Mission Statement

The Mission of Dewan Textile Mills Limited is to be the finest Organisation, and to conduct business responsibly and in a straight forward way.

Our basic aim is to benefit the customers, employees and shareholders and to fulfill our commitments to the society. Our hallmark is honesty, innovation, teamwork of our people and our ability to respond effectively to change in all aspects of life including technology, culture and environment.

We will create a work environment, which motivates, recognizes and rewards achievements at all levels of the Organisation because

In Allah We Believe & In People We Trust

We will always conduct ourselves with integrity and strive to be the best.

YD | A YOUSUF DEWAN COMPANY

CONTENTS

COMPANY INFORMATION

Executive Directors	:	**Dewan Abdul Baqi Farooqui - Chief Executive Officer**
Non-Exective Director	:	**Dewan Muhammad Yousuf Farooqui - Chairman Board of Director** **Dewan Abdul Rehman Farooqui** **Mr. Haroon Iqbal** **Mr. Ishtiaq Ahmed** **Mr. Muhammad Baqir Jafferi**
Independent Director	:	**Mr. Aziz-ul-Haque**
Audit Committee	:	**Mr. Aziz-ul-Haque - Chairman** **Dewan Abdul Rehman Farooqui - Member** **Mr. Haroon Iqbal - Member**
Human Resources & Remuneration Committee	:	**Dewan Muhammad Yousuf Farooqui - Chairman** **Dewan Abdul Baqi Farooqui - Member** **Mr. Haroon Iqbal - Member**
Auditors	:	**Faruq Ali & Co.** **Chartered Accountants** **222-A, K.M.C.H.S.** **Justice Inamullah Road,** **Near Hill Park, Karachi**
Company Secretary	:	**Syed Muhammad Salahuddin**
Chief Financial Officer	:	**Mehmood ul Hassan Asghar**
Tax Advisor	:	**Sharif & Co.** **Advocates**
Legal Advisor	:	**A. K. Brohi & Co. (Advocates)**
Bankers	:	**Habib Bank Limited** **Standard Chartered Bank Pakistan Limited** **Meezan Bank Limited** **United Bank Limited** **Bank Al-Falah Ltd** **Silk Bank Limited** **NIB Bank Limited** **Summit Bank Limited** **Faysal Bank Limited** **MCB Bank Limited**
Registered Office	:	**Finance & Trade Centre** **Block-A, 8th Floor,** **Shahrah-e-Faisal,** **Karachi.**
Shares Registrar & Transfer Agent	:	**BMF Consultants Pakistan (Private) Ltd.** **Anum Estate Building, Room No. 310 & 311,** **3rd Floor, 49, Darul Aman Society,** **Main Shahrah-e-Faisal, Adjacent Baloch Colony** **Bridge, Karachi-75350, Pakistan**
Factory Office	:	**H/20 & H/26, S.I.T.E.,** **Kotri, District Dadu,** **Sind, Pakistan**
Website	:	www.yousufdewan.com

NOTICE OF 44th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty Fourth Annual General Meeting of **Dewan Textile Mills Limited** ("***DTML***" or "***the Company***") will be held on **Wednesday, October 30, 2013, at 10:00 a.m.** at Dewan Cement Limited Factory Site, at Deh Dhando, Dhabeji, District Malir, Karachi, Pakistan; to transact the following businesses upon recitation from Holy Qur'aan and other religious recitals:

1. To confirm the minutes of the preceding General Meeting of the Company held on Wednesday, January 30, 2013;

2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2013, togetherwith the Directors' and Auditors' Reports thereon;

3. To appoint the Statutory Auditors' of the Company for the ensuing year, and to fix their remuneration;

4. To consider any other business with the permission of the Chair.

By Order of the Board

Syed Muhammad Salahuddin
Company Secretary

Date : September 27, 2013
Place : Karachi

NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from October 23, 2013 to October 30, 2013 (both days inclusive).

2. Members are requested to immediately notify change in their addresses, if any, at our Shares Registrar Transfer Agent BMF Consultants Pakistan (Private) Limited, located at Anum Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, adjacent to Baloch Colony Bridge, Karachi, Pakistan.

3. A member of the Company entitled to attend and vote at this meeting, may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company at the abovesaid address, not less than 48 hours before the meeting.

4. CDC Account holders will further have to observe the following guidelines, as laid down in Circular 01 dated January 20, 2000, issued by the Securities and Exchange Commission of Pakistan:

a) <u>For Attending Meeting</u>:

i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original National Identity Card (CNIC), or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney, alongwith the specimen signature of the nominee, shall be produced (unless it has been provided earlier) at the time of meeting.

b) <u>For Appointing Proxies</u>:

i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements.

ii) Two persons, whose names, addresses, and CNIC numbers shall be mentioned on the form, shall witness the proxy.

iii) Attested copies of CNIC or passport of the beneficial owners and proxy shall be furnished alongwith the proxy form.

iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney, alongwith the specimen signature of the nominee, shall be produced (unless it has been provided earlier) along with the proxy form to the Company.

DIRECTORS' REPORT

IN THE NAME OF ALLAH; THE MOST GRACIOUS AND MERCIFUL

IF YE GIVE THANKS, I WILL GIVE YOU MORE **(HOLY QURAN)**

Dear Shareholder(s),
Assalam-o-Alykum!

The Board of Directors, other members of the management of your Company are pleased to present the Annual Audited Financial Statements of the Company for the year ended June 30, 2013 together with the Auditors' Report thereon.

Operating results and performance:
The operating results for the year under review are as follows:

	"Rupees"
SALES (NET)	3,928,180,032
COST OF SALES	(3,602,622,801)
GROSS PROFIT	**325,557,231**
OPERATING EXPENSES	(163,171,293)
OPERATING PROFIT	**162,385,938**
OTHER CHARGES	(118,010,184)
OTHER INCOME	14,066,130
PROFIT BEFORE TAXATION	**58,441,884**
TAXATION	4,302,792
PROFIT AFTER TAXATION	**62,744,676**

The turnover of the Company, as compared to the last year, has increased by 24.40% due to the reason of export sales increased by 232% as compared to the corresponding period of last year, it has effected the results positively and company has earned gross profit of Rs 325.557 million and pretax profit of Rs.58.442 million during the year as compared to gross loss of Rs.97.254 million and pretax loss of Rs.317.53 million of previous year.

The management of the company has managed to improve the results as compared to those of the last year for the same period. The profitability of the company could have been further improved, had there not been power crises, increase in tariff of gas and hike in freight and transportation cost. By virtue of timely procurement of raw cotton and rational utilization of funds, the management has succeeded to optimize plant capacity utilization which resulted in higher production and lowering the cost of yarn per lb manufactured with relation to fixed costs.

During the financial year 2011-12 the company had settled with its lenders through Compromise Agreement dated December 23, 2011 against which consent decrees had been granted by the Honorable High Court of Sindh, Karachi. Company's short term and long term loans had been rescheduled in the form of long term loans, however certain banks did not accepted the restructuring proposal at that time, and we are still in negotiation with those few banks to accept the restructuring proposal.

The Auditors have qualified the report due to significance of the matter of non-provisioning of markup in respect of borrowings from certain banks which have not accepted restructuring proposal as referred in para (a) of the Auditors Report. The management has explained the status of matter in respective notes to the financial statements. The management is fully confident that the company will have favorable decisions from concerned courts in respect of suits of certain banks.

Future Outlook
The key challenges facing the Pakistan's economy emerging from long standing structural issue which have continued to suppress economic activity and growth of the country. The macroeconomic outlook is largely dependent on government's ability to control fiscal deficit while addressing energy shortage to revitalize large scale manufacturing industry. At present energy crisis affecting the economy badly; however some initiatives which are being taken by the government hopefully will improve the situation in near future. Business environment needs political stability along with improvement in law and order situation in the country. The Karachi city being a business hub plays vital role towards the economic growth of the country, hopefully the authorities concerned will be able to maintain peace in Karachi and the business activities would be normalized in near future.

The management of the company has taken the initiative of having alternate source of supply from captive power generation to wapda based electricity in order to overcome the problem of natural gas load shedding; as a part of our such future strategic planning regarding uninterrupted energy needs we have got the wapda connection for our Dewan1, as our kotri industrial area is now facing Gas shutdown on weekly basis. This change will have the positive impact in term of plant capacity utilization in the longer run.

Current devaluation of pak rupee and unprecedented raise in the energy cost has affected the textile industry operations the input cost has been sky rocketed which is resulting in not only squeezing the profitability margins but also losing our market share viz-a-viz our regional competitors particularly India who is selling their yarns at relatively less rates.

Your company is exporting substantial amount of yarn from Dewan Textile 1 & 2 at competitive rates. Since the banks have permitted us the much awaited discounting facility, so now we are in a better position to further increase our export share without facing the liquidity crunch.

Prompt and timely decision in right direction is the core objective of every management, particularly in an industry where the input costs are more volatile and subject to frequent change. The management of the company has decided to implement ERP in near future to keep on tracking all the information on the company strength to take the better decision such as hiring right number of employees, purchasing additional machines or cut down the cost etc. The implementation of E.R.P will not only streamline the M.I.S. reporting but will also provide the base for the management to make timely decision with paperless environment and also clarity in the job description for the betterment of the company.

In a backdrop of recent floods the cotton crop assessment committee forecasted decline in cotton production at 11.95 million bales, earlier in the beginning of the season the production was estimated at 13.25 million bales. This forecast might result in higher cotton prices, which may affect our competitiveness in the international market. The company has been targeting the export of yarn and foreseeing prospective future outlook with an increased focus on export sale.

Human Resource
The management of the Company is committed to excellence and has a clear vision that human resources and strong leadership practices are important enablers of high productivity and sustainable competitive advantage of our Company. Therefore, management of the Company gives much importance to the optimal use of human resources by way of proper guidance, motivation and incentive schemes for the employees.

Post Balance Sheet Events
There has been no event subsequent to the balance sheet date that would require an appropriate disclosure or adjustment to the financial statements referred herein.

Statement of Compliance under Code of Corporate Governance
Security and Exchange Commission of Pakistan framed a code of corporate governance, which was incorporated through the listing regulations of all stock exchanges of the country. The directors of your Company have ensured implementation of all provisions of code of corporate governance applicable for the period ended June 30, 2013.

Review report on statement of Compliance with code of corporate governance of Auditors is annexed with this report.

Directors of the Company are pleased to confirm that there is no material departure from the best practices as detailed in the listing regulations.

1. The financial Statements presented by the management of the Company give a fair account of the state of affairs, the results of its operations, cash flow and changes in equity.

2. Proper books of accounts have been maintained as required under the Companies Ordinance, 1984.

3. Accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

4. International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from, if any, has been adequately disclosed.

5. The system of internal controls, which is in place, is sound in design and has been effectively implemented and monitored.

6. There has been no material departure from the best practices of the corporate governance.

7. The management has explained their views in detail regarding the going concern ability of the Company in note 2 to the annexed financial statements.

8. The Company has constituted an Audit Committee from amongst the non-executive members of its Board.

9. The Board has prepared and circulated a Statement of Ethics and Business Practices amongst its members and the company's employees.

10. As required under the Code of Corporate Governance, the following information has been presented in this report:

    i) Pattern of Shareholding;
    ii) Shares held by associated undertaking and related persons;

Board

The Board of Directors comprises of individuals with diversified knowledge who endeavor to contribute towards the aim of the Company with the best of their abilities. During the year four meetings of the Board were held. The attendance of directors was as follows:

Names	No. of Meetings attended
Dewan Muhammad Yousuf Farooqui	7
Dewan Abdul Baqi Farooqui	7
Dewan Asim Mushfiq Farooqui	4
Dewan Muhammad Hamza Farooqui	4
Dewan Abdul Rehman Farooqui	7
Mr. Haroon Iqbal	8
Mr. Aziz-ul-Haque	8
Mr. Muhammad Baqir Jafferi	1
Mr. Ishtiaq Ahmed	3

Leave of absence was granted to directors who could not attend these meetings.

Earnings per Share
Earnings / (Loss) per share during the period under report worked out to Rs 4.65 (2012) Rs. (24.96)

Appointment of Auditors
The present auditors, M/s. Faruq Ali & Co., Chartered Accountants, Karachi, retire and being eligible for reappointment under the Companies Ordinance, 1984, and the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan, have offered themselves for the same. The Board of Directors of your company, based on the recommendations of the Audit Committee of the board, propose M/s. Faruq Ali & Co., Chartered Accountants, for reappointment as auditors of the company for the ensuing year.

Pattern of Shareholding
The prescribed shareholding information, both under the Companies Ordinance, 1984, and the Listing Regulations, vis-à-vis, Code of Corporate Governance, is attached at the end of this report.

Key operating and financial data
Key operating and financial data for preceding six years is annexed.

Vote of Thanks & Conclusion
On the behalf of the Board, I appreciate the valuable, loyal, and commendable services rendered to the Company by its executives, members of the staff and workers.

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Ar-Rahim, in the name of our beloved Prophet Muhammad (peace be upon him) for the continued showering of his blessings, guidance, strength, health, and prosperity to us, our company, country and nation; and also pray to Almighty Allah to bestow peace, harmony, brotherhood, and unity in true Islamic spirit to whole of the Muslim Ummah; Ameen; Summa Ameen.

LO-MY LORD IS INDEED HEARER OF PRAYER **(HOLY QURAN)**

By and under Authority of the Board of Directors

Dewan Abdul Baqi Farooqui
Chief Executive

Date: September 27, 2013
Place: Karachi.

FINANCIAL HIGHLIGHTS

(Rupees in Million)

	2008	2009	2010	2011	2012	2013
SALES (Net)	3,189	3,114	**3,442**	**4,699**	3,157	3,928
Gross Profit / (Loss)	177	(225)	**176**	**9**	(97)	326
(Loss) / Profit before Tax	(213)	(659)	**67**	**(66)**	(318)	58
(Loss) / Profit After Tax	(214)	(675)	**49**	**(117)**	(337)	63
Assets Employed	4,317	3,900	**3,671**	**4,513**	5,387	5,613
Current Assets	2,506	2,420	**2,308**	**3,131**	3,092	3,400
Shareholder's Equity	951	(58)	**18**	**15**	(401)	(205)
Long Term & Deferred Liabilities	745	802	**527**	**246**	3,963	3,458
Current Liabilities	2,621	3,156	**3,125**	**4,252**	1,005	1,590
Gross Profit / (Loss) Ratio (%)	5.56%	(7.24%)	**5%**	**0.2%**	(3.08%)	8.3%
Net Profit / (Loss) Ratio (%)	(6.70%)	(21.67%)	**1.42%**	**(2.49%)**	(10.67%)	1.60%
Earning / (Loss) Per Share (Rs.)	(15.83)	(49.98)	**3.62**	**(8.66)**	(24.96)	4.65
Dividend (%)						
Cash	-	-	-	-	-	-
Stock	-	-	-	-	-	-
Production						
Actual Production at Actual Average Count (kg)	22,317,745	18,928,395	16,645,826	**16,544,940**	16,052,642	19,057,026
Actual Production Converted to 20 Count (kg)	17,893,619	16,793,330	17,265,858	**17,866,664**	14,236,118	16,954,602

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD ENDED JUNE 30, 2013

The statement is being presented to comply with the Code of Corporate Governance ("CCG") contained in Regulation No 35 of listing regulation of Karachi, Lahore and Islamabad Stock Exchanges, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non executive directors and directors representing minority interests on its Board of Directors. At present the board includes One Independent Director, five Non-Executive Directors and one Executive Directors of the Company.

2. The condition of maximum number of seven directorships to be held by a director in listed companies as per clause ii of the CCG will be applicable after election of next Board of Directors of the Company.

3. All the resident 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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the board during this period.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. 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, other executive and non-executive directors have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by the director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In accordance with the criteria specified on clause (xi) of CCG, some directors are exempted from the requirement of directors' training program and rest of the Directors to be trained within specified time.

10. There was no change in the position of CFO, Company Secretary and Head of Internal Audit during the year. The Directors report for this have prepared in compliance with the requirement of the CCG and fully describes the salient matters required to be disclosed.

11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

12. The director, CEO and executives do not hold any interest in the shares of the company other than the disclosed in the pattern of shareholding.

13. The company has complied with all the corporate and financial reporting requirements of CCG.

14. The board has formed an Audit Committee. It comprises three members of whom one is independent director who is also chairman and two members 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 and as required by CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

16. The board has formed an HR and Remuneration Committee. It comprises of three members of whom two are non-executive directors and the chairman of the committee is a non-executive director.

17. The board has set up an effective internal audit function. The staffs are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation Accountants (IFAC) guidelines on code of ethics are adopted by the ICAP.

19. 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.

20. The closed period, prior to the announcement of interim/final results, and business decisions, which may materially effect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

21. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all the other material principles enshrined in the CCG have been complied with.

Date : September 27, 2013
Place : Karachi

Dewan Abdul Baqi Farooqui
Chief Executive

FARUQ ALI & CO
CHARTERED ACCOUNTANTS

222-A, Karachi Memon Cooperative Housing Society Justice Inaumullah Road, Near Hill Park, Karachi-74800.
E-mail: faac@cyber.net.pk

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AUDITORS' REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE 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 **Dewan Textile Mills Limited** ('the Company') to comply with the Listing Regulations of the respective Stock Exchanges, 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, listing regulations of respective stock exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transaction which are not executed at arm's length price recording proper justifications for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

We have noted following non-compliances:

- The board includes one independent director, whereas in our view he does not meet the criteria of independence on account of his cross directorships as well as he holds position of Chief Executive in an associated company (point reference 1 of the Statement);
- Training programs were not arranged for directors (point reference 9 of the Statement);

Based on our review, except for the above, 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 as applicable to the Company for the year ended June 30, 2013.

Faruq Ali & Co.

Date : September 27, 2013
Place : Karachi

Engagement Partner: Fasih us Zaman

FARUQ ALI & Co.
CHARTERED ACCOUNTANTS

FARUQ ALI & CO
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **DEWAN TEXTILE MILLS LIMITED** as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, 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 purpose 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 above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that**:**

a) The company has not made provision of markup for the year amounting to Rs. 44.868 million (up to year ended June 30, 2012: Rs.165.178 million) (refer note 27.1) on account of restructuring proposal offered to the lenders as described in note 2 to the financial statements. Non-provisioning of markup is based on management's hope that the restructuring proposal will be accepted by lenders in the proposed manner. In our opinion, since the proposal has not been accepted by the lenders so far and the lenders, instead of accepting the restructuring proposal, have preferred filing suits against the company, therefore the provision of markup should be made in these financial statements. Had the provision of markup been made in the financial statements, the profit after taxation would have been lower by Rs.44.868 million and markup payable would have been higher and shareholders' equity would have been lower by Rs.210.046 million.

b) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

c) 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;

FARUQ ALI & CO
CHARTERED ACCOUNTANTS

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d) in our opinion and to the best of our information and according to the explanations given to us, except for the matters discussed in paragraph (a) above, the balance sheet, profit and loss account, statement of comprehensive income, 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, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and

e) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without further qualifying our opinion we draw attention of the members:

- to note 2 to the financial statements which indicates that the Company's negative reserves of Rs.339.838 million have resulted in negative equity of Rs.204.791 million and company has been unable to ensure timely payments of liabilities to lenders, following course certain lenders have gone into litigation for recovery of their liabilities through attachment and sale of company's hypothecated / mortgaged properties and two of the lenders have also filed winding up petition. These conditions, along with other matters as set forth in note 2, indicate the existence of material uncertainty which may cast significant doubt about company's ability to continue as going concern. The amount of current liabilities reported in said note do not include the effect of matters discussed in para (a) above.

  to note 13.3 to the financial statements which states that company would be liable to pay a sum of Rs.1.621 billion in the event of default in terms of settlement reached with the lenders.

Faruq Ali & Co.

Date : September 27, 2013
Place : Karachi

Engagement Partner: Fasih us Zaman

FARUQ ALI & Co.
CHARTERED ACCOUNTANTS

BALANCE SHEET
AS AT JUNE 30, 2013

	NOTES	2013	2012
		RUPEES	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital (30,000,000 Ordinary shares of Rs. 10/- each)		300,000,000	300,000,000
Issued, subscribed and paid up capital	4	135,046,090	135,046,090
Reserves and surplus	5	(339,837,515)	(536,287,753)
		(204,791,425)	(401,241,663)
Surplus on revaluation of property, plant and equipments	6	768,368,710	819,906,627
NON CURRENT LIABILITIES			
Long term financing - Secured	7	3,230,941,957	3,687,994,219
Deferred liability for staff gratuity	8	24,904,372	27,466,337
Deferred taxation	9	202,239,489	247,300,334
CURRENT LIABILITIES			
Trade and other payables	10	345,066,506	364,534,623
Markup accrued		23,772,596	44,616,553
Short term borrowings - Secured	11	720,727,477	474,927,661
Current portion of long term financing	7	460,104,990	80,000,000
Overdue portion of lease liability	12	41,185,703	41,185,703
		1,590,857,272	1,005,264,540
CONTINGENCIES AND COMMITMENTS	13	--	--
		5,612,520,375	**5,386,690,394**
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipments	14	1,916,934,073	2,075,450,024
Investments	15	--	171,033,591
Long term deposits	16	53,921,685	47,852,685
CURRENT ASSETS			
Stores and spares	17	46,161,624	46,133,752
Stock in trade	18	1,615,174,605	1,367,943,006
Trade debtors - Considered good		1,579,944,210	1,574,630,006
Advances - Considered good	19	42,848,823	30,731,317
Short term deposits and current account balances with statutory authorities	20	40,232,252	27,963,111
Taxes recoverable - Net		34,945,912	13,217,968
Cash and bank balances	21	40,407,233	31,734,934
		3,399,714,659	3,092,354,094
Non current assets held for sale	22	241,949,958	-
		5,612,520,375	**5,386,690,394**

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

Dewan Abdul Baqi Farooqui
Chief Executive

Haroon Iqbal
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	NOTES	2013 RUPEES	2012 RUPEES
Sales - Net	23	3,928,180,032	3,157,520,407
Cost of sales	24	3,602,622,801	3,254,774,237
Gross profit / (loss)		325,557,231	(97,253,830)
Operating expenses			
Distribution cost and selling expenses	25	123,423,096	47,007,459
Administrative and general expenses	26	39,748,197	34,371,316
		163,171,293	81,378,775
Operating profit / (loss)		162,385,938	(178,632,605)
Finance cost	27	109,699,830	143,876,678
Other charges	28	3,979,000	3,200,000
Workers' profit participation fund		3,138,662	--
Workers' welfare fund		1,192,692	--
Other income	29	(14,066,130)	(8,184,015)
		103,944,054	138,892,663
Profit / (loss) before taxation		58,441,884	(317,525,268)
Taxation			
- Current	30	29,506,774	31,351,397
- Deferred		(33,809,566)	(11,777,518)
		(4,302,792)	19,573,879
Profit / (loss) after taxation		**62,744,676**	**(337,099,147)**
Earnings / (loss) per share - Basic and diluted	31	4.65	(24.96)

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

Dewan Abdul Baqi Farooqui
Chief Executive

Haroon Iqbal
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	RUPEES	
Profit / (loss) for the year	62,744,676	(337,099,147)
Other comprehensive income:		
Available for sale financial assets:		
- Changes in fair value	70,916,367	(101,160,112)
Transfer from surplus on revaluation of property, plant and equipments in respect of		
Incremental depreciation	96,598,761	33,650,052
Related deferred tax	(33,809,566)	(11,777,518)
	62,789,195	21,872,534
Total comprehensive income for the year	**196,450,238**	**(416,386,725)**

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

Dewan Abdul Baqi Farooqui
Chief Executive

Haroon Iqbal
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	RUPEES	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit / (loss) before taxation	58,441,884	(317,525,268)
Adjustment for :		
Depreciation	199,363,871	143,763,761
Provision for gratuity	9,966,804	9,482,070
Finance cost	109,699,830	143,876,678
Workers' profit participation fund	3,138,662	--
Workers' welfare fund	1,192,692	--
Cash flow before working capital changes	381,803,743	(20,402,759)
(Increase) / decrease in current assets		
Stores & spares	(27,872)	1,508,673
Stock in trade	(247,231,599)	(41,192,972)
Trade debtors	(5,314,204)	18,171,904
Advances - Considered good	(12,117,506)	42,423,177
Short term deposit and current account balances with statutory authorities	(12,269,141)	(11,836,841)
Increase / (decrease) in current liabilities		
Trade and other payables	(23,799,472)	344,062,613
Short term borrowings	245,799,816	(9,390,572)
	(54,959,978)	343,745,982
Taxes - Net	(51,234,718)	(29,920,388)
Deposit	(6,069,000)	--
Gratuity paid	(12,528,769)	(11,242,800)
	(69,832,487)	(41,163,188)
Net cash inflow from operating activities	257,011,278	282,180,035
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(40,847,920)	(18,406,711)
Net cash outflow from investing activities	(40,847,920)	(18,406,711)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing paid	(76,947,272)	(162,062,031)
Financial charges paid	(130,543,787)	(89,362,081)
Net cash outflow from financing activities	(207,491,059)	(251,424,112)
Net increase in cash and cash equivalents	8,672,299	12,349,212
Cash and cash equivalents at beginning of the year	31,734,934	19,385,722
Cash and cash equivalents at the end of year	**40,407,233**	**31,734,934**

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

Dewan Abdul Baqi Farooqui
Chief Executive

Haroon Iqbal
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	Issued Subscribed and Paid up Capital	General reserve	Unrealized gain due to change in fair value of Investment	Accumulated loss	Total
			RUPEES		
Balance as on 1st July, 2011	135,046,090	333,000,000	113,674,765	(566,575,793)	15,145,062
Total comprehensive (loss) for the year:					
Loss for the year	--	--	--	(337,099,147)	(337,099,147)
Changes in fair values of available for sale investments	--	--	(101,160,112)	--	(101,160,112)
Transfer from surplus on revaluation of property, plant and equipments in respect incremental depreciation - Net of tax	--	--	--	21,872,534	21,872,534
	--	--	(101,160,112)	(315,226,613)	(416,386,725)
Balance as on June 30, 2012	**135,046,090**	**333,000,000**	**12,514,653**	**(881,802,406)**	**(401,241,663)**
Total comprehensive income for the year					
Profit for the year	--	--	--	62,744,676	62,744,676
Changes in fair values of available for sale investments	--	--	70,916,367	--	70,916,367
Transfer from surplus on revaluation of property, plant and equipments in respect incremental depreciation - Net of tax	--	--	--	62,789,195	62,789,195
	--	--	70,916,367	125,533,871	196,450,238
Balance as on June 30, 2013	**135,046,090**	**333,000,000**	**83,431,020**	**(756,268,535)**	**(204,791,425)**

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

Dewan Abdul Baqi Farooqui
Chief Executive

Haroon Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1 THE COMPANY AND ITS OPERATIONS

The Company is a public limited company incorporated in Pakistan under the Companies Act 1913 (Now Companies Ordinance, 1984) and is listed on the Karachi and Lahore Stock Exchanges. The principal activity of the Company is manufacturing and sale of yarn. The company's registered office is located at 8th Floor, Block-A, Finance & Trade Centre, Shahrah-e-Faisal, Karachi.

2 GOING CONCERN ASSUMPTION

The financial statements for the year ended June 30, 2013 reflect that company's negative reserves of Rs. 339.838 million (2012: Rs.536.288 million) have resulted in negative equity of Rs.204.791 million (2012: Rs.401.242 million). Further the company's short term borrowing facilities having limit to the extent of Rs.315 million have expired and not been renewed. The company is facing litigations with three of its lenders for repayment of liabilities through attachment and sale of company's hypothecated / mortgaged properties and out of them two of the lenders had also filed winding up petition under section 305 of the companies ordinance 1984. These conditions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern, therefore the company may not be able to realize its assets and discharge its liabilities during the normal course of business.

The financial statements has been prepared on going concern assumption because the Company has executed Compromise Agreement dated December 23, 2011 with majority of its lenders and, in this connection, consent decrees have been granted by the Honorable High Court of Sindh, Karachi. Company's liabilities in respect of short term borrowings, long term loans, leases and overdue letters of credit have been rescheduled in the form of a syndicated long term loan of Rs.3.930 billion repayable in nine and half years with progressive mark up rates ranging from 2% to 13% over the period on outstanding principal. Moreover banks / financial institutions have allowed further working capital to the Company upto the limit to Rs.916.800 million. This will streamline the funding requirements of the Company which will ultimately help the management to run the operations smoothly with optimum utilization of production capacity. As the conditions mentioned in the foregoing paragraph are temporary and have started to be reverse.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention modified by the absorption of borrowing cost as referred to in note 3.16 and investments classifed as avaiable for sale are carried at fair value.

3.2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan with the exception of departure of IFRS as mentioned in 27.1 to the financial statements, for which the management concludes that provisioning of markup (note 27.1) would conflict with the objective of financial statements. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 provision of and directives issued under the Companies Ordinance, 1984. In case requirement differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

Standards, amendments or interpretations which became effective during the year

There are no amended standards and interpretations that are effective for the first time in the current year that would be expected to have a material impact on the Company.

New / revised accounting standards, amendments to published accounting standards, and interpretation that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit and loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit and loss is calculated based on the rate used to discount the defined benefit obligation. The amendments would result in charge of unrecognized loss of Rs.2.130 million.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10-Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12-Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations.

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on financial statements of the Company.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

- IFRIC 21- Levies an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

i) Provision for taxes
ii) Estimation of residual values and useful lives of property, plant and equipment.
iii) Staff retirement benefits

3.3 Staff retirement benefits

Defined benefit plan
The Company operates an un-funded gratuity scheme for its non management staff. Provisions are made on the basis of actuarial recommendations. The actuarial valuations are carried out with using the Projected Unit Credit Method, as required by International Accounting Standards (IAS-19). The unrecognized actuarial gains or losses at each valuation date are amortized over the average remaining working lives of the employees in excess of 10% of the present value of the defined benefit obligation.

3.4 Defined contribution plan:

The company upto June 30, 2010 was operating an unfunded gratuity scheme for its management employee. Provision was made accordingly in the financial statements to cover obligation under the scheme. The company has fully provided for the liability under the gratuity scheme as of June 30, 2010. Effective from 01 July, 2010, the company has, in place of gratuity scheme, established a recognized provident fund for its permanent management staff. Equal contributions are being made in respect thereof by the company and the employee in accordance with terms of the fund.

3.5 Taxation

Current
Provision for current taxation is based on current rates of tax after taking into account available tax credits and rebates available, if any.

Deferred
Deferred tax is recognized on all timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.6 Property, plant and equipment

Owned
The property, plant and equipments are stated at cost or revalued amounts less accumulated depreciation except lease hold land and capital work-in-progress which are stated at cost.

Depreciation is charged to income using the reducing balance method at the rates specified in note 14.1, whereby the cost of an asset is written off over its estimated useful life.

Depreciation on additions is charged from the month of acquisition or transfer of assets from capital work in progress on proportionate basis, and on disposals up to the month the asset was in use.

Any surplus arising on revaluation of property plant and equipment is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred tax) is transferred to unappropriated profit through statement of comprehensive income.

Leased

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligations under the lease are accounted for as liabilities. Assets acquired under finance lease are depreciated over the useful life of the assets and depreciation is computed commencing from the month in which the assets are first put to use.

Cost in relation to certain plant and machinery signifies historic cost, markup, interest, profit and other charges on counter liabilities up to the date of commissioning of the respective plant and machinery acquired against such liabilities. All other markup, interest, profit, and other charges are charged to income.

Major repairs and renewals are capitalized. Gains or losses on disposals of property, plant and equipments are included in income currently.

3.7 Stores and spares

These are valued at average cost except for those in transit, which are valued at cost.

3.8 Stock in trade

These are valued at lower of average cost and net realizable values, the cost is determined as follows:

Raw material	-	Average cost
Packing material	-	Average cost
Work in process	-	Average cost
Waste	-	Selling price
Finished goods	-	Average cost

Cost of finished goods comprise of prime cost and appropriate portion of production overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make the sale.

3.9 Foreign currency translation

Transactions in foreign currencies are recorded using the rates of exchange ruling at the date of transaction.

Assets and liabilities in foreign currencies, if any, are translated into rupees at the exchange rates prevailing on the balance sheet date except where forward exchange contracts have been entered into in which case the rates contracted for are used.

3.10 Available for sale Investments

Investments classified as available for sale and are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair values (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost. Gains and losses on remeasurement to fair value recognized directly in equity through the statement of changes in equity.

3.11 Revenue recognition

Revenue from sale is recognized on dispatch of goods to customers.
Dividend income is recognized on the basis of declaration by the investee company.

3.12 Trade debts

Trade debts originated by the company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts, if any. An estimate for doubtful debts is made when collection of full amount is no longer probable. Bad debts are written off as incurred.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise of cash and bank balances.

3.14 Transactions with related parties

All dealings with associated companies are carried out at arm's length using the Comparable Uncontrolled Price method.

3.15 Provision

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.16 Borrowing costs

Borrowings costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of the relevant asset.

3.17 Financial instruments

All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Gain or loss on derecognition of the financial assets and liabilities are taken to profit and loss account for the year in which the same arises.

3.18 Non current assets held for sale

Non current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less cost to sell.

3.19 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment loss. Any impairment loss arising is recognized as expense in the profit and loss account.

3.20 Off setting of financial assets and liabilities

A financial asset and a financial liability may be offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013	2012		2013	2012
(No. of Shares)			RUPEES	
1,500,000	1,500,000	Ordinary shares of Rs. 10/- each issued as fully paid in cash	15,000,000	15,000,000
225,000	225,000	Ordinary shares of Rs. 10/- each issued for consideration other than cash	2,250,000	2,250,000
11,779,609	11,779,609	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	117,796,090	117,796,090
13,504,609	13,504,609		135,046,090	135,046,090

5 RESERVES AND SURPLUS

	2013	2012
Revenue reserves		
General reserve	333,000,000	333,000,000
Accumulated loss	(756,268,535)	(881,802,406)
Capital reserves		
Un-realized gain due to change in fair value of investment	83,431,020	12,514,653
	(339,837,515)	(536,287,753)

6 SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENTS

	2013	2012
Opening balance	1,067,206,961	--
Surplus arising due to revaluation of property, plant and equipments	--	1,100,857,013
Transferred to unappropriated profit in respect of incremental depreciation for the year - Net of tax	(96,598,761)	(33,650,052)
	970,608,200	1,067,206,961
Related deferred tax liability		
Opening balance	247,300,334	--
Revaluation carried out during the year	--	311,897,255
Incremental depreciation	(33,809,566)	(11,777,518)
Effect of portion of company's income being assessed under Final Tax Regime	(11,251,278)	(52,819,403)
	202,239,490	247,300,334
Balance as at June 30	768,368,710	819,906,627

The following property, plant and equipments owned by the company were revalued on March 21, 2012 . The revaluation of property, plant and equipments was carried out by independent valuer M/s Iqbal A Nanjee & company (Private) limited, using prevailing market value being the basis of revaluation. The surplus arising from revaluation is Rs. 1,100.857 million. The closing balance of surplus on revaluation of property, plant and equipments is not available for distribution to shareholders.

PARTICULARS	W.D.V. of assets before revaluation	Revalued Amount	Revaluation Surplus
	RUPEES		
Lease hold land	778,000	210,500,000	209,722,000
Factory building on lease hold land	215,517,102	414,400,624	198,883,522
Non - factory building	4,896,471	33,795,399	28,898,928
Labour quarters	2,782,573	81,693,592	78,911,019
Plant, machinery & equipments	699,921,066	1,284,362,610	584,441,544
	923,895,212	2,024,752,225	1,100,857,013

7 LONG TERM FINANCING - Secured

Financier	Installments payable	Tenure	Mark-up rate	Note	2013 RUPEES	2012 RUPEES
From Banks and financial institutions - Secured						
Restructured long term financing	Quarterly	2011-2021	2 % to 13%	7.1	3,767,994,219	3,930,056,288
Less: Payments during the year					(76,947,272)	(162,062,069)
					3,691,046,947	3,767,994,219
Less: Current portion - Shown under current liabilities					460,104,990	80,000,000
					3,230,941,957	3,687,994,219

7.1 Compromise Agreement dated December 23, 2011 has been executed between the Company and majority of its lenders, consequent to which consent decrees have been granted by the Honorable High Court of Sindh, Karachi. Company's liabilities in respect of short term borrowings, long term loans, leases and overdue letters of credit have been rescheduled in the form of a syndicated long term financing of Rs.3.930 billion repayable in nine and half years with progressive mark up rates ranging from 2% to 13% over the period on outstanding principal. As per the agreement, markup outstanding as on December 21, 2011 is Rs.1.621 billion, which the company would be liable to pay in the event of default of terms of agreement. Moreover banks / financial institutions have also agreed to provide further working capital to the Company amounting to Rs.916.800 million.

The loan is secured against first pari passu hypothecation charge over stock, book debts, present and future property, plant and equipments of the company and personal guarantees of directors.

8 DEFERRED LIABILITY FOR STAFF GRATUITY

	Note	2013 RUPEES	2012 RUPEES
Opening balance		27,466,337	29,227,067
Paid during the year		(12,528,769)	(11,242,800)
		14,937,568	17,984,267
Provision for the year	8.1	9,966,804	9,482,070
	8.2	24,904,372	27,466,337

8.1 Provision for the year

Current service cost	7,661,160	7,322,160
Interest cost	2,195,372	1,975,686
Actuarial loss charge	110,272	184,224
	9,966,804	9,482,070

8.2 Balance sheet reconciliation

Present value of defined benefit obligations	14,215,240	16,887,477
Gratuity benefits payables (ceased)	12,818,966	12,818,966
Unrecognized actuarial loss	(2,129,834)	(2,240,106)
	24,904,372	27,466,337

8.3 Present value of defined benefit obligations

	2013	2012	2011	2010	2009
	RUPEES				
Present value of defined benefit obligations	14,215,240	16,887,477	16,464,046	15,922,901	21,435,692

8.4 Experience adjustments

	2013	2012	2011	2010	2009
	RUPEES				
Experience adjustments	NIL	(143,197)	NIL	1,323,902	NIL

8.5 Principal actuarial assumptions

	Note	2013	2012
		RUPEES	
Expected rate of increase in salaries		13%	13%
Discount factor used		12%	12%
Average expected remaining working life time of employees		5 years	5 years

9 DEFERRED TAXATION

	2013	2012
	RUPEES	
Credit balance arising due to:		
- accelerated tax depreciation	123,827,541	136,673,845
- revaluation - net of related depreciation	202,239,489	247,300,334
Debit balance arising due to		
- finance lease transactions	10,963,923	11,968,151
- staff gratuity	(6,619,449)	(7,921,345)
- carried over losses	(374,650,059)	(291,857,007)
	(44,238,555)	96,163,978
Deferred tax asset not recognized	246,478,044	151,136,356
	202,239,489	247,300,334

10 TRADE AND OTHER PAYABLES

	Note	2013	2012
Creditors for goods and services	10.1	202,341,816	266,758,128
Accrued expenses		121,109,990	82,099,053
Sales tax payable		2,593,406	--
Withholding income tax payable		92,425	1,079,927
Workers' profit participation fund		3,138,662	--
Workers welfare fund		15,536,001	14,343,309
Unclaimed dividend		254,206	254,206
		345,066,506	364,534,623

10.1 This includes amount of Rs.94.382 (2012: Rs.104.264) million being amount payable to the banks in respect of outstanding letter of credits.

11 SHORT TERM BORROWINGS - Secured

	Note	2013	2012
From banks and financial institutions:			
Short term running finances	11.1	183,818,932	189,155,632
Short term loans	11.2	536,805,757	285,772,029
Temporary book overdraft		102,788	--
		720,727,477	474,927,661

11.1 The facilities for running finance under mark up arrangement obtained from various commercial banks against available limits of Rs. 215 million at markup rate ranging from 2% to 3% per annum over three months KIBOR payable quarterly in arrears. The facilities are secured by way of hypothecation of stock in trade, book debts and other current assets of the company and personal guarantees of directors. These facilities have expired and not been renewed by the banks.

11.2 The facilities for short term loans under mark up arrangement obtained from various commercial banks against available limits of Rs. 1.017 million at markup rate ranging from 0% to 3.25% per annum over one / three months KIBOR payable quarterly in arrears. The facilities are secured by way of hypothecation of stock in trade, book debts, property, plant and equipments and other current assets and effective pledge on raw material and finished goods of the company and personal guarantees of directors. Finance facility having limit to the extent of Rs.100 million has expired and not been renewed by bank.

11.3 Certain banks have filed recovery suits as more fully explained in note 13.2 to the financial statements.

12 OVERDUE PORTION OF LEASE LIABILITY

The company has entered into leasing arrangements with a leasing company to acquire certain plant and machinery. The rentals under these lease agreements were payable in arrears in equal quarterly / monthly installments upto the year 2011. The company intends to exercise its option to purchase the leased plant and machinery at its residual value on completion of respective lease period. The company was unable to ensure timely payment, consequently the leasing company filed suit against the Company as more fully explained in note 13.2 to the financial statements.

Interest rates @ 16.52% to 16.80% (2012: 16.52 % to 16.80 %) have been used as discounting factor.

13 CONTINGENCIES AND COMMITMENTS

Contingencies

13.1 Guarantees issued by bank on behalf of the company	12,025,130	12,025,130

13.2 In respect of liabilities towards banks / financial institutions disclosed in note 10.1, 11 and 12 to the financial statements, certain banks / financial institutions have filed suits in Honorable High Court of Sindh at Karachi for recovery of their liabilities through attachment and sale of Company's hypothecated / mortgaged properties. The aggregate suits' amount is Rs. 412.669 Million, out of total suits amount two of the banks having suits to the extent of Rs.359.439 million have also filed winding up petition u/s 305 of the Companies Ordinance, 1984. Since the company is in dispute with banks / financial institutions therefore the estimated financial effect of litigations is not being disclosed, as it may have adverse affect on company's position in the suits.

The management has disputed the claims and is strongly contesting the cases. The management has filed counter claims alleging that the banks claims are highly exaggerated as they have charged markup on markup and other levies higher than the rate of markup agreed and other charges in violation of State Bank of Pakistan rules and all other applicable laws of Pakistan. The management is hopeful that the decision will be in favor of the company and the base less suits shall be rejected by the concerned courts. Since all the cases are pending before Honorable Courts therefore the ultimate outcome cannot be established at this stage.

13.3 As per terms of restructuring (refer to note 7.1) the markup outstanding up to the date of restructuring is Rs.1.621 billion, which the company would be liable to pay in the event of default of terms of agreement. The company expects no default in the payments.

13.4 Commitments

Commitments in respect of outstanding documentary credits amounting to Rs.320.625 (2012: Rs.115.869) million.

14 PROPERTY, PLANT AND EQUIPMENTS

	Note	2013	2012
		RUPEES	
Operating fixed assets - At cost less accumulated depreciation	14.1	1,911,479,209	2,070,823,046
Capital work in progress - At cost	14.4	5,454,864	4,626,978
		1,916,934,073	2,075,450,024

14.1 Operating fixed assets - At cost less accumulated depreciation

------------------------------ 2013 ------------------------------								
PARTICULARS	COST / REVALUATION			DEPRECIATION			Written Down Value	Rate %
	Opening Balance	Additions	Closing Balance	Opening Balance	For the Year	Closing Balance		
				RUPEES				
Owned assets:								
Lease hold land	210,500,000	--	210,500,000	--	--	--	210,500,000	--
Factory building on lease hold land	634,262,022	5,499,296	639,761,318	234,187,888	40,053,240	274,241,128	365,520,190	10
Non - factory building	59,112,130	--	59,112,130	6,924,704	5,218,743	12,143,447	46,968,683	10
Labour quarters	129,538,529	--	129,538,529	54,699,113	18,709,854	73,408,967	56,129,562	25
Plant, machinery and equipments	2,501,509,072	32,090,893	2,533,599,965	1,275,910,319	123,145,046	1,399,055,365	1,134,544,600	10
Electric installation	15,280,016	--	15,280,016	14,314,864	144,773	14,459,637	820,379	15
Vehicles	60,237,921	2,028,225	62,266,146	50,316,327	2,100,705	52,417,032	9,849,114	20
Furniture and fixture	8,701,801	190,900	8,892,701	6,252,835	251,014	6,503,849	2,388,852	10
Office equipments	11,342,375	210,720	11,553,095	8,649,548	581,018	9,230,566	2,322,529	15
Sub total	3,630,483,866	40,020,034	3,670,503,900	1,651,255,598	190,204,393	1,841,459,991	1,829,043,909	
Leased assets:								
Plant and machinery	128,705,731	--	128,705,731	37,110,953	9,159,478	46,270,431	82,435,300	10
Sub total	128,705,731	--	128,705,731	37,110,953	9,159,478	46,270,431	82,435,300	
30th June 2013	3,759,189,597	40,020,034	3,799,209,631	1,688,366,551	199,363,871	1,887,730,422	1,911,479,209	

---------------------------- 2012 ----------------------------											
PARTICULARS	COST					DEPRECIATION				Written Down Value	Rate %
	Opening Balance	Additions	Revaluation	Transfer	Closing Balance	Opening Balance	Transfer	For the Year	Closing Balance		
						RUPEES					
Owned assets:											
Lease hold land	778,000	--	209,722,000	--	210,500,000	--	--	--	--	210,500,000	--
Factory building on lease hold land	435,378,500	--	198,883,522	--	634,262,022	204,467,319	--	29,720,569	234,187,888	400,074,134	10
Non - factory building	10,518,884	19,694,318	28,898,928	--	59,112,130	5,272,665	--	1,652,039	6,924,704	52,187,426	10
Labour quarters	50,627,510	--	78,911,019	--	129,538,529	47,288,423	--	7,410,690	54,699,113	74,839,416	25
Plant, machinery and equipments	1,867,794,368	13,223,995	584,441,544	36,049,165	2,501,509,072	1,166,868,693	19,325,390	89,716,236	1,275,910,319	1,225,598,753	10
Electric installation	15,280,016	--	--	--	15,280,016	14,144,543	--	170,321	14,314,864	965,152	15
Vehicles	56,189,621	4,048,300	--	--	60,237,921	48,005,128	--	2,311,199	50,316,327	9,921,594	20
Furniture and fixture	8,701,801	--	--	--	8,701,801	5,980,728	--	272,107	6,252,835	2,448,966	10
Office equipments	11,342,375	--	--	--	11,342,375	8,174,343	--	475,205	8,649,548	2,692,827	15
Sub total	2,456,611,075	36,966,613	1,100,857,013	36,049,165	3,630,483,866	1,500,201,842	19,325,390	131,728,366	1,651,255,598	1,979,228,268	
Leased assets:											
Plant and machinery	164,754,896	--	--	(36,049,165)	128,705,731	44,400,948	(19,325,390)	12,035,395	37,110,953	91,594,778	10
Sub total	164,754,896	--	--	(36,049,165)	128,705,731	44,400,948	(19,325,390)	12,035,395	37,110,953	91,594,778	
30th June 2012	2,621,365,971	36,966,613	1,100,857,013	--	3,759,189,597	1,544,602,790	--	143,763,761	1,688,366,551	2,070,823,046	

14.2 Depreciation charge for the year has been allocated as follows:

	2013	2012
Cost of sales	197,897,502	142,234,505
Administrative and general expenses	1,466,369	1,529,256
	199,363,871	143,763,761

14.3 Had there been no revaluation the carrying amounts of revalued assets would have been as follows:

	2013	2012
Lease hold land	778,000	778,000
Factory building on lease hold land	192,491,526	207,820,063
Non - factory building	21,826,616	24,251,796
Labour quarters	1,878,236	2,504,315
Plant, machinery and equipments	626,080,457	643,914,819
	843,054,835	879,268,993

		Note	2013	2012
14.4	**Capital work in progress - At cost**		RUPEES	
	Opening balance		4,626,978	23,186,880
	Additions during the year		6,327,182	4,626,978
			10,954,160	27,813,858
	Transfer during the year		(5,499,296)	(23,186,880)
	Closing balance	14.5	5,454,864	4,626,978
14.5	**Breakup is as follows:**			
	Civil works		--	4,626,978
	Electric installation		5,454,864	--
			5,454,864	4,626,978

15 INVESTMENTS

	Note	2013	2012
In related party (associated company):			
Shares in Dewan Salman Fibre Limited (Public, quoted company) 104,288,773 (2012: 104,288,773) Fully paid ordinary shares of Rs. 10/- each. (28.47% holding)		210,000,000	210,000,000
Unrealized gain / (loss) due to change in fair value of investment / accumulated impairment		31,949,958	(38,966,409)
		241,949,958	171,033,591
Less: Transferred to non-current assets held for sale	22	(241,949,958)	--
		--	171,033,591
Market value (Rupees per share)		2.52	1.64

16 LONG TERM DEPOSITS

	Note	2013	2012
Security deposits		53,921,685	47,852,685

17 STORES AND SPARES

	Note	2013	2012
Stores and spares		37,675,276	39,123,040
Packing material		8,486,348	7,010,712
		46,161,624	46,133,752

18 STOCK IN TRADE

	Note	2013	2012
Raw materials	18.1	969,644,225	1,028,482,817
Work in process		39,124,783	39,164,550
Finished goods	18.2	272,150,962	300,295,639
Stock in transit		334,254,635	--
		1,615,174,605	1,367,943,006

18.1 Raw materials stocks valuing Rs.68.122 million (2012: Rs.250.475 million) were pledged with the banks against the finance facilities obtained by the Company.

18.2 Finished goods stocks valuing Rs.120.271 million were pledged with the banks against the finance facilities obtained by the Company.

		Note	2013	2012
			RUPEES	
19	**ADVANCES - Considered good**			
	Employees		5,367,656	3,475,366
	Suppliers		9,120,953	10,179,169
	Against import		12,170,759	5,897,422
	Advance payment against un-restructured loans		6,062,342	6,062,342
	Others		10,127,113	5,117,018
			42,848,823	30,731,317
20	**SHORT TERM DEPOSITS AND CURRENT ACCOUNT BALANCES WITH STATUTORY AUTHORITIES**			
	Short term deposits and margin		6,846,351	9,427,374
	Sales tax receivable		33,385,901	18,535,737
			40,232,252	27,963,111
21	**CASH AND BANK BALANCES**			
	Cash in hand		326,745	297,498
	Cash at banks - Current accounts		40,080,488	31,437,436
			40,407,233	31,734,934
22	**NON CURRENT ASSETS HELD FOR SALE**			
	Investment in Dewan Salman Fibre Limited			
	104,288,773 Fully paid ordinary shares of Rs. 10/- each		241,949,958	--

The above investment has been classified as held for sale upon management's intention to sell the same within next accounting cycle in the manner to be deemed appropriate, equitable, fit and beneficial to the interests of the company. The approval of shareholders is being obtained in upcoming annual general meeting of the company. As required by IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’ the investment has been carried at lower of carrying amount and fair value less cost to sell. The fair value of investments as of reporting date based on quoted prices was Rs.262.808 million which further enhanced to Rs.270.108 million on the date the financial statements were authorized for issue.

			2013	2012
23	**SALES - Net**			
	Gross sales :			
	Yarn:			
	Export		1,857,905,209	559,515,023
	Local		1,725,564,110	2,419,966,478
	Conversion charges		325,718,900	121,066,650
	Waste - Local		50,511,055	56,972,256
			3,959,699,274	3,157,520,407
	Less :			
	Sales tax		15,468,838	--
	Sales return		16,050,404	--
			(31,519,242)	--
			3,928,180,032	3,157,520,407

24 COSTS OF SALES

	Note	2013 RUPEES	2012 RUPEES
Raw material			
Opening stock		1,028,482,817	960,814,284
Purchases - Net		2,373,369,196	2,445,279,709
		3,401,852,013	3,406,093,993
Closing stock		(969,644,225)	(1,028,482,817)
Raw material consumed		2,432,207,788	2,377,611,176
Manufacturing overheads			
Packing material consumed		64,715,771	53,318,569
Stores and spares consumed		75,243,203	56,089,855
Salaries, wages and others benefits	24.1	361,415,032	290,487,333
Fuel and power		394,219,323	323,432,402
Rent, rates and taxes		4,265,263	3,448,341
Insurance		8,541,373	7,170,040
Vehicle running and maintenance		6,557,352	3,665,014
Repair and maintenance		3,334,637	3,322,280
Depreciation	14.2	197,897,502	142,234,505
		1,116,189,456	883,168,339
Total manufacturing cost		3,548,397,244	3,260,779,515
Work in process (Opening)		39,164,550	45,673,045
Work in process (Closing)		(39,124,783)	(39,164,550)
		39,767	6,508,495
Cost of goods manufactured		3,548,437,011	3,267,288,010
Finished goods (Opening)		300,295,639	268,181,565
Purchase of yarn		26,041,113	19,600,301
		326,336,752	287,781,866
Finished goods (Closing)		(272,150,962)	(300,295,639)
Cost of sales		3,602,622,801	3,254,774,237

24.1 Salaries, wages and other benefits includes amount of Rs.13.769 million (2012: Rs.12.474 million) in respect of staff retirement benefits.

25 DISTRIBUTION COST AND SELLING EXPENSES

	2013	2012
Salaries, allowances and others benefits	3,526,166	639,416
Commission on local sales	20,331,649	12,365,018
Commission on export sales	41,263,602	16,632,711
Freight and octroi	13,345,820	5,398,613
Export expenses	18,329,537	4,304,472
Ocean freight	26,422,016	6,920,400
Advertisement and publicity	64,600	103,310
Others	139,706	643,519
	123,423,096	47,007,459

	Note	2013	2012
		RUPEES	

26 ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2013	2012
Salaries, allowances and others benefits	26.1	14,612,748	11,456,315
Communication		2,241,086	1,253,296
Vehicle expenses		4,625,879	4,249,639
Legal and professional		2,966,423	1,710,982
Auditors' remuneration	26.2	835,000	775,000
Printing and stationery		2,686,120	1,800,460
Fee and subscription		1,017,948	1,225,683
Entertainment		2,069,710	1,492,947
Traveling and conveyance		3,671,839	1,210,775
Rent rates and taxes		2,906,729	7,335,876
Repair and maintenance		220,881	140,871
Depreciation	14.2	1,466,369	1,529,256
Others		427,465	190,216
		39,748,197	34,371,316

26.1 Salaries, allowances and others benefit includes amount of Rs.1.520 million (2012: Rs. 0.574 million) in respect of staff retirement benefits.

26.2 Auditors' remuneration

	2013	2012
Audit fee	550,000	500,000
Half yearly review	250,000	250,000
Out of pocket expenses	35,000	25,000
	835,000	775,000

27 FINANCE COST

	2013	2012
Mark up on long term financing	74,820,763	95,298,369
Mark up on short term borrowings	24,621,794	27,190,432
Restructuring fee	--	15,423,414
Bank charges	10,257,273	5,964,463
	109,699,830	143,876,678

27.1 Company has not made the provision of markup for the year amounting to Rs.44.868 million (upto June 30, 2012: Rs.165.178 million) in respect of borrowings of certain banks who have not yet accepted the restructuring proposal. The Management of the company is quite hopeful that these banks will also accept restructuring proposal in near future. Had the provision been made the profit for the year would have been lower by Rs. 44.868 millions and accrued markup would have been higher and shareholders' equity would have been lower by Rs.210.046 million. The said non provisioning is departure from the requirements of IAS-23 'Borrowing Costs".

28 OTHER CHARGES

	Note	2013	2012
Donations	28.1	3,979,000	3,200,000

28.1 Donation include a sum Rs.3.000 million (2012: Rs.3.200 million) paid to M/s Dewan Farooque Trust (Related party) where following directors / spouses hold following positions:

- Dewan M. Yousuf Farooqui - Chairman Board of Trustees
- Haroon Iqbal - Trustee
- Aziz ul Haq - Trustee
- Mrs. Hina Yousuf (Spouse of Director) - Trustee

	Note	2013	2012
		RUPEES	
29 OTHER INCOME			
Net exchange gain		14,066,130	8,184,015

30 TAXATION

30.1 Current

The Income tax assessment of the Company deemed to have been finalized upto and including tax year 2012. In respect of tax year 2010 company has filed an appeal against order U/s 122(1) against the demand created amounting to Rs.9.817 million, the decision of which is pending.

Relationship between income tax expense and accounting profit	2013	2012
Accounting profit / (loss) as per profit and loss account	58,441,884	(317,525,268)
Applicable tax rate	35%	35%
Tax on accounting profit	20,454,659	(111,133,844)
Tax effect of accelerated tax depreciation	21,315,852	17,715,657
Tax effect of export sales subject to tax separately U/s 169	(120,242,015)	36,001,104
Tax effect on expenses that are not deductible in determining taxable income charged to profit and loss A/c	251,721	408,812
Effect on loss carried forward	78,219,783	57,008,270
Tax payable under normal rules	--	--
Minimum tax payable under income tax ordinance 2001	29,506,774	31,351,397

31 EARNINGS / (LOSS) PER SHARE - Basic and diluted

There is no dilutive effect on earnings per share of the company which is based on:

	2013	2012
Profit / (loss) after taxation	62,744,676	(337,099,147)
	NUMBER OF SHARES	
Weighted average number of shares	13,504,609	13,504,609
	RUPEES	
Earnings / (loss) per share - Basic and diluted	4.65	(24.96)

32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2013				2012			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial remuneration	--	360,000	13,472,981	13,832,981	--	360,000	8,778,000	9,138,000
House rent allowance	--	145,000	6,062,841	6,207,841	--	145,000	3,950,100	4,095,100
Utilities	--	35,000	1,347,298	1,382,298	--	35,000	877,800	912,800
Conveyance	--	--	3,655	3,655	--	--	1,500	1,500
	--	540,000	20,886,775	21,426,775	--	540,000	13,607,400	14,147,400
Number of persons	--	1	11	12	--	1	5	6

In addition to above the certain executives of the company are provided with free use of vehicles.

33 TRANSACTIONS WITH RELATED PARTIES

Related parties includes associated group companies, directors, executives, key management personals and staff retirement funds. The remuneration paid to chief executive, directors, executive and key management personal in terms of their employment is disclosed in note 32 to the financial statements.

During the year aggregate transactions made by the company with the associated companies were purchases of Rs.83.675 million (2012: Rs.37.834 million) , sales of Rs.118.391 million (2012: Rs.43.004 million), provident fund contribution of Rs.6.842 million (2012: Rs.7.135 million.) and shared expenses of Rs.8.757 million (2012:Rs.27.760).

34 PLANT CAPACITY AND PRODUCTION

PARTICULARS	For year ended, June 30, 2013 Kgs	For year ended, June 30, 2012 Kgs
Actual production at actual average count	19,057,026	16,052,642
Actual production converted to 20 count	16,954,602	14,236,118
Attainable capacity converted to 20 count	19,397,749	19,290,133
Number of spindles installed	65,544	65,544
Number of spindles worked	56,844	48,570
Number of shifts worked during the year	1,050	1,013

35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company is exposed to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

The board of directors has the overall responsibility for the establishment and oversight of company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

35.1 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. The company's credit risk is primary attributable to its receivables and balances with banks.

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	2013	2012
	RUPEES	
Trade debts	1,579,944,210	1,574,630,006
Investments	241,949,958	171,033,591
Deposits	94,153,937	75,815,796
Advances and other receivables	42,848,823	30,731,317
Bank balances	40,080,488	31,437,436
	1,998,977,416	1,883,648,146

The company manages credit risk of receivables through the monitoring of credit exposures and continuous assessment of credit worthiness of its customers. The company believes that it is not exposed to any major concentration of credit risk as its customers are credit worthy and when there is doubt about the customer's credit worthiness the sales are made through letter of credit and dealing banks posses good credit ratings.

The aging of trade debts at the reporting dates was:

Not past due	505,582,147	472,389,002
Past due 0-30 days	284,389,958	314,926,001
Past due 30-150 days	766,272,942	755,822,403
Past due 150 days	23,699,163	31,492,600
	1,579,944,210	1,574,630,006

Based on past experience the management believes that no impairment allowance is necessary in respect of trade debts past due as over 43 % of trade debts have been recovered subsequent to the balance sheet date and for rest of the trade debts management believes that the same will be recovered in short course of time. The credit quality of the company's receivable can be assessed with their past performance of no default. The investment is being carried at fair value using the quoted market price of investment, based on which the fair value is higher than the cost of investments. The credit quality of the company's banks can be assessed by their external credit ratings:

Name of Bank	Rating Agency	Rating	
		Short term	Long term
Habib Bank Limited	JCR-VIS	A-1+	AA+
United Bank Limited	JCR-VIS	A-1+	AA+
Standard Chartered Bank	PACRA	A1+	AAA
MCB Bank Limited	PACRA	A1+	AA+
Meezan Bank Limited	JCR-VIS	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank Islami Pakistan Limited	PACRA	A1	A

35.2 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. The following are the contractual maturities of the financial liabilities, including estimated markups:

2013	Carrying Amount	Contractual Cash Flow	Six Months or Less	Six to Twelve Months	Two to eight Years
			RUPEES		
Financial Liabilities					
Long term financing - Secured	3,691,046,947	4,661,054,211	266,583,571	318,385,563	4,076,085,078
Liabilities against assets subject to finance lease	41,185,703	44,596,962	44,596,962	--	--
Trade and other payables	345,066,506	345,066,506	345,066,506	--	--
Markup accrued	23,772,596	23,772,596	23,772,596	--	--
Short term borrowings - Secured	720,727,477	757,905,661	757,905,661	--	--
	4,821,799,229	5,832,395,937	1,437,925,296	318,385,563	4,076,085,078

2012	Carrying Amount	Contractual Cash Flow	Six Months or Less	Six to Twelve Months	Two to eight Years
			RUPEES		
Financial Liabilities					
Long term financing - Secured	3,767,994,219	4,823,827,252	77,777,906	76,866,515	4,669,182,832
Liabilities against assets subject to finance lease	41,185,703	82,618,876	82,618,876	--	--
Trade and other payables	364,534,623	364,534,623	364,534,623	--	--
Markup accrued	44,616,553	44,616,553	44,616,553	--	--
Short term borrowings - Secured	474,927,661	550,916,087	550,916,086.76	--	--
	4,693,258,759	5,866,513,391	1,120,464,044	76,866,515	4,669,182,832

All the financial liabilities of the company are non derivative financial liabilities. The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effect as at June 30.

35.3 Market Risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of financial instruments. The company is exposed to currency risk and interest rate risk only.

35.3.1 Currency risk

Foreign currency risk arises mainly where receivables and payables exists due to transactions in foreign currencies. The financial instruments of the company exposed mainly includes foreign receivables, however as of reporting date there were no outstanding liabilities in foreign currencies.

35.3.2 Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The company's exposure to the risk of changes in interest rates relates primarily to the following:

	2013	2012
Fixed rate instruments at carrying amounts:	RUPEES	
Financial liabilities		
Long term financing	3,691,046,947	3,767,994,219
Variable rate instruments at carrying amounts:		
Financial liabilities		
Lease liability	41,185,703	41,185,703
Short term borrowings	720,727,477	474,927,661
	761,913,180	516,113,364

Fair value sensitivity analysis for fixed rate instruments:

The company does not account for any fixed rate financial assets at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased / decreased loss/profit for the year by the amounts shown below:

Effect on loss due to change of 100 BPs		
Increase / decrease	2,641,823	2,917,428

The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

35.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying values of financial instruments reflected in these financial statements approximate their fair values.

35.5 Capital risk management

The company's prime objective when managing capital is to safe guard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

36 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified for the purpose of comparison and better presentation, Significant reclassifications are as follows:

a) Deposits amounting to Rs. 40.053 million have been reclassified from short term to long term deposits.

b) Commission on sales amounting to Rs.28.998 million previously net off from sales have been reclassified under distribution cost.

37 DATE OF AUTHORIZATION TO ISSUE

These financial statements were authorized for issue on 27th September 2013 by the Board of Directors of the Company.

38 GENERAL

These financial statements are presented in rupees and figures have been rounded off to the nearest rupee.

Dewan Abdul Baqi Farooqui
Chief Executive

Haroon Iqbal
Director

PATTERN OF SHAREHOLDING
THE CODE OF CORPORATE GOVERNANCE
AS ON 30TH JUNE 2013

Srl #	Categories of Shareholders	Number of Shareholders	Number of Shares held	% of Shareholding
1.	**Associated Companies**	1	1,306,887	9.68%
2.	**NIT and ICP**	-	-	0.00%
3.	**Directors, CEO, their Spouses & Minor Children**	9	5,924,597	43.87%
4.	**Executives**	-	-	0.00%
5.	**Public Sector Companies & Corporations**	4	11,040	0.08%
6.	**Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds**	-	-	0.00%
7.	**Individuals**	248	6,262,085	46.37%
	TOTAL	**262**	**13,504,609**	**100.00%**

DETAILS OF CATAGORIES OF SHAREHOLDERS

Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1.	**Associated Companies**			
1.1	Dewan Motors (Pvt.) Limited	1	1,306,887	9.68%
2.	**NIT and ICP**			
		-	-	0.00%
3.	**Directors, CEO, their Spouses & Minor Children**			
	Directors and CEO			
3.1	Dewan Muhammad Yousuf Farooqui	1	3,110,518	23.03%
3.2	Dewan Abdul Baqi Farooqui	1	834,380	6.18%
3.3	Dewan Abdul Rehman Farooqui	1	1,669,053	12.36%
3.4	Mr. Haroon Iqbal	1	500	0.00%
3.5	Mr. Muhammad Baqir Jafferi	1	500	0.00%
3.6	Mr. Ishtiaq Ahmed	1	500	0.00%
3.7	Mr. Aziz-ul-Haque	1	1,000	0.01%
		7	**5,616,451**	**41.59%**
	Spouses of Directors and CEO			
3.8	Mrs. Heena Yousuf	1	259,040	1.92%
3.9	Mrs. Samina Rehman	1	49,106	0.36%
		2	**308,146**	**2.28%**
	Minor Children of Directors and CEO			

SHAREHOLDERS HOLDING 5% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY

Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1	Dewan Muhammad Yousuf Farooqui	1	3,110,518	23.03%
2	Dewan Abdul Rehman Farooqui	1	1,669,053	12.36%
3	Dewan Abdul Mannan Mutaqi	1	1,536,840	11.38%
4	Dewan Motors (Pvt.) Limited	1	1,306,887	9.68%
5	Dewan Zia-ur-Rehman Farooqui	3	990,968	7.34%
6	Dewan Muhammad Hamza Farooqui	1	960,174	7.11%
7	Dewan Abdullah Ahmed Swalleh	1	845,334	6.26%
8	Dewan Asim Mushfiq Farooqui	1	834,465	6.18%
9	Dewan Abdul Baqi Farooqui	1	834,380	6.18%

DETAILS OF TRADING IN THE SHARES OF THE COMPANY BY DIRECTORS, CEO, CFO, COMPANY SECRETARY, THEIR SPOUSES AND MINOR CHILDREN

During the year under review, none of the CEO, CFO, Directors, Company Secretary, their spouses and minor children have traded in the shares of the Company.

THE COMPANIES ORDINANCE, 1984

FORM 34

(Section 236(1) and 464)

PATTERN OF SHAREHOLDING

1. Incorporation Number: **0003113**
2. Name of the Company: **DEWAN TEXTILE MILLS LIMITED**
3. Pattern of holding of the shares held by the Shareholders as at: 3 0 | 0 6 | 2 0 1 3

4.

Number of Shareholders	Shareholdings				Total Shares held
132	1	-	100	Shares	2,119
45	101	-	500	Shares	13,384
19	501	-	1,000	Shares	13,873
34	1,001	-	5,000	Shares	73,803
7	5,001	-	10,000	Shares	57,980
4	10,001	-	15,000	Shares	47,024
3	15,001	-	25,000	Shares	65,506
1	25,001	-	35,000	Shares	32,816
1	35,001	-	50,000	Shares	49,106
1	50,001	-	65,000	Shares	62,503
1	65,001	-	70,000	Shares	67,621
1	70,001	-	80,000	Shares	78,503
2	80,001	-	260,000	Shares	518,080
2	260,001	-	405,000	Shares	802,293
1	405,001	-	525,000	Shares	522,347
2	525,001	-	835,000	Shares	1,668,845
1	835,001	-	850,000	Shares	845,334
1	850,001	-	965,000	Shares	960,174
1	965,001	-	1,310,000	Shares	1,306,887
1	1,310,001	-	1,540,000	Shares	1,536,840
1	1,540,001	-	1,670,000	Shares	1,669,053
1	1,670,001	-	3,115,000	Shares	3,110,518
262	**TOTAL**				**13,504,609**

5.

	Categories of Shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer, their spouses and minor children	5,924,597	43.87%
5.2	Associated Companies, undertakings and related parties	1,306,887	9.68%
5.3	NIT and ICP	-	0.00%
5.4	Banks, Development Financial Institutions, Non-Banking Finance Companies	-	0.00%
5.5	Insurance Companies	-	0.00%
5.6	Modarabas and Mutual Funds	-	0.00%
5.7	Shareholders holding 5%	12,088,619	89.51%
5.8	General Public		0.00%
	a. Local	6,261,085	46.36%
	b. Foreign	1,000	0.01%
5.9	Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees)	11,040	0.08%

DEWAN TEXTILE MILLS LIMITED
44th ANNUAL GENERAL MEETING

FORM OF PROXY

This form of Proxy duly completed must be deposited at our Shares Registrar Transfer Agent **BMF Consultants Pakistan (Private) Ltd.** Anum Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, Adjacent Baloch Colony Bridge, Karachi-75350, Pakistan. Not later than 48 hours before the time of holding the meeting A Proxy should also be a member of the Company.

I/we ______________________________

of ______________________________ being a member (s) of

DEWAN TEXTILE MILLS LIMITED and holder of ______________________________

Ordinary Shares as per Registered Folio No./CDC Participant's ID and Account No. ____________

hereby appoint ______________________________

of ______________________________

or failing him ______________________________

of ______________________________

who is also member of DEWAN TEXTILE MILLS LIMITED vide Registered Folio

No./CDC Participant's ID and Account No. ____________ as my/our proxy to vote for me/us and

on my/our behalf at the 44th Annual General Meeting of the Company to be held on **Wednesday, October 30, 2013, at 10:00 a.m.** And any adjournment thereof.

Signed this ______________________ day of ____________ 2013.

Affix
Revenue
Stamp
Rs. 5/-

Signature ______________________

Witness: ______________________
SIGNATURE

Name : ______________________

Address : ______________________

____

Witness: ______________________
SIGNATURE

Name : ______________________

Address : ______________________

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