2005, Nil (2004:25%)	-	87,689,810
Transfer to reserve for issue of Bonus Shares in proportion, of one share for every ten share held i.e. (10%), or 3,507,592 shares of Rs.10/- each	35,075,920	-
	35,075,920	87,689,810
Un-appropriated profit carried forward	906,354,730	454,664,424
Earnings Per Share - Basic	13.88	4.45

Your Directors have decided to increase the present paid-up Capital from Rs. 350,759,240/- to Rs. 385,835,160/- (subject to the approval of members) for the purposes of issue of 3,507,592 number of Bonus Shares at Rs.10/- each.

Corporate and Financial Reporting Frame Work

- a) The financial statements together with Notes thereon have been drawn up by the management in conformity with the Companies Ordinance 1984. These statements present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity;
- b) Proper books of accounts have been maintained by the Company;
- c) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed;
- d) The system of internal control is sound in design and has been effectively implemented and monitored;
- e) 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 period is attached to the Annual Report. However, the figures for the past four years (2000 - 2003) represent the period when the Merger had not taken place and those of current year are of nine months.

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 or overdue except the routine payments of various levies and the amounts in dispute pending in various appellate forums.

Value of Investments of Gratuity Funds / Provident Fund

The face value of the investments made out of the Gratuity and Provident 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 period year under review, three (3) meetings were held and the attendance by each Director was as follows:

Directors	No. of Meetings	
	Held	Attended
Hussain Dawood	3	2
M. S. Farooqui *	2	2
A. Samad Dawood	3	3
Aleem A. Dani *	2	2
Haroon Mahenti	3	2
Shahzada Dawood	3	3
S. M. Asghar *	2	2
A. Aziz Moon **	1	1

* Two meeting of BOD were held after their elections as Director.

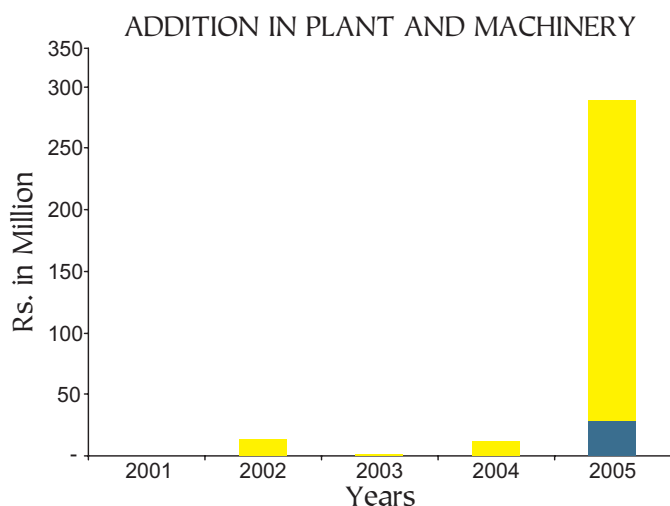
** Was not re-elected to the Board.

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

The Present Board of Directors was elected at the Annual General Meeting held on January 26, 2005 in accordance with the provisions of the Companies Ordinance, 1984. The Board in its first meeting elected Mr. Hussain Dawood as Chairman and Mr. Muhammad Saleem Farooqui as Chief Executive of the Company.

Future Prospects

Your company has embarked on a comprehensive balancing and modernizing plan in various areas. Increase in productivity and improvement in quality has been



considered as corner stone of this updating process. This plan forms part of the overall diversified approach of the company to enter into the free trade activities under WTO as a composite unit.

Furthermore steps have been taken to improve the profitability, these steps include the production of value added fabrics, changing to best product mix and cost control. Markets for value added products in the local and international markets are being explored.

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
September 13, 2005

Hussain Dawood
Chairman

VISION & MISSION

Dawood Lawrencepur Limited has been at the forefront of the textile industry in Pakistan for the past 55 years. Although the textile products in Pakistan are highly competitive, we intend to strive for our corporate objectives.

Vision Statement:

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.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

Dawood Lawrencepur Limited exists on good sound principles of development and growth. It makes no compromises in any aspect of good 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 has applied the principles contained in the Code in the following manner:

1. None of the members of the Board are directors in more than ten listed companies.
2. 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 NBFIs or, being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.
3. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
4. The Board has developed a "Vision and Mission Statement", which is annexed to the Annual Report.
5. 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, have been taken by the Board.
6. 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.

7. 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.
8. The Directors' Report for the period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
9. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
10. 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.
11. The Board has formed an Audit Committee. It comprises of four members, majority of whom including the Chairman of the Committee are non-executive directors.

12. 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.

13. 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.

14. 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.

15. 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.

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**, 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.

Based on our review, 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
September 13, 2005

GANGAT & CO.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **Dawood Lawrencepur Limited** as at June 30, 2005 and the related Profit and Loss Account, Cash Flow Statements, and Statement of Changes in Equity together with the notes forming part thereof, for the period 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 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 period was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the period 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 June 30, 2005 and of the profit, its cash flows and changes in equity for the period 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.

BALANCE SHEET AS AT JUNE 30, 2005

	Note	June 30, 2005 Rupees	September 30, 2004 Rupees
CAPITAL AND LIABILITIES			
Share Capital			
Authorised: 55,000,000 (2004: 55,000,000) Ordinary shares of Rs.10/- each		550,000,000	550,000,000
Issued, subscribed & paid up	4	350,759,240	350,759,240
Reserves	5	637,087,896	602,011,976
Unappropriated Profit		906,354,730	454,664,424
Capital & Reserves		1,894,201,866	1,407,435,640
Fair Value Reserve On Investments		1,846,174,814	1,999,820,436
Liabilities Against Assets			
Subject to Finance Lease	6	87,419,968	122,133,261
Deferred Liabilities	7	120,588,827	120,021,099
Current Liabilities			
Creditors, accrued and other liabilities	8	141,882,356	174,886,810
Dividend payable	9	21,074,510	107,525,311
Short term bank finances-secured	10	652,174,581	462,124,893
Current portion of lease liabilities	6	46,529,590	45,957,987
Provision for taxation		13,034,915	14,094,792
		874,695,952	804,589,793
Contingencies And Commitments	11	4,823,081,427	4,454,000,229

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

BALANCE SHEET AS AT JUNE 30, 2005

	Note	June 30, 2005 Rupees	September 30, 2004 Rupees
PROPERTY AND ASSETS			
Fixed Assets			
Operating Assets	12	470,698,601	484,619,363
Capital work-in-progress	13	275,221,360	-
		<u>745,919,961</u>	<u>484,619,363</u>
Long Term Investments	14	2,505,496,520	2,294,884,722
Long Term Loans and Advances	15	472,115	699,403
Long Term Deposits	16	30,013,771	30,113,123
Current Assets:			
Stores and spares	17	92,170,582	82,671,507
Stock-in-trade	18	921,172,584	961,342,693
Short term investments	19	5,573,205	14,597,200
Trade debtors	20	285,444,427	292,874,527
Loans, advances, deposits, prepayments and other receivables	21	179,131,767	190,006,083
Cash and bank balances	22	57,686,495	102,191,608
		<u>1,541,179,060</u>	<u>1,643,683,618</u>
		<u>4,823,081,427</u>	<u>4,454,000,229</u>

ALEEM A. DANI
Director

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED JUNE 30, 2005**

	Note	9 months ended June 30,2005 Rupees	12 months ended September 30,2004 Rupees
Sales	23	1,220,919,297	1,610,682,606
Cost of goods sold	24	(1,093,553,205)	(1,464,930,411)
Gross Profit		127,366,092	145,752,195
Operating Expenses			
Administrative and general	25	50,595,892	67,052,991
Selling and distribution	26	52,530,293	58,216,326
		(103,126,185)	(125,269,317)
Operating Profit		24,239,907	20,482,878
Other income	27	506,081,960	161,232,853
Financial and other charges	28	(30,520,726)	(18,899,984)
Profit Before Taxation		499,801,141	162,815,747
Taxation			
- Current		(13,034,915)	(14,094,792)
- Prior		-	(253,463)
- Deferred		-	7,719,151
		(13,034,915)	(6,629,104)
Profit After Taxation		486,766,226	156,186,643
Unappropriated Profit brought forward		454,664,424	386,167,591
Total Amount Available for Appropriation		941,430,650	542,354,234
Appropriation			
Proposed issue of bonus shares in the ratio of 10:1 (2004:Nil)		35,075,920	-
Proposed dividend on ordinary shares @ Rs. Nil (2004:Rs. 2.5) per share		-	87,689,810
Unappropriated profit carried forward		906,354,730	454,664,424
		941,430,650	542,354,234
Earnings per share	30	13.88	4.45

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

CASH FLOW STATEMENT FOR THE PERIOD ENDED JUNE 30, 2005

	9 months ended June 30, 2005 Rupees	12 months ended September 30, 2004 Rupees
Cash Flow from Operating Activities:		
Profit before taxation	499,801,141	162,815,747
Adjustment for:		
Depreciation	38,704,085	36,929,869
Profit on sale of fixed assets	(20,106,563)	(29,458,964)
Provision for gratuity	13,678,218	16,644,152
Gain on sale of investments	(350,596,184)	(11,362,481)
Income from investments	(132,988,055)	(119,274,958)
Sundry sales & receipts	(2,274,136)	(913,722)
Financial charges	30,520,726	15,181,403
Operating profit before working capital changes	76,739,232	70,561,046
Net Decrease / (Increase) in Working Capital	19,544,186	(618,087,346)
Cash generated from / (used in) operations	96,283,418	(547,526,300)
Payments for:		
Gratuity	(13,110,490)	(16,099,509)
Tax	(21,327,215)	(57,160,448)
Financial charges	(27,560,438)	(13,199,233)
Net cash inflow / (outflow) from Operating Activities (A)	34,285,275	(633,985,490)
Cash Flow from Investing Activities		
Sales of fixed assets	28,880,082	30,457,500
Purchase of shares	(582,534,315)	(192,384,389)
Sale of shares	577,897,074	276,381,540
Income from investments	134,013,640	113,873,929
Sundry sales & receipts	2,274,136	913,722
Fixed capital expenditure	(308,778,202)	(25,996,453)
Net cash (outflow) / inflow from Investing Activities (B)	(148,247,585)	203,245,849
Cash Flow from Financing Activities		
Dividend paid	(86,450,801)	(94,422,864)
Finance Lease	(34,141,690)	(51,970,251)
Net cash outflow from Financing Activities (C)	(120,592,491)	(146,393,115)
Net decrease in cash and cash equivalents (A+B+C)	(234,554,801)	(577,132,756)
Cash and cash equivalents at the beginning of the period	(359,933,285)	217,199,471
Cash and cash equivalents at the end of the period	(594,488,086)	(359,933,285)
Movement in Working Capital (Increase) / Decrease in Current Assets		
Long term deposits	99,352	134,708
Stores and spares	(9,499,075)	43,020
Stock-in-trade	40,170,109	(530,493,354)
Trade debts	7,430,100	(66,661,549)
Loans, advances, deposits, prepayments and other receivables	17,308,442	(30,172,110)
	55,508,928	(627,149,285)
Increase / (Decrease) in Current Liabilities		
Creditors, accrued and other liabilities	(35,964,742)	9,061,939
Net Decrease / (Increase) in Working Capital	19,544,186	(618,087,346)
Cash and Cash Equivalents		
Cash in hand and balance with banks	57,686,495	102,191,608
Short term bank finances	(652,174,581)	(462,124,893)
Cash and Cash Equivalents at the end of the period	(594,488,086)	(359,933,285)

M. S. FAROOQUI
Chief Executive

ALEEM A. DANI
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2005**

	CAPITAL RESERVE				REVENUE RESERVE			Fair value reserve on investments	Total	
	Share Capital	Merger Reserve	Share premium	Capital reserve	Capital Redemption Reserve	Bonus Shares	Revenue Reserve			Unappropriated profit
Balance as at October 01, 2003	350,759,240	10,520,929	136,865,545	33,310,918	25,960,000	-	395,354,584	386,167,591	1,924,914,623	3,263,853,430
Profit for the year								156,186,643		156,186,643
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
Appropriations										
Dividend on Ordinary Shares								(87,689,810)		(87,689,810)
Balance as at September 30, 2004	350,759,240	10,520,929	136,865,545	33,310,918	25,960,000	-	395,354,584	454,664,424	1,999,820,436	3,407,256,076
Profit for the period								486,766,226		486,766,226
Appropriations										
Proposed issue of Bonus Shares						35,075,920		(35,075,920)		-
Transfer to profit and loss account on sale of investments									(192,064,482)	(192,064,482)
Increase in carrying value of investments carried at market value									38,418,860	38,418,860
Balance as at June 30, 2005	350,759,240	10,520,929	136,865,545	33,310,918	25,960,000	35,075,920	395,354,584	906,354,730	1,846,174,814	3,740,376,680

M. S. FAROOQUI
Chief Executive

ALEEM A. DANI
Director

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED JUNE 30, 2005

1. STATUS AND BUSINESS ACTIVITIES OF THE COMPANY

1.1 The Company and its Operations

Dawood Lawrencepur 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 Change in Reporting Period

Consequent upon change of financial year from September to June for Textile Companies by Central Board of Revenue vide SRO No. 684(I)/2004 dated November 5, 2004, these annual financial statements have been prepared upto June 30, 2005 i.e. balance sheet as on June 30, 2005 and profit and loss account, cash flows and statement of changes in equity for 9 months period. Comparative figures of profit and loss account, cash flows and statement of changes in equity represents 12 month period.

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.

Depreciation is charged from the date of acquisition and upto the date of disposal.

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 lower of average cost and realisable value basis. Provision is made for items considered obsolete and slowmoving. 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 in 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 of 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 and the same is required or permitted by IASs or interpretations thereof.

	June 30, 2005 Rupees	Sept 30, 2004 Rupees
4. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
35,075,924 (2004:35,075,924) ordinary shares of Rs.10/- each fully paid in cash / issued as fully paid bonus shares	350,759,240	350,759,240
5. RESERVES		
Revenue reserve	395,354,584	395,354,584
Capital reserve		
Capital redemption reserve (Note 8.4)	25,960,000	25,960,000
Share premium	136,865,545	136,865,545
Merger Reserve	10,520,929	10,520,929
Reserve for issue of bonus shares	35,075,920	-
Others	33,310,918	33,310,918
	241,733,312	206,657,392
	<u>637,087,896</u>	<u>602,011,976</u>
6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Opening balance	168,091,248	23,576,881
Finance lease obtained during the period	-	178,622,379
Less : Repayments during the period	34,141,690	34,108,012
	133,949,558	168,091,248
Less: Current maturity	46,529,590	45,957,987
	<u>87,419,968</u>	<u>122,133,261</u>

The minimum lease payments have been discounted @ 7% to 19.73 % (2004 : 7% 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 -----		
2005-2006	54,933,662	8,404,072	46,529,590
2006-2007	46,299,458	4,627,215	41,672,243
2007-2008	25,246,140	2,703,088	22,543,052
2008-2009	23,936,353	731,680	23,204,673
	<u>150,415,613</u>	<u>16,466,055</u>	<u>133,949,558</u>

7. DEFERRED LIABILITIES		June 30, 2005 Rupees	Sept 30, 2004 Rupees
Gratuity	(Note 7.1)	105,883,983	105,316,255
Deferred Taxation	(Note 7.2)	<u>14,704,844</u>	<u>14,704,844</u>
		<u>120,588,827</u>	<u>120,021,099</u>
7.1 Gratuity dues			
Opening balance		105,316,255	104,771,612
Expense		<u>13,678,218</u>	<u>16,644,152</u>
		118,994,473	121,415,764
Payments during the period		<u>13,110,490</u>	<u>16,099,509</u>
		<u>105,883,983</u>	<u>105,316,255</u>
Expense			
Current service cost		7,803,094	9,011,454
Interest cost		6,404,578	8,082,044
Actuarial gain recognised		(399,673)	(271,634)
Return on plan assets		(129,781)	(177,712)
Charged to profit and loss account		<u>13,678,218</u>	<u>16,644,152</u>
Reconciliation			
Present value of obligation		98,433,031	97,571,938
Fair value of plan assets		(2,056,711)	(2,163,019)
Unrecognised actuarial gain		<u>9,507,663</u>	<u>9,907,336</u>
		<u>105,883,983</u>	<u>105,316,255</u>
7.2 Deferred tax			
The liability for deferred taxation comprises of timing differences relating to :			
Accelerated tax depreciation		51,044,631	56,567,389
Provision for gratuity		(37,059,394)	(36,860,689)
Finance lease		20,730,707	21,497,342
Tax losses	(Note 7.2.1)	<u>(20,011,100)</u>	<u>(26,499,198)</u>
		<u>14,704,844</u>	<u>14,704,844</u>

7.2.1. The cumulative unabsorbed tax losses amounts to Rs. 92.2 million. However as a matter of prudence and considering significant capital expenditure in the following year that will further increase unabsorbed losses, the management have only considered Rs.57.17 million in determining the deferred tax balance. Had the entire unabsorbed tax loss been considered in computing the deferred tax balance, there would be a net deferred tax liability of Rs.2.5million.

8. CREDITORS, ACCRUED AND OTHER LIABILITIES	June 30, 2005 Rupees	Sept 30, 2004 Rupees
Deposits (Note 8.1)	1,053,371	908,933
Creditors (Note 8.2)	27,359,189	54,393,787
Accrued expenses (Note 8.2)	73,590,172	76,051,550
Accrued markup on bank finances - secured	5,651,072	2,690,784
Provision for Workers' Profit Participation Fund (Note 8.3)	-	279,105
Advance from customers and others	1,687,051	6,922,107
Withholding tax	383,744	973,414
Due to Islamic Development Bank (Note 8.4)	25,960,000	25,960,000
Others (Note 8.2)	6,197,757	6,707,130
	<u>141,882,356</u>	<u>174,886,810</u>

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

8.2 These includes amount due to following associated undertakings:

Dawood Foundation	133,999	639,600
Dawood Corporation (Pvt) Limited	-	63,210
Dawood Hercules Chemicals Limited	833,776	734,135

8.3 Workers' Profit Participation Fund

Opening balance	279,105	3,488,330
Provision of interest on WPPF for the period	25,432	181,201
Provision for the period	-	83,310
	<u>304,537</u>	<u>3,752,841</u>
Less: Paid during the period	(304,537)	(3,473,736)
Closing balance	-	<u>279,105</u>

8.4 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.

9. DIVIDEND PAYABLE

Unclaimed dividend	21,074,510	19,835,501
Proposed dividend	-	87,689,810
	<u>21,074,510</u>	<u>107,525,311</u>

10. SHORT TERM BANK FINANCES-SECURED

This represents running finance facilities of Rs. 1,290 million (2004 : 500 million) obtained from commercial banks and are secured against pledge of 5,170,000 shares of Sui Northern Gas Pipelines Limited and hypothecation of stock in trade. The rate of markup ranges from 0.5 % to 1 % above monthly / quarterly KIBOR rate (2004: 3.00% to 4.00%) per annum.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

The Company is contingently liable against the guarantees and the counter guarantees amounting to Rs 37.39 million (2004: Rs 37.38 million) and indemnity bonds amounting to Rs Nil (2004: Rs.0.97 million). These are secured against guarantee margin, investment in NIT and lien over current account.

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.

11.2 Commitments

The Company has letter of credit commitments for capital expenditures amounting to Rs 107.64 million (2004 : 10.95 million).

The Company has letter of credit commitments for purchases amounting to Rs 34.21million (2004: Rs 67.31million).

12. OPERATING ASSETS

PARTICULARS	C O S T			D E P R E C I A T I O N					Book value As at June 30, 2005	Dep Rate %
	As at October 1, 2004	Additions During the period	Deleted/Sold during period	As at June 30, 2005	As at October 1, 2004	Provided during the Period	On Sale / (deletion)	Accumulated Depreciation upto June 30, 2005		
PROPERTY PLANT AND EQUIPMENT										
Owned Assets										
Land -Free hold	3,156,616			3,156,616					3,156,616	
- Lease hold	1,080,702			1,080,702	438,763	5,049		443,812	636,890	
Building - on free hold land	66,539,276			66,539,276	53,968,443	768,914		54,737,357	11,801,919	5-10%
- on lease hold land	37,627,061	818,797		38,445,858	30,781,429	544,720		31,326,149	7,119,709	10%
Plant & Machinery	1,039,021,792	29,485,407	(55,408,136)	1,013,099,063	810,101,119	19,329,586	(46,742,947)	782,687,758	230,411,305	10-20%
Furniture & fixtures and office equipment	18,870,859	1,252,470		20,123,329	12,392,586	613,387		13,005,973	7,117,356	10-15%
Electric installations	50,967,234			50,967,234	38,475,559	936,876		39,412,435	11,554,799	10%
Tools and equipment	2,808,041			2,808,041	2,270,621	40,307		2,310,928	497,113	10%
Vehicles	18,294,457	2,000,168	(1,561,240)	18,733,385	14,194,588	775,861	(1,452,910)	13,517,539	5,215,846	20%
Leased Assets										
Vehicles	828,190			828,190	505,924	48,340		554,264	273,926	20%
Plant and Machinery	220,962,301			220,962,301	12,415,034	15,641,045		28,056,079	192,906,222	10%
	1,460,156,529	33,556,842	(56,969,376)	1,436,743,995	975,544,066	38,704,085	(48,195,857)	966,052,294	470,691,701	
INTANGIBLE										
Trade marks	24,190			24,190	17,290			17,290	6,900	
Total 2005 Rupees	1,460,180,719	33,556,842	(56,969,376)	1,436,768,185	975,561,356	38,704,085	(48,195,857)	966,069,584	470,698,601	
Total 2004 Rupees	1,256,591,165	204,618,832	(1,029,278)	1,460,180,719	975,561,356	36,929,869	(30,742)	975,561,356	484,619,363	

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

12.2 Depreciation/Amortization has been charged to:
 Cost of goods sold
 Administrative and general expenses
 Selling and distribution expenses

June 30, 2005
Rupees

37,893,500
637,384
173,201
38,704,085

Sept 30, 2004
Rupees

35,830,888
909,338
189,643
36,929,869

12.3 Details of Fixed Assets Sold During the Year - By Negotiation

Particulars	Original Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Profit	Sold to
Plant and Machinery	4,601,189	4,170,733	430,456	2,940,000	2,509,544	M/s. Chaudry Wali Muhammad, Faisalabad.
Plant and Machinery	50,806,947	42,572,214	8,234,733	24,910,000	16,675,267	Mr. Sheikh Abdul Qadeer, Mr. Sh. M. Rashid and others
Vehicle	288,135	280,576	7,559	240,000	232,441	Mr. Tariq Khan, Burewala
Vehicle	310,135	301,998	8,137	235,000	226,863	Mr. M. Iqbal, Burewala
Vehicle	216,000	213,679	2,321	136,000	133,679	Mr. M. Abdul Karam, Burewala
Vehicle	189,470	186,288	3,182	305,000	301,818	Mr. M. Ammar Majeed
Vehicle	58,500	48,072	10,428	17,550	7,122	Employee, as per policy
Vehicle	58,500	48,072	10,428	17,550	7,122	Employee, as per policy
Vehicle	58,500	48,072	10,428	17,550	7,122	Employee, as per policy
Vehicle	382,000	326,153	55,847	61,432	5,585	Employee, as per policy
Total 2005 Rupees	56,969,376	48,195,857	8,773,519	28,880,082	20,106,563	
Total 2004 Rupees	1,029,278	30,742	998,536	30,457,500	29,458,964	

	June 30, 2005 Rupees	Sept 30, 2004 Rupees
13. CAPITAL WORK-IN-PROGRESS		
Plant and Machinery (Note 13.1)	267,510,775	-
Building (Note (13.1))	5,733,085	-
Advance against purchase of vehicles	1,977,500	-
	<u>275,221,360</u>	<u>-</u>
13.1 The above includes borrowing cost capitalised amounting to Rs. 4.17 million.		
14. LONG TERM INVESTMENTS		
Available for Sale		
Quoted		
<u>Associated Undertakings / Related Parties</u>		
Dawood Hercules Chemicals Ltd. 11,667,850 (2004 : 11,667,850) Ordinary shares of Rs.10/- each Equity held 16.19 % (2004 : 16.19 %) Market-value Rs.1,936,863,100 (2004: Rs.1,872,689,925)	65,294,230	65,294,230
Sui Northern Gas Pipelines Ltd. 9,122,300 (2004 : Nil) Ordinary shares of Rs.10/- each Equity held 1.8 % (2004 : Nil) Market value Rs. 559,196,990 (2004:Rs. Nil)	582,534,315	-
Engro Chemicals Pakistan Ltd. Nil (2004 : 4,558,655) Ordinary shares of Rs.10/-each Equity held Nil (2004 : 3 %) Market value Rs. Nil (2004:Rs.414,609,672)	-	223,501,036
	647,828,545	288,795,266
Others		
Sui Southern Gas Company Ltd. 55,310 (2004 : 55,310) Ordinary shares of Rs.10/-each Market value Rs. 1,280,427 (2004:Rs. 1,449,122)	698,313	698,313
National Investment Trust Units 200,000 (2004 : 200,000) of Rs. 10/- each Market value Rs. 8,140,000 (2004:Rs.6,120,000)	2,440,000	2,440,000
	3,138,313	3,138,313
Increase in carrying value of Investments carried at market value	650,966,858	291,933,579
Opening balance	2,002,935,140	1,934,131,562
During the year	(148,421,481)	68,803,578
Closing balance	1,854,513,659	2,002,935,140
	2,505,480,517	2,294,868,719
Unquoted		
Karnaphuli Paper Mills Ltd. 795,000 (2004:795,000) Ordinary shares of Rs.10/-each	3	3
Mianwali Central Co-operative Bank Ltd 100 (2004 : 100) Ordinary shares of Rs.10/- each	1,000	1,000
Asian Co-operative Society Ltd. (Associated undertaking) 1,500 (2004:1,500) Ordinary shares of Rs.10/- each	15,000	15,000
	<u>2,505,496,520</u>	<u>2,294,884,722</u>

	June 30, 2005 Rupees	Sept 30, 2004 Rupees
15. LONG TERM LOANS AND ADVANCES-CONSIDERED GOOD		
Due from employees (Note 15.1)		
Opening balance	1,011,492	1,026,684
Disbursements during the period	-	492,700
	1,011,492	1,519,384
Received during the period	(221,461)	(507,892)
	790,031	1,011,492
Receivable within one year	(317,916)	(312,089)
	472,115	699,403
Considered good	472,115	699,403

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 The maximum amount due from executives at the end of any month during the year was Rs. Nil.

16. LONG TERM DEPOSITS

This includes lease security deposits of Rs.21,297,587 (2004 : 21,297,587).

17. STORES AND SPARES

Stores	45,264,391	41,700,798
Stores in transit	2,045,967	2,699,585
Spares	44,860,224	38,271,124
	92,170,582	82,671,507

18. STOCK IN TRADE

Raw materials	330,904,991	443,156,577
Raw materials in transit	556,291	7,400,399
Work in process	107,400,527	83,760,291
Finished goods	482,310,775	427,025,426
	921,172,584	961,342,693

19. SHORT TERM INVESTMENTS - AVAILABLE FOR SALE

Pakistan State Oil Company Ltd. Nil (2004 : 19,000) Ordinary shares of Rs.10/- each Market value Rs.Nil (2004 : Rs. 4,755,700)	-	3,799,854
Southern Electric Co. Ltd 801,900 (2004 : 729,000) Ordinary shares of Rs.10/- each Market value Rs. 5,573,205 (2004 : Rs. 9,841,500)	13,912,050	13,912,050
	13,912,050	17,711,904
Decrease in carrying value of Investments carried at market value	(8,338,845)	(3,114,704)
	5,573,205	14,597,200

20. TRADE DEBTORS

Trade debtors (unsecured)	287,368,392	295,191,087
Less: Provision for doubtful debts	(1,923,965)	(2,316,560)
Considered good	285,444,427	292,874,527

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

	Amount Outstanding	Maximum month end balance
2005		
Sach International (Pvt) Limited	1,221,810	21,734,910
Dawood Hercules Chemicals Limited	8,671,287	8,671,287
2004		
Sach International (Pvt) Limited	8,612,537	8,978,434
21. LOANS, ADVANCES, DEPOSITS PREPAYMENTS AND OTHER RECEIVABLES	June 30, 2005 Rupees	Sept 30, 2004 Rupees
Unsecured- Considered good		
Loans and advances due from employees (Including current maturity)	3,134,542	4,259,963
Advances to suppliers and others (Note 21.1)	2,105,550	18,141,049
Letters of credit	265,547	295,101
Income tax	122,953,011	115,720,588
Sales tax	3,599,492	7,240,682
Excise duty	90,920	90,920
Security deposits	3,603,878	4,613,767
Prepayments	5,290,312	5,714,116
Employees Provident Fund	8,043,592	2,866,513
Insurance claim (Note 21.1)	1,958,147	1,958,147
Dividend receivable (Note 21.1)	27,711,144	28,730,395
Accrued interest	-	6,334
Others	375,632	368,508
	<u>179,131,767</u>	<u>190,006,083</u>

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

2005		
Central Insurance Company Limited	1,263,657	1,959,771
Dawood Hercules Chemicals Limited	27,711,144	38,956,614
Dawood Corporation (Pvt) Limited	39,497	154,787
Dawood Foundation	-	4,604
2004		
Central Insurance Company Limited	426,710	5,515,250
Dawood Hercules Chemicals Limited	28,642,311	29,336,561
Dawood Corporation (Pvt) Limited	-	159,521
Dawood Foundation	-	3,192
22. CASH AND BANK BALANCES		
In Hand	1,847,280	2,190,768
At Banks in current accounts	37,792,721	69,988,391
At Banks in deposit accounts	18,046,494	30,012,449
	<u>57,686,495</u>	<u>102,191,608</u>
23. SALES	9 months ended June 30, 2005 Rupees	12 months ended September 30, 2004 Rupees
Local	1,238,844,014	1,761,152,214
Export	137,873,313	90,187,507
Sales Tax	148,967,145	232,012,417
Brokerage, commission and discount	6,830,885	8,644,698
	<u>(155,798,030)</u>	<u>(240,657,115)</u>
	<u>1,220,919,297</u>	<u>1,610,682,606</u>

	9 months ended June 30, 2005 Rupees	12 months ended September 30, 2004 Rupees
24. COST OF GOODS SOLD		
RAW MATERIALS:		
Opening inventory	443,156,577	83,484,502
Purchases	609,135,173	1,402,784,656
	<u>1,052,291,750</u>	<u>1,486,269,158</u>
Less: Closing inventory	(330,904,991)	(443,156,577)
Raw materials consumed	<u>721,386,759</u>	<u>1,043,112,581</u>
OTHER COSTS:		
Cloth and yarn purchased	1,867,980	39,807,564
Salaries, wages and allowances (Note 24.1)	150,952,713	182,118,992
Stores and spares consumed	64,865,345	74,718,543
Electricity, gas and water consumed	173,953,812	224,105,730
Yarn conversion cost	887,276	1,277,964
Depreciation	37,893,500	35,830,888
Insurance	7,616,030	9,737,015
Repair and maintenance	4,265,139	5,574,309
Rent, rates and taxes	2,624,975	2,555,978
Workers' welfare	2,095,335	2,794,682
Other expenses	4,069,926	6,068,223
	<u>1,172,478,790</u>	<u>1,627,702,469</u>
Add: Opening work in process	83,760,291	67,544,063
Less: Closing work in process	(107,400,527)	(83,760,291)
COST OF PRODUCTION	<u>1,148,838,554</u>	<u>1,611,486,241</u>
Add: Opening inventory of finished goods	427,025,426	280,469,596
Less: Closing inventory of finished goods	(482,310,775)	(427,025,426)
	<u><u>1,093,553,205</u></u>	<u><u>1,464,930,411</u></u>

24.1 This includes staff retirement benefits of Rs.11,426,867 (2004:Rs.13,931,776)

25. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries and allowances	(Note 25.1)	30,584,783	39,496,412
Printing and stationary		1,629,012	2,365,665
Rent, rates and taxes		2,700,313	4,678,267
Electricity and gas		2,102,615	3,675,530
Conveyance and travelling		5,180,370	4,862,318
Postage, fax and telephone		2,428,612	2,890,946
Insurance		700,376	965,448
Repair and maintenance		1,175,533	1,279,727
Legal and professional charges	(Note 25.2)	1,273,950	2,995,307
Fees and subscription		982,900	1,135,146
Advertisement		3,669	450,305
Entertainment		445,920	380,552
Depreciation		637,384	909,338
Other miscellaneous expenses		750,455	968,030
		<u>50,595,892</u>	<u>67,052,991</u>
25.1	This includes staff retirement benefits of Rs. 2,641,717 (2004:Rs.3,115,802)		
25.2	This includes:		
Audit fee		300,000	300,000
Review and other certification fee		60,000	60,000
		<u>360,000</u>	<u>360,000</u>

26. SELLING AND DISTRIBUTION EXPENSES	9 months ended June 30, 2005 Rupees	12 months ended September 30, 2004 Rupees
Storage and forwarding charges	8,939,237	4,606,850
Salaries and allowances (Note 26.1)	6,612,725	8,410,500
Printing and stationary	1,547,482	264,171
Rent, rates and taxes	2,950,741	3,379,601
Electricity and gas	399,960	458,713
Conveyance and travelling	1,175,365	1,647,635
Postage, fax and telephone	729,131	747,064
Freight and Insurance	3,233,060	2,808,704
Repair and maintenance	126,535	146,348
Loading and unloading charges	48,177	70,201
Depreciation	173,201	189,643
Entertainment	138,208	146,925
Terminal tax and transportation charges	1,878,189	2,911,216
Advertisement charges	22,285,146	29,593,560
Packing charges	939,071	1,842,624
Other miscellaneous expenses	1,354,065	992,571
	52,530,293	58,216,326
26.1 This includes staff retirement benefits of Rs. 56,434 (2004:Rs. 115,610)		
27. OTHER INCOME		
(i) Dividend Income		
Dawood Hercules Chemicals Ltd.	122,512,425	75,841,026
Engro Chemicals Pakistan Ltd.	9,117,310	36,469,241
Muslim Commercial Bank	-	1,651,876
Pakistan State Oil Co. Ltd.	-	653,000
Sui Southern Gas Co. Ltd.	82,965	99,558
Southern Electric Power Co. Ltd.	-	1,093,500
NIT Units	-	510,000
	131,712,700	116,318,201
(ii) Profit / Interest Income		
Profit / Interest on Call/Time/Security Deposits	931,274	2,612,676
Interest on Deposits with KESC/SSGC	344,081	344,081
	1,275,355	2,956,757
Profit on sale of fixed assets	20,106,563	29,458,964
Capital gain on sale of shares	350,596,184	11,362,481
Exchange gain	117,022	100,063
Sundry sales and receipts	2,274,136	913,722
Write back of liabilities	-	122,665
	506,081,960	161,232,853
28. FINANCIAL AND OTHER CHARGES		
Financial expenses		
Markup on bank finances	19,354,239	8,936,398
Lease financial charges	8,981,649	3,489,660
Bank charges	2,159,406	2,378,364
Interest on WPPF	25,432	181,201
Interest on NIT deposits	-	195,780
Other charges		
Merger expenses	-	2,523,203
Additional sales tax paid under amnesty scheme	-	1,062,068
Workers' Profit Participation Fund	-	83,310
Zakat	-	50,000
	30,520,726	18,899,984

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 PERIOD

	9 months ended June 30, 2005 Rupees	12 months ended September 30, 2004 Rupees
Tax on accounting profit	35.00%	35.00%
Tax effect of expenses that are not deductible in determining taxable income	2.71%	7.94%
Tax effect of payments allowed as expenses in determining taxable income	-4.79%	-18.67%
Tax effect of income exempt from tax	-24.55%	-2.44%
Tax effect of applicability of lower rate of tax	-7.90%	-21.43%
Tax effect of minimum tax liability	2.14%	8.26%
	<u>2.61%</u>	<u>8.66%</u>

30. EARNINGS PER SHARE

Net profit after tax	486,766,226	156,186,643
Average ordinary shares in issue	35,075,924	35,075,924
Earnings per share	<u>13.88</u>	<u>4.45</u>

31. EMOLUMENTS OF CHIEF EXECUTIVE AND EXECUTIVES

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

	Chief Executive	Executives	Total
Remuneration	2,209,048	3,634,771	5,843,819
House rent allowance	475,617	1,368,214	1,843,831
Utilities	373,529	1,144,413	1,517,942
2005 - Rupees (nine months)	<u>3,058,194</u>	<u>6,147,398</u>	<u>9,205,592</u>
2004 - Rupees	2,100,000	8,072,098	10,172,098
No. of persons			
2005	1	6	7
2004	1	6	7

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	12,102,088	16,658,510
RENTAL CHARGES		
Dawood Foundation	3,797,019	2,817,138
STORAGE CHARGES		
Dawood Corporation (Pvt) Limited	593,469	908,165
SALE		
Sach International (Pvt) Limited	24,913,393	21,132,906
Dawood Hercules Chemicals Limited	10,271,062	22,100,089
PURCHASE		
Sach International (Pvt) Limited	284,974	798,013

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

33. PRODUCTION AND INSTALLED CAPACITY

The exact capacity of the plant is indeterminable. The achievable capacity depends on the type of materials used, the present working condition of the machinery, specification of various products manufactured from time to time and power break downs etc.

		2005		2004	
		Capacity	Actual	Capacity	Actual
		(9 months)		(12 months)	
		(in thousands)		(in thousands)	
Polyester yarn	Kg.	1,050	1,067	1,400	1,525
Yarn	Kg.	17,135	11,276	22,847	15,789
Cloth	Mtr.	6,396	1,173	17,179	3,881

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

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Financial Assets and Liabilities

	Interest/Markup Bearing			Non Interest/Markup Bearing			Total 2004	Effective Rate %
	Less than	Over	Sub-Total	Less than	Over	Sub-Total		
	one year	one year		one year	one year	2005		
Financial Assets								
Long term Investments					2,505,496,520	2,505,496,520	2,505,496,520	2,294,884,722
Long term loans and advances	317,916	472,115	790,031			790,031	1,011,492	14%
Long term deposits		6,421,591	6,421,591		23,592,180	23,592,180	30,013,771	30,113,123
Short term Investments				5,573,205		5,573,205	5,573,205	14,597,200
Trade debtors				285,444,427		285,444,427	285,444,427	292,874,527
Loan, advances, deposits, prepayments & other receivables				46,880,116		46,880,116	46,880,116	60,927,688
Cash and bank balances	18,046,494		18,046,494	39,640,001		39,640,001	57,686,495	102,191,608
	18,364,410	6,893,706	25,258,116	377,537,749	2,529,088,700	2,906,626,449	2,931,884,565	2,796,600,360
Financial Liabilities								
Lease liabilities	46,529,590	87,419,968	133,949,558			133,949,558	168,091,248	7-13%
Short term bank finance	652,174,581		652,174,581			652,174,581	462,124,893	3-4%
Creditors, accrued & other liabilities				141,882,356		141,882,356	174,886,810	
Dividend				21,074,510		21,074,510	21,074,510	107,525,311
	698,704,171	87,419,968	786,124,139	162,956,866		162,956,866	949,081,005	912,628,262

34.2 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.

34.3 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.

34.4 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.

34.5 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.

35. AUTHORISATION OF FINANCIAL STATEMENTS AND APPROPRIATIONS

These financial statements were authorised for issue on September 13, 2005 by the Board of Directors. The Board of Directors have proposed issue of bonus shares in the ratio of 10:1 (one share for each ten held).

36. NUMBER OF EMPLOYEES

Number of employees as at period end 3,668 (2004 :3,814).

37. General

37.1 Corresponding figures of closing stock of raw materials and stores have been rearranged by Rs. 6.7 million for better presentation of these financial statements. Apart from this, no significant re-arrangement have been made.

37.2 Figures have been rounded off to the nearest rupee.

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2005**

Shareholding Range		Number of Shareholders	Total Shares Held
From	To		
1	100	3276	119851
101	500	1839	435,454
501	1,000	536	369,980
1,001	5,000	663	1,410,665
5,001	10,000	78	514,222
10,001	15,000	19	245,556
15,001	20,000	12	198,880
20,001	25,000	6	130,819
25,001	30,000	5	144,324
30,001	35,000	3	96,515
35,001	40,000	2	76,774
40,001	45,000	4	160,163
60,001	65,000	3	186,626
95,001	100,000	1	96,000
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	148,069
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
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
430,001	435,000	1	431,426
480,001	485,000	1	480,216
600,001	605,000	1	602,505
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
1,060,001	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
		6486	35,075,924

Categories of Shareholders as at June 30, 2005	Number of Shareholders	Total Shares Held	Percentage
Individuals	5,957	14,567,445	41.53
Investment Companies	6	7,669	0.02
Insurance Companies	8	3,054,157	8.71
Joint Stock Companies	30	14,246,219	40.62
Financial Institutions	11	1,076,931	3.07
Modaraba Company	1	32,112	0.09
Mutual Fund	1	1,376	0.00
Others			
Trusts (Charitable Organisation)	4	1,946,162	5.55
Co-Operative Societies	465	60,924	0.18
Administrator, Abandoned Properties Organisation	1	81,959	0.23
Administrator General of Sindh	1	952	0.00
Kukab Agencies (Pakistan)	1	18	0.00
Total	6,486	35,075,924	100.00

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2005
Disclosure Required under Code of Corporate Governance

	<u>Shares held</u>
1) Directors and CEO:	
Hussain Dawood (Chairman)	5,545,691
Muhammad Saleem Farooqui (Chief Executive)	1,000
Syed Muhammad Asghar (Director)	1,000
Aleem Ahmed Dani (Director)	1,000
A.Samad Dawood (Director)	789,815
Shahzada Dawood (Director)	791,399
Haroon Mehanti (Director)	9,094
2) Associated Companies / Undertakings	
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
3) NIT and ICP	
National Bank of Pakistan Trustee Deptt.	639,928
Investment Corporation of Pakistan	18,809
4) Banks, DFI, NBF, Insurance Companies, Modaraba and Mutual Funds	1,556,665
5) Investment Companies	7,669
6) Joint Stock Companies	176,558
7) Others	
Charitable Institutions	1,946,162
Co-operative Societies	60,924
Administrator General of Sindh	952
Kaukab Agencies (Pakistan)	18
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