

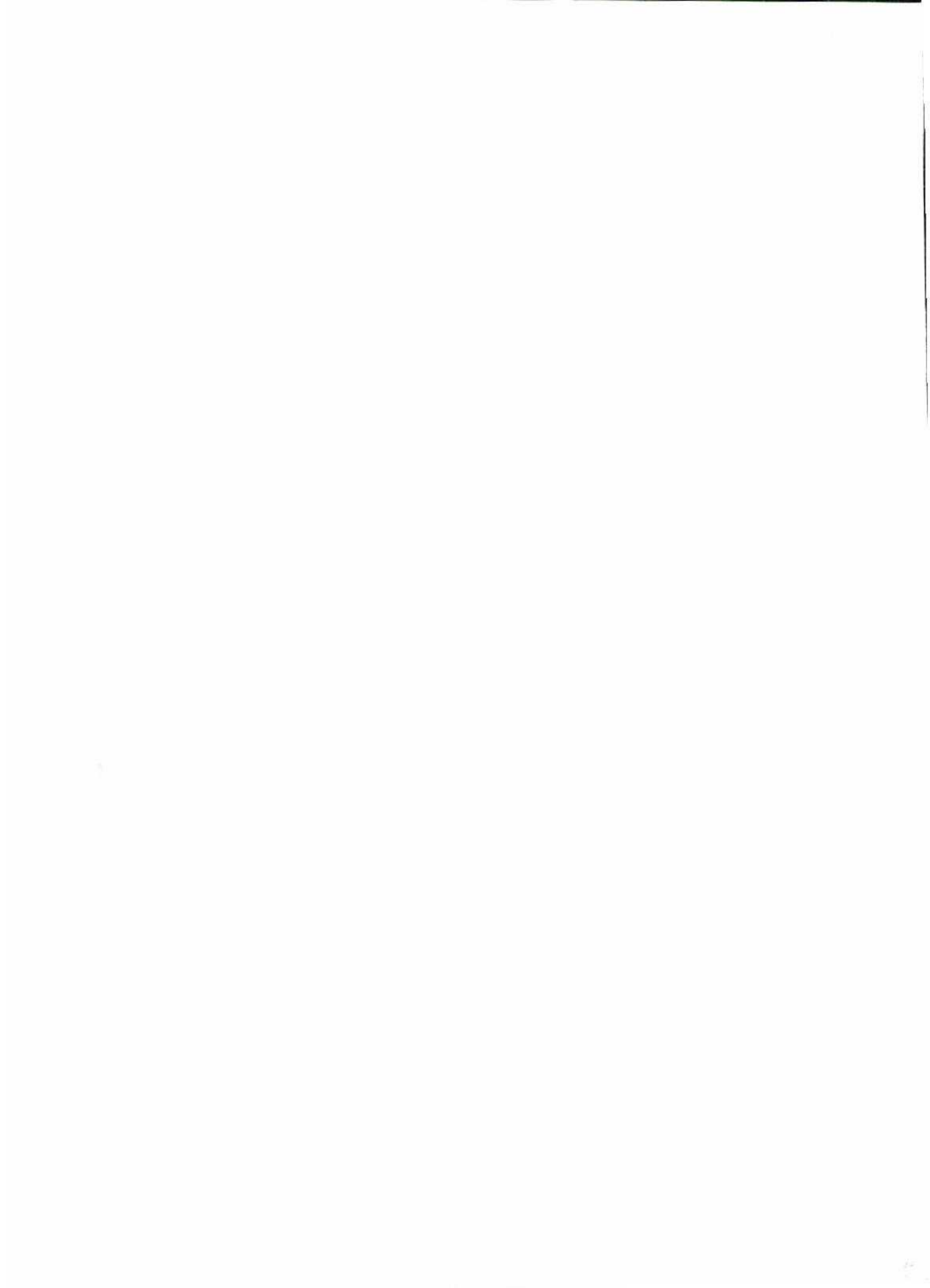
ANNUAL REPORT 2014



**DEWAN MUSHTAQ TEXTILE
MILLS LIMITED**



YD | A YOUSUF DEWAN COMPANY





Mission Statement

The Mission of Dewan Mushtaq 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.

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COMPANY INFORMATION


BOARD OF DIRECTORS	:	
Executive Director	:	Dewan Abdul Baqi Farooqui - Chief Executive Officer
Non-Executive Directors	:	Dewan Muhammad Yousuf Farooqui Dewan Abdulfah Ahmed Swaleh Dewan Abdul Rehman Farooqui Mr. Haroon Iqbal Mr. Ishtiaq Ahmed
Independent Director	:	Mr. Aziz-ul-Haque
AUDIT COMMITTEE	:	Mr. Aziz-ul-Haque (Chairman) Dewan Abdul Rehman Farooqui (Member) Mr. Haroon Iqbal (Member)
HUMAN RESOURCE & REMUNERATION COMMITTEE	:	Dewan Muhammad Yousuf Farooqui (Chairman) Dewan Abdul Baqi Farooqui (Member) Mr. Haroon Iqbal (Member)
COMPANY SECRETARY	:	Syed Muhammad Salahuddin
CHIEF FINANCIAL OFFICER	:	Mehmood-Ul-Hassan Asghar
LEGAL ADVISORS	:	A. K. Brohi & Co. Advocates
BANKERS	:	Habib Bank Limited Bank Islami Pakistan Limited MCB Bank Limited Sik Bank Limited
AUDITORS	:	Feroze Sharif Tariq & Co. Chartered Accountants 4/N/4 Block-6, P.E.C.H.S., Karachi 75400, Pakistan.
TAX ADVISORS	:	Sharif & Co. Advocates
REGISTERED OFFICE	:	Finance & Trade Centre Block-A, 8 th Floor, Shahrah-e-Faisal, Karachi
SHARE REGISTERED / TRANSFER AGENT	:	BMF Consultants Pakistan (Private) Limited Anum Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, adjacent to Baloch Colony Bridge, Karachi 75350, Pakistan.
FACTORY	:	A-30, S.I.T.E., Hyderabad, Sindh, Pakistan.
WEBSITE	:	www.yousufdewan.com

NOTICE OF 53rd ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty Third Annual General Meeting of **Dewan Mushtaq Textile Mills Limited** ("**DMTML**" or "**the Company**") will be held on **Thursday, October 30, 2014, at 11:30 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 Annual General Meeting of the Company held on Wednesday, October 30, 2013;
2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2014, together with 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 26, 2014
Place : Karachi

NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from October 23, 2014 to October 30, 2014 (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 above-said 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) **For Attending Meeting:**
 - 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, along with the specimen signature of the nominee, shall be produced (unless it has been provided earlier) at the time of meeting.

b) For Appointing Proxies:

- 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 along with 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, along with 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, 2014 together with the Auditors' Report thereon.

Overview

The textile spinning industry faced many challenges during the year under review. Textile spinning industry has been facing distressed and unfortunate set of circumstances which hampered the smooth operations of several units. The market has been undergoing through its bad time both domestically and internationally. Extensive load shedding and limited gas supply have adversely affected the production capacities of the industry. Moreover sluggish economic growth, deteriorating law & order situation coupled with increased cost of gas have made yarn prices uncompetitive in the market. In effect, many units in the sector are facing financial difficulties but have managed to remain in production to keep them afloat.

Operating results and performance:

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

	"Rupees"
SALES (NET)	1,571,344,675
COST OF SALES	(1,483,134,627)
GROSS PROFIT	88,210,048
OPERATING EXPENSES	(60,208,927)
OPERATING PROFIT	28,001,121
OTHER CHARGES	(32,831,896)
LOSS BEFORE TAXATION	(4,830,775)
TAXATION	(19,126,326)
LOSS AFTER TAXATION	(23,957,101)

During the year, Company has achieved net sale of Rs.1.571 billion as compared to Rs.1.591 billion of last year. Company has earned gross profit of Rs. 88.210 million as compared to the gross profit of Rs. 69.017 million of previous year, whereas operating expenses of the company have increased by Rs. 10.010 million.

Decrease in production volume, during the year, was the result of the said under utilization of plant capacity, which brought about lesser sales volumes. The decrease in gross margins was also resulted due to the increase in cost of various inputs. During the entire period raw material prices remained volatile which affected the cost of purchases, furthermore, the increase in gas prices and minimum wages have also pushed the cost of goods manufactured towards the higher side. Increased raw material prices did not reciprocate by the increase in yarn market prices which has also shrunk the gross margins.

In 2011-12, Company had settled with its lenders through Compromise Agreement 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.

Future Outlook

The key challenges facing Pakistan's economy regarding long standing financial issues 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 and load shedding are affecting the economy badly; however, some initiatives which are being taken by the government will hopefully improve the situation in near future. Business environment needs political stability along with improvement in law and order situation in the country.

In a backdrop of recent floods, a decline in cotton production has been forecasted which might result in higher cotton prices in future. Since the input costs of man-made fiber as compared to cotton cost is relatively cheaper for the last few years, therefore the usage of man-made fiber might be increased in the times to come due to its cost effectiveness and availability, but in effect it is the demand supply phenomenon that may put pressure on the prices of raw material in future.

Corporate Social Responsibilities

We are also committed to Corporate social responsibility (CSR) and integrating sound social practices in our day to day business activities. CSR is an important part of who we are and how we operate. We measure our success not only in terms of financial criteria but also in building customer satisfaction and supporting the communities we serve. Company has donated a sum of Rs. 3.956 million for social and charitable cause.

Health, Safety and Environment

The management of the company is aware of its responsibility to provide a safe and healthy working environment to our associates and give it the highest priority. Our safety culture is founded on the premise that all injuries are preventable if due care is taken. Continual efforts for provision of safe, healthy and comfortable working conditions for the employees are made. We follow up and investigate on all incidents and injuries to address their root causes. We believe that safety and health is a journey of continuous improvement and eternal diligence. We will continue to take steps to improve the safety and health of all of our associates.

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 training 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.

Compliance with 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 year ended June 30, 2014.

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 Company has constituted an Audit Committee from amongst the non-executive members of its Board.
8. The Board has prepared and circulated a Statement of Ethics and Business Practices amongst its members and the company's employees.
9. There are no doubts upon the company's Going Concern.
10. Information regarding the outstanding taxes and levies is given in the notes to the financial statements.
11. The value of investment made by the Provident fund as per its respective accounts is Rs.12,292 million (2013:10,155 million)
12. 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;

DEWAN MUSHTAQ TEXTILE MILLS LIMITED

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 five meetings of the Board were held. The attendance of directors was as follows:

Names	No. of Meetings attended
Dewan Muhammad Yousuf Farooqui	4
Dewan Abdullah Ahmed Swaleh	0
Dewan Abdul Baqi Farooqui	5
Dewan Abdul Rehman Farooqui	5
Mr. Haroon Iqbal	5
Mr. Aziz-uf-Haque	5
Mr. Ishliaq ahmed	5

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

Audit Committee

Audit committee was established by the Board to assist the Directors in discharging their responsibilities for Corporate Governance, Financial Reporting and Corporate Control. The committee consists of three members. Majority of members including the chairman of the committee are non-executive directors.

During the year, four Audit Committee meetings were held and attendance was as follows.

Names	No. of Meetings attended
Mr. Aziz-Ul Haque	4
Dewan Abdul Rehman Farooqui	4
Mr. Haroon Iqbal	4

Human Resource and Remuneration Committee

Human Resource and Remuneration Committee was established by the Board to assist the Directors in discharging their responsibilities with regard to devising and periodic reviews of human resource policies. It also assists Board in selection, evaluation, compensation and succession planning of key management personnel.

The committee consists of three members. During the year two Human Resource and Remuneration committee meetings were held and attendance was as follows

Names	No. of Meetings attended
Dewan Mouhammad Yousuf Farooqui	2
Dewan Abdul Baqi Farooqui	2
Mr. Haroon Iqbal	2

Earnings per Share

(Loss)/Earnings per share during the period under report worked out to Rs (6.98) [2013: Rs.(3.95)]

Appointment of Auditors

The present auditors, M/s. Feroze Sharif Tariq & 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. Feroze Sharif Tariq & 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.

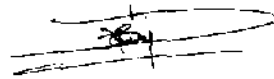
Vote of Thanks & Conclusion

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 26, 2014
Place: Karachi.

FINANCIAL HIGHLIGHTS

(Rupees in Million)

	2009	2010	2011	2012	2013	2014
PROFIT & LOSS ACCOUNT						
Sales (Net)	1,034	1,052	1,504	1,402	1,591	1,571
Gross Profit	37	72	31	49	69	88
Operating Expenses	(40)	(26)	(33)	(40)	(50)	(60)
Operating Profit / (Loss)	(3)	46	(2)	8	19	28
Finance Cost	(70)	(3)	(0)	(11)	(23)	(33)
Profit / (Loss) Before Tax	(78)	38	(2)	(2)	(4)	(5)
Taxation	9	(3)	13	20	(10)	(19)
Profit / (Loss) After Tax	(69)	35	11	18	(14)	(24)
BALANCE SHEET						
Assets Employed	724	808	855	1,373	1,402	1,332
Return on Equity (%)	(77.25%)	27.15%	6.74%	9.93%	(6.39%)	(12.05%)
Current Assets	389	504	553	619	685	673
Shareholder's Equity	90	130	163	183	212	199
Deferred Liabilities	55	52	22	121	125	131
Current Liabilities	392	542	669	214	331	387
Gross Profit Ratio (%)	3.55%	6.82%	2.03%	3.49%	4.34%	5.61%
Net Profit / (Loss) Ratio (%)	(6.70%)	3.37%	0.73%	1.28%	(0.85%)	(1.52%)
Earning / (Loss) per Share (Rs.)	(20.19)	10.32	3.20	5.29	(3.95)	(6.98)
Dividend (%)						
Cash	-	-	-	-	-	-
Stock	-	-	-	-	-	-
Production						
Actual Production at Actual Average Count (kg)	6,033,631	5,218,949	6,222,569	6,308,888	6,266,577	5,960,528
Actual Production Converted to 20 Count (kg)	9,492,977	10,442,000	11,756,662	10,034,950	9,951,917	9,291,811

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2014

The statement is being presented to comply with the Code of Corporate Governance ("CCG") contained in Regulation No 35 of listing regulation of Karachi Stock Exchange, 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 NBFIs 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 been 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 CIO 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 who are non-executive directors including the chairman of the committee. The condition of clause 1(b) of the CCG in relation to the independent director will be applicable on election of the next Board of Directors of the Company.
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 as 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).
22. We confirm that all the other material principles enshrined in the CCG have been complied with.

Date : September 26, 2014
Place : Karachi



Dewan Abdul Baqi Farooqui
Chief Executive

FEROZE SHARIF TARIQ & CO.

FEROZE SHARIF TARIQ & CO.
Chartered Accountants
4-N/4, BLOCK 6, P.E.C.H.S.,
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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 Mushtaq Textile Mills Limited** (the Company) for the year ended June 30, 2014 to comply with the requirements of Listing Regulations No. 35 of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the 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 of Directors' 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.

The Code requires the Company to place before the Audit Committee and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.



Audit Engagement Partner: Mohammad Tariq
Date : September 26, 2014
Place : Karachi

Feroze Sharif Tariq & Company
Chartered Accountants

FEROZE SHARIF TARIQ & CO.

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of *Dewan Mushtaq Textile Mills Limited*, as at June 30, 2014, and 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 the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the Balance Sheet and Profit & 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 the accounting policies, consistently applied except for the change in accounting policy disclosed in note 2.1 to the financial Statements with which we concur;
 - 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;

FEROZE SHARIF TARIQ & CO.

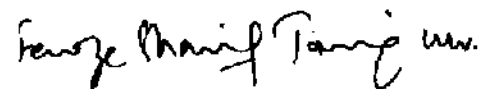
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- c) in our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & Loss Account, statement of Comprehensive income, Cash Flow Statement and Statement of Changes in Equity together with 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 give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the Loss its Comprehensive income, Cash flows and Changes in Equity for the year then ended; and
- d) In our opinion, no Zakat was deductible at source under the Zakar and Ushr ordinance 1980.

Without qualifying our opinion we draw attention to the members to note 12.1 to the financial statements which states that the company would be liable to pay a sum of Rs.248.831 million in the event of default in term of settlement reached with the lenders.

Audit Engagement Partner: Mohammad Tariq
Date : September 26, 2014
Place : Karachi



Feroze Sharif Tariq & Company
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2014

	Notes	Restated		
		June 30, 2014	June 30, 2013	June 30, 2012
(Rupees)				
EQUITY AND LIABILITIES				
CAPITAL & RESERVES				
Authorized				
10,000,000 (June 30, 2013: 10,000,000) Ordinary Shares of Rs. 10/- each		100,000,000	100,000,000	100,000,000
Issued, Subscribed and Paid-up Capital	4	34,340,280	34,340,280	34,340,280
General Reserve - (a Revenue Reserve)		45,000,000	45,000,000	45,000,000
Unappropriated Profit		119,509,097	132,967,158	103,755,128
		198,849,377	212,307,438	183,095,408
Surplus on revaluation of property plant and equipment	5	327,132,113	349,874,500	375,176,994
NON-CURRENT LIABILITIES				
Syndicated Long Term Loan - Secured	6	288,048,928	384,065,236	480,081,544
Deferred Liabilities				
Provision for Staff Gratuity	7	29,512,012	24,761,526	22,548,713
Deferred taxation	8	101,894,716	100,184,059	98,455,555
		131,406,728	124,945,585	121,004,268
CURRENT LIABILITIES				
Trade and Other Payables	9	100,044,149	130,212,493	110,432,956
Mark-up accrued on loans		2,852,380	5,290,105	5,362,495
Current Portion of Long Term Loan	6	96,016,308	96,016,308	32,000,000
Short Term Borrowings - Secured	10	116,744,321	46,562,370	21,250,000
Provision for Income Tax	11	68,273,628	52,560,181	44,607,009
		383,930,786	330,641,458	213,652,460
Contingencies and Commitments	12	--	--	--
		1,329,367,932	1,401,834,217	1,373,010,674
ASSETS				
NON-CURRENT ASSETS				
Property Plant and Equipment	13	614,125,963	665,463,678	720,328,772
Available for Sale Investment - at fair value	14	41,119,552	50,058,585	32,577,810
Long Term Deposits		840,210	840,510	840,510
CURRENT ASSETS				
Stores, Spares and Loose Tools	15	19,419,114	14,295,118	14,816,608
Stock-in-Trade	16	151,591,948	147,920,246	203,134,319
Trade Debts - Considered Good	17	383,575,949	413,039,906	312,275,706
Loans and Advances - Unsecured, Considered good	18	4,210,140	7,229,260	10,095,313
Trade Deposits, Prepayments and Statutory Balances - Considered good	19	34,378,091	35,957,688	31,671,241
Other Receivables - Unsecured, Considered good		15,525,060	10,972,402	3,984,287
Income Tax Refunds and Advances		56,161,364	46,322,392	30,310,775
Cash and Bank Balances	20	8,420,541	9,736,172	12,975,333
		673,282,147	685,471,444	619,263,582
		1,329,367,932	1,401,834,217	1,373,010,674

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



Dewan Abdul Baqi Farooqui
Chief Executive



Haroon Iqbal
Director

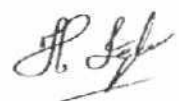
**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014**

	Notes	2014 (Rupees)	2013
Sales - Net	21	1,571,344,675	1,590,563,558
Cost of Sales	22	(1,483,134,627)	(1,521,546,474)
Gross Profit		88,210,048	69,017,084
Administrative and General Expenses	23	(41,343,330)	(36,463,766)
Distribution Costs and Selling Expenses	24	(18,865,597)	(13,734,810)
		(60,208,927)	(50,198,576)
Operating Profit		28,001,121	18,818,508
Other Income	25	243,119	505,344
Finance Cost	26	(33,075,015)	(23,213,416)
Loss before taxation		(4,830,775)	(3,889,564)
Taxation			
Current	11	(15,713,447)	(7,953,172)
Deferred	8	(3,412,879)	(1,728,504)
		(19,126,326)	(9,681,676)
Loss after taxation		(23,957,101)	(13,571,240)
Loss Per Share - Basic	27	(6.98)	(3.95)

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, 2014

	2014	2013
	(Rupees)	
Loss for the year	(23,957,101)	(13,571,240)
Other comprehensive Income:		
Transfer from surplus on revaluation of property plant and equipment in respect of:		
Incremental depreciation	34,458,162	38,926,914
Related deferred tax	(11,715,775)	(13,624,420)
	22,742,387	25,302,494
Remeasurement of net defined benefit obligation	(5,006,537)	--
Related deferred tax	1,702,223	--
	(3,304,314)	--
Changes in fair value of available for sale investment	(8,939,033)	17,480,776
Total comprehensive income / (Loss) for the period	(13,458,061)	29,212,030

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, 2014**

Notes	2014	2013
	(Rupees)	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit before Taxation	(4,830,775)	(3,889,564)
<i>Adjustment for Non-Cash and Other Items:</i>		
Depreciation	57,836,539	62,491,364
Gain on Sale of Property Plant and Equipment	(243,119)	(505,344)
Provision for Gratuity	5,537,889	5,502,693
Finance Cost	33,075,015	23,213,416
	<u>96,206,324</u>	<u>90,702,129</u>
	91,375,549	86,812,565
Working Capital Changes		
<i>(Increase) / Decrease in Current Assets</i>		
Stores, Spares and Loose Tools	(5,125,736)	523,230
Stock-in-Trade	(3,671,702)	55,214,073
Trade Debts	29,463,957	(100,764,200)
Loans and Advances	3,019,120	2,866,053
Trade deposits, Prepayments & Statutory balances	1,579,597	(4,286,447)
Other Receivables	(4,552,658)	(6,988,115)
<i>Increase / (Decrease) in Current Liabilities</i>		
Trade Creditors, Payable & others borrowings	(30,168,046)	19,779,538
	(9,455,468)	(33,655,868)
Taxes Paid	(9,838,972)	(16,011,617)
Gratuity Paid	(5,793,940)	(3,289,880)
	<u>(15,632,912)</u>	<u>(19,301,497)</u>
<i>Net Cash Inflow/ (Outflow) from Operating Activities</i>	66,287,169	33,855,200
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed Capital Expenditure	(6,545,705)	(7,750,927)
Sale Proceed of Property Plant and Equipment	290,000	630,000
<i>Net Cash Inflow/ (Outflow) from Investing Activities</i>	(6,255,705)	(7,120,927)
CASH FLOW FROM FINANCING ACTIVITIES		
Syndicated Long Term Loan	(96,016,308)	(32,000,000)
Finance Cost Paid	(35,512,738)	(23,285,804)
<i>Net Cash Inflow/ (Outflow) from Financing Activities</i>	(131,529,046)	(55,285,804)
Net (decrease) / Increase in Cash and Cash Equivalents	(71,497,582)	(28,551,531)
Cash and Cash Equivalents at the Beginning	(36,826,198)	(8,274,667)
Cash and Cash Equivalents at the End	<u>(108,323,780)</u>	<u>(36,826,198)</u>

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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, 2014

					Restated
	Share Capital	General Reserve	Unrealized gain / (loss) due to change in fair value of investment	Unappropriated Profit / (Loss)	Total
(Rupees)					
Balance as on July 01, 2012	34,340,280	45,000,000	2,383,743	101,444,052	183,168,075
Effect of Change in Accounting Policy with respect to accounting for recognition of actuarial Loss on defined benefit plan - net of tax	--	--	--	(72,667)	(72,667)
Balance as on July 01, 2012 - Restated	34,340,280	45,000,000	2,383,743	101,371,385	183,095,408
Total comprehensive income for the year	--	--	17,480,776	11,731,254	29,212,030
Balance as on June 30, 2013 - Restated	34,340,280	45,000,000	19,864,519	113,102,639	212,307,438
Balance as on July 01, 2013 - Restated	34,340,280	45,000,000	19,864,519	113,102,639	212,307,438
Total comprehensive income for the year	--	--	(8,939,033)	(4,519,028)	(13,458,061)
Balance as on June 30, 2014	34,340,280	45,000,000	10,925,486	108,583,611	198,849,377

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



Dewan Abdul Baqi Farooqui
Chief Executive



Haroon Iqbal
Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

1. Corporate Information

Dewan Mushtaq Textile Mills Limited (the Company) was incorporated in Pakistan, as a public limited company on November 04, 1970, under the Companies Act, 1913 (Now the Companies Ordinance, 1984) and its shares are listed on the Karachi Stock Exchange in Pakistan. The registered office of the company is located at Finance & Trade Centre, Block-A, 8th Floor, Shahrah-e-Faisal, Karachi, Pakistan; while its manufacturing facilities are located at A-30, S.I.T.E., Hyderabad, Sindh, Pakistan. The principal activity of the Company is trading, manufacturing and sale of yarn.

2. Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. 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, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.1 Change in accounting policy

Employee Benefits

With effect from 1 January 2013, the revised IAS 19 'Employee Benefits' became effective. The revised IAS 19 requires actuarial gains and losses to be recognized immediately in other comprehensive income. Previously, actuarial gains and losses over and above the corridor limit were amortized over the expected average remaining working lives of employees. Further, any past service cost is now recognized immediately in the profit and loss account as soon as the change in the benefit plans are made and previously, only vested past service cost was recognized immediately in profit and loss account and non-vested cost was mortised to profit and loss account over the vesting period. The Standard also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year.

The effects of change has been accounted for retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', resulting in restatement of financial statements of prior periods. Resultantly, the cumulative effect of adjustments that arose as at 1 July 2012 has been presented and disclosed as part of the statement of changes in equity, while the corresponding period adjustment through other comprehensive income is restated and disclosed as part of the Statement of Comprehensive Income respectively. The Balance Sheet also presents the prior year numbers as restated, due to the said change the change in accounting policy has been accounted for retrospectively and the comparative figures have been restated as below. This change in accounting policy has no impact on the statement of cash flows.

	---- 2013 ----			---- 2012 ----		
	As previously reported	Impact due to change in policy	As Restated	As previously reported	Impact due to change in policy	As Restated
	----- RUPEES -----					
Effect on balance sheet						
Staff retirement benefit	21,619,730	11,796	24,761,526	22,436,917	111,796	22,548,713
Deferred taxation	100,223,088	(139,129)	100,083,959	98,494,684	(59,129)	98,435,555
Unappropriated profit	133,039,825	(72,667)	132,967,158	103,827,795	(72,667)	103,755,128

2.2 Standards and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (accounting periods Beginning on or after)
IAS 16 & 38 – Clarification of Acceptable Method of Depreciation and Amortization	January 1, 2016
IAS 19 - Employee Contributions	July 1, 2014
IAS 32 – Offsetting Financial Assets and Financial liabilities (Amendment)	January 1, 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	January 1, 2014
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	January 1, 2014

The Company expects that the adoption of the above revisions and amendments of the standards will not materially affect the Company's financial statements except as disclosed in notes to the financials Statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (accounting periods Beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 10 – Consolidated Financial Statements	January 1, 2013
IFRS 11 – Joint Arrangements	January 1, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13 – Fair Value Measurement	January 1, 2013
IFRS 14 – Regulatory Deferral Accounts	January 1, 2016
IFRS 15 – Revenue from Contracts with Customers	January 1, 2017

2.3 Significant Accounting Judgements, Estimates and Assumption

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 historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

2.4 **Property, plant and equipment**

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the recommendation of technical team of the company. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of Property Plant and Equipment with a corresponding affect on the depreciation charge and impairment.

2.5 **Taxation**

In making the estimates for income taxes payable by the Company, the management considers applicable tax laws and the decisions of appellate authorities on certain cases issued in past. Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

2.6 **Stock-in-trade**

The Company reviews the Net Realizable Value (NRV) of stock-in-trade to assess any diminution in the respective carrying values.

2.7 **Provision for doubtful receivables**

A provision for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. These estimates and underlying assumptions are reviewed on an ongoing basis.

2.8 **Staff retirement benefits**

Certain actuarial assumptions have been adopted as disclosed in note 7 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years. The actuarial valuation involves making assumptions about discount rate, future salary increases and mortality rates.

2.9 **Approval of Financial Statements**

These financial statements were approved by the Board of Directors and authorized for issue on September 26, 2014.

3 **Summary of Significant Accounting Policies**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

3.1 **New and amended standards and interpretations**

The Company has adopted the following amendments to IFRSs which became effective during the year:

IAS 19 – Employee Benefits (Revised)

IFRS 7 – Financial Instruments: Disclosures – (Amendments)

-Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

Improvements to Accounting Standards

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements except disclosed in notes to the financial statements.

3.2 Basis of Measurement and Presentation

The financial statements have primarily been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for the financial assets and liabilities which are carried at their fair values and revalued amounts and certain employee benefits are based on actuarial valuation and stock in trade which are valued at net realizable value, if it is less than the cost. Further, accrual basis of accounting is followed except for cash flow information.

3.3 Post Employment Benefits

Defined Benefit Plan

The Company operates an unfunded gratuity scheme for its non-management staff. Provisions are made, based on actuarial recommendations. Actuarial valuation is carried out using the 'Projected Unit Credit' method, as required by International Accounting Standard 19 "Employee Benefits". The unfunded gratuity plan has been changed due to change in International Accounting Standard 19 "Employee Benefits" as disclosed in note no 2.1 to the financial statements.

Defined Contribution Plan

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

3.4 Trade and Other Payables

Trade and other payables are stated at their cost.

3.5 Taxation

Current Year

Provision in respect of current year's taxation is based on the method of taxation prescribed under the Income Tax Ordinance, 2001, whereby taxable income is determined and tax charged at the current rates of taxation after taking into account tax credits and rebates available, if any, or the minimum tax liability determined under Section 113 of the Income Tax Ordinance, 2001, whichever is higher.

Deferred

Deferred tax is provided using the liability method on all temporary differences at the balance sheet date, between the tax bases of assets and liabilities and their carrying amount for financial statements reporting purposes. Deferred tax liabilities are generally recognized for all temporary taxable differences.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

3.6 Property, Plant and Equipment

- **Owned**

Property, Plant and Equipment are stated at cost/revalued amounts less accumulated depreciation and impairment losses, if any; except for lease hold land and capital works in progress which are stated at cost accumulated up to the balance sheet date.

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**

The company accounts for Property Plant and Equipment acquired under finance leases by recording the assets and the related liability. These amounts are determined as the fair values or discounted value of minimum lease payments; whichever is the lower, as at inception, less accumulated depreciation and impairment losses. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

- **Depreciation**

Depreciation is charged from the month of acquisition or transfer of assets from capital work in progress on proportionate basis and until disposal or retirement, using the reducing balance method whereby the cost/revalued amounts of an asset is written off over its estimated useful life and the rates applied are in no case less than the rates prescribed by the Federal Board of Revenue. The depreciation method and useful lives of the items of property, plant and equipment are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

The assets' residual values and useful lives are reviewed at each financial year end, and adjusted, if appropriate, at each balance sheet date.

- **Repairs, renewals and maintenance**

Major repairs and renewals are capitalized. Normal repairs and maintenance are charged as expense when incurred. Gains or losses on disposal or retirement of assets are determined as the difference between the sale proceeds and the carrying amounts of these assets, and are included in the income currently.

3.7 Leases

Finance leases, which transfer to the company, substantially all the risks and benefits incidental to ownership, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

3.8 Investment in Related Parties (Available for sale)

Available for sale investments are initially recognized at cost being the fair value of the consideration given including acquisition charges associated therewith.

After initial recognition, investment which are classified as available for sale are remeasured at fair value. Unrealized gains and losses on available for sale investments are recognized in equity till the investment is sold or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

3.9 Stores, Spares and Loose Tools

These are stated at the lower of cost and net realizable value. The cost of inventory is based on the weighted average cost. Items in transit are stated at cost accumulated up to the date of the balance sheet.

Provision is made for any slow moving and obsolete items.

4 Stock-in-Trade

These are valued as follows :

Raw Material	:	At lower of weighted average cost or net realizable value. Cost of raw material and components represents invoice value plus other charges paid thereon.
Finished Goods	:	At lower of weighted average cost or net realizable value. Cost of finished goods comprises of prime cost and an appropriate portion of production overheads.
Waste	:	At net realizable value.
Work-in-Process	:	At weighted average cost. This comprises the direct cost of raw materials, wages, and appropriate manufacturing overheads.
Stock in Transit	:	At cost accumulated upto the balance sheet date.
Stock at fair price shop	:	At cost calculated on the First-in-first-out method of valuation.
Packing Material	:	At lower of weighted average cost or net realizable value.

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.

3.10 Trade Debts & Other Receivables

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

3.11 Foreign Currency Translation

Transactions in foreign currencies are initially recorded using the rates of exchange ruling at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the exchange rates prevailing on the balance sheet date. In order to hedge its exposure to foreign exchange risks, the company enters into forward exchange contracts. Such transactions are translated at contracted rates. All exchange differences are included in the Profit and Loss Account.

3.12 Revenue Recognition

- Revenue from sales is recognized on dispatch of goods to customers.
- Dividend income is recognized on the basis of declaration by the Investee company.

3.13 Borrowing Cost

Borrowing Costs are recognized initially in fair value net of transaction costs incurred.

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which they are incurred.

3.14 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation, and, 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 that a reliable estimate can be made for the amount of this obligation.

3.15 Financial Instruments Recognition

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to profit and loss account to which it arises.

Off Setting

Financial asset and financial liability is set off and the net amount is reported in the balance sheet if the company has a legal right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on assets and charge on liability is also offset.

Derivatives

Derivatives that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

3.16 Cash and Cash Equivalents

Cash and Cash Equivalents for cash flow purposes include cash in hand, current and deposit accounts held with banks, Running finances facilities availed by the company which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

3.17 Impairment of Assets

The carrying amounts of the assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount, whereby the asset is written down and that impairment losses are recognized in the profit and loss account.

3.18 Related Party Transactions

All transactions with related parties are carried out by the company at arm's length prices.

3.19 Loans, Advances and Other Receivables

Loans, advances and other receivables are recognized initially at cost, and subsequently at their amortized/ residual cost.

3.20 Short Term and Long Term Loans

Short Term and Long Term Loans are recognized initially at cost and subsequently measured at amortized cost.

3.21 Dividend and appropriation to reserves

Dividends and appropriation to reserves, subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends and appropriations are approved.

		June 30, 2014	June 30, 2013
4	Issued, Subscribed and Paid-up Capital	(Rupees)	
	<i>No. of Ordinary Shares of Rs. 10/-</i>		
	June 30, 2014	June 30, 2013	
	690,000	690,000	Fully Paid in cash
	2,744,028	2,744,028	Issued as fully paid bonus shares
	<u>3,434,028</u>	<u>3,434,028</u>	
		<u>6,900,000</u>	<u>6,900,000</u>
		<u>27,440,280</u>	<u>27,440,280</u>
		<u>34,340,280</u>	<u>34,340,280</u>

5 Surplus on Revaluation of Property Plant and Equipment

Opening Balance	349,874,500	388,801,414
Surplus arising on revaluation during the year	-	-
Transferred to unappropriated profit:		
- Surplus relating to incremental depreciation - net of deferred tax	(22,742,387)	(38,926,914)
	<u>327,132,113</u>	<u>349,874,500</u>

The assets of the Company have been revalued as on October 12, 2011. The revaluation is carried out by an independent valuer, M/s Asif Associates (Pvt) Ltd on the basis of professional assessment of present market values or depreciated replacement values and resulted in a surplus on Revaluation of Property Plant and Equipment over the written down value as follows:

Land

Valuation of land is determined by obtaining key market data from property brokers, dealers and estate agents to ascertain the Present market value considering its location and market potential.

Building

Revalued amount of building has been determined is simple. After taking into account the re-statement value have been computed after applying present market rate of construction.

Plant and Machinery

The plant, Machinery and Equipment values are derived from the make, model and year from the local machinery Dealer/ Agent and/or suppliers Local or Foreign. A complete list of machinery is prepared on the basis of physical existence, condition and level of maintenance. The total assessed value of the plant is obtained on the basis of physical existence, condition and level of maintenance. The total assessed value of the plant is obtained on the basis of manufacturing cost of individual machines on the basis of material and technology used for manufacturing of the machine on international engineering standards and practice. Rates of manufacturing of similar kinds of machinery are acquired from different manufactures. The total production capacity of the project and all the ancillary and peripheral machines, which form an integral part of the production unit and facilitate the entire process, is taken into consideration. Assessed value is determined through a computation of the remaining useful life of the asset with the present market value.

The closing balance of surplus on revaluation of property, plant and equipment is not available for distribution to shareholders.

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The revaluation has resulted in increase in surplus are as follows

	Revalued Amount as per independent valuer Report as on October 12, 2011	Written down Value as on October 12, 2011	Surplus on Revaluation as on October 12, 2011
Lease hold land	73,000,000	1,651,808	71,348,192
Factory Building on lease hold land	103,000,000	50,087,083	52,912,917
Plant and Machinery	516,600,000	189,642,042	326,957,958
Non Factory Building	18,405,000	5,899,643	12,505,357
Labour Quarter	60,895,000	3,109	60,891,891
	771,900,000	247,283,685	524,616,315

	Note	June 30, 2014	June 30, 2013
6 Syndicated Long Term Loan - Secured			(Rupees)
Syndicated Long term Loan	6.1	384,065,236	480,081,544
Less Current maturity shown under current liability		(96,016,308)	(96,016,308)
		288,048,928	384,065,236

6.1 The Compromise Agreement dated December 23, 2011 between the banks and the company against which consent decrees had been granted by the Honorable High Court of Sindh, Karachi. As per the terms, Company's short term and long term loans had been rescheduled in the form of long term loans of Rs. 526.081 million which is to be repaid in six and half years from the date of restructuring with progressive mark up ranging from 4% to 14% over the period on outstanding principal. This loan is secured by way of mortgage charge over immovable properties and hypothecation of movable assets of the company. Moreover banks / financial institutions have also provided further working capital facility against pledge of stocks to the Company as fully explained in note 10 to these financial statements. However, in case of default by the company the entire outstanding mark up as disclosed in the agreement will remain outstanding liability of the company and all amounts in respect of its liabilities shall become payable with immediate effect as disclosed in clause 10.2 of the Compromise Agreement of the company.

7 Provision for Staff Gratuity			
Opening Balance		24,761,526	22,548,713
Payments during the period		5,793,940	3,289,880
		18,967,586	19,258,833
Charge for the period		5,537,889	5,502,693
Remeasurement Recognized in other Comprehensive Income		5,006,537	-
		29,512,012	24,761,526
a) The amounts recognised in the balance sheet:			
Present value of defined benefit obligations		17,097,512	12,347,026
Deficit/ (surplus)		12,414,500	12,414,500
Net liability		29,512,012	24,761,526
b) The amounts recognised in the profit and loss account:			
Current service cost		4,309,382	4,227,905
Net interest cost		1,228,507	1,274,788
		5,537,889	5,502,693

	June 30, 2014	June 30, 2013
	(Rupees)	
c) Movement in the present value of defined benefit obligation:		
Present value of defined benefit obligation	12,347,026	9,806,060
Current service cost	4,309,382	4,227,905
Interest cost	1,228,507	1,274,788
Benefit due but not paid (payable)		-
Benefits paid	(5,793,940)	(2,961,727)
Experience Adjustment	5,006,537	-
	<u>17,097,512</u>	<u>12,347,026</u>
d) Remeasurement recognised in OCI:		
Experience adjustment	5,006,537	-
	<u>5,006,537</u>	<u>-</u>
e) Principal actuarial assumptions used in the actuarial valuation are as follows:		
Discount rate	13%	13%
Discount rate used for year end obligation	13%	13%
Future salary increases	12%	12%
Retirement Assumptions	60 Years	60 Years
f) Change in Net Liability		
Balance sheet Liability	24,761,526	22,548,713
Expenses Charge to Profit and Loss Account	5,537,889	5,502,693
Remeasurement Chargeable in Other comprehensive income	5,006,537	-
Benefits paid	(5,793,940)	(3,289,880)
	<u>29,512,012</u>	<u>24,761,526</u>
g) The charge for the year has been allocated as follows		
Cost of Sales	10,544,366	5,502,693
Administrative expenses	--	--
	<u>10,544,366</u>	<u>5,502,693</u>
8 Deferred Taxation		
Deferred tax liability arising due to accelerated tax depreciation	31,871,774	34,719,622
Deferred tax assets arising out of staff gratuity, tax loss and others	(26,279,091)	(42,553,371)
Deferred tax liability due to revaluation of property plant & equipment	96,302,033	108,017,808
	<u>101,894,716</u>	<u>100,184,059</u>

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	Note	June 30, 2014	June 30, 2013
(Rupees)			
8.1	The movement for the year, in the company's net deferred tax position is as follows:		
	Opening Balance	100,184,059	98,455,555
	Increase / (decrease) in deferred tax liability related to surplus on revaluation	(11,715,775)	(13,624,420)
	Increase / (decrease) in other deferred tax liabilities	(2,847,848)	(1,134,910)
	Decrease / (Increase) in deferred tax assets	16,274,280	16,487,834
		1,710,657	1,728,504
		101,894,716	100,184,059
9	Trade and Other Payables		
	Trade Creditors	50,481,244	56,117,190
	Accrued Expenses	48,823,442	73,235,028
	Unclaimed Dividend	308,319	308,319
	Provident Fund	431,144	551,957
		100,044,149	130,212,494
		100,044,149	130,212,494
		2014	2013
9.1	Provident Fund	----- (Unaudited) -----	
	General Disclosures		
	Size of the fund	14,973,798	11,169,952
	Cost of investments	12,291,741	10,155,518
	Fair value of investments	12,756,408	10,402,707
	Percentage of investments	82%	91%
	The breakup of investments is:		
	Term Deposit Receipts	55% 8,200,000	60% 6,700,000
	Bank balance	27% 4,091,741	31% 3,455,518
	Investments of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.		
10	Short Term Borrowings - Secured		
	Short Term Finance	10.1 85,887,655	46,562,370
	Temporary bank overdraft	30,856,666	-
		116,744,321	46,562,370
		116,744,321	46,562,370
10.1	As part of restructuring banks / financial institutions have approved as fully disclosed in note 6.1 to the financial Statements further working capital to the Company amounting to the limit of Rs. 100 million by providing syndicated cash finance against pledge of stocks in proportion to their loan amounts. The tenure of working capital facility is one year expiring on December 31, 2014 on rollover basis and this facility is secured by way of pledge of stocks of the company. The markup rate for this facility is one month KIBOR which is payable on quarterly basis.		

10.2 It represents unrepresented cheques.

	June 30, 2014	June 30, 2013
	(Rupees)	
11 Provision for Taxation		
Balance at the beginning	52,560,181	44,607,009
Add: Provisions for Taxation	15,713,447	7,953,172
	<u>68,273,628</u>	<u>52,560,181</u>

The income tax returns of the company have been filed upto tax year 2013 to income tax department and the assessments of the company deemed to have been finalized upto and including the tax year 2013. However, the commissioner of income tax may at any time during a period of five years from the date of filing of return may select the deemed assessment for audit.

11.1 Relationship between income tax expense and accounting profit/(loss)

Accounting profit / (loss) as per accounts	(4,830,775)	(3,889,564)
Applicable tax rate	<u>34%</u>	<u>35%</u>
Tax payable / (refundable) on accounting profit / (loss)	(1,642,464)	(1,361,347)
Tax effect of timing difference on depreciation	13,322,170	(29,170,547)
Tax effect of export sales subject to tax separately U/s.169	--	--
Tax effect of expenses / provision that are not deductible in determining taxable loss charged to profit and loss account	2,960,228	1,929,485
Effect of tax Loss carried / (brought) forward	<u>(14,639,934)</u>	<u>28,602,409</u>
Tax payable under normal rules	<u>--</u>	<u>-</u>
11.2 Minimum tax payable under income tax ordinance 2001	<u>15,713,447</u>	<u>7,953,172</u>

12 Contingencies and Commitments

12.1 As per the terms of the restructuring (refer to no. 6.1) the markup outstanding up to the date of Restructuring is Rs.248.831 million, which the company would be liable to pay in the event of default of the term of agreement. The company expects no defaults to the payments.

12.2 Commitments in respect of Letters of Credits other than Capital Expenditure amounts to Rs. Nil (2013:Nil)

12.3 Capital Expenditure commitments outstanding amounts to Rs. Nil (2013:Nil)

13 Property Plant and Equipment

Operating assets	614,125,963	665,463,678
	<u>614,125,963</u>	<u>665,463,678</u>

- 13.2** Revaluation of lease hold land, building, and plant & machinery had been carried out on October 12, 2012 by independent professional valuers M/s Asif Associates (Pvt.) Limited on the basis of market value or depreciated replacement values as applicable. Revaluation surplus had been credited to surplus on revaluation of property plant and equipment account to comply with the requirement of Section 235 of the Companies Ordinance, 1984.

Had there been no revaluation the related figures of land, buildings and plant & machinery would have been as follows:

	June 30, 2014			June 30, 2013		
	Cost	Accumulated Depreciation	Written Down Value	Cost	Accumulated Depreciation	Written Down Value
	Rupees			Rupees		
Lease hold land	730,000	-	730,000	730,000	-	730,000
Factory building on lease hold land	112,372,579	75,277,297	37,095,282	112,372,579	71,155,599	41,216,981
Non - factory building	4,094,286	2,222,256	1,872,030	4,094,286	2,123,728	1,970,558
Labour Quarters	6,823,847	5,348,790	1,475,057	6,823,847	4,857,105	1,966,742
Plant & machinery	593,689,826	440,337,368	153,352,458	587,152,481	423,298,206	163,854,275
	<u>717,710,538</u>	<u>523,185,710</u>	<u>194,524,828</u>	<u>711,173,193</u>	<u>501,434,637</u>	<u>209,738,556</u>

13.3 Disposal of Vehicle

Description	Cost	Accumulated Depreciation	Written down Value	Sales Proceeds	Gain / (Loss)	Made of Disposal	Purchaser
Vehicle	414,000	390,050	23,950	140,000	116,050	Negotiation	M Javed
Vehicle	414,000	391,069	22,931	150,000	127,069	Negotiation	Nazish Trivcar
	<u>828,000</u>	<u>781,119</u>	<u>46,881</u>	<u>290,000</u>	<u>243,119</u>		

14 Long Term Investment - Related Party

Shares in Dewan Salman Fibre Limited
(A Listed Company)

19,864,518 (2013: 19,864,518) fully paid up ordinary shares of Rs. 10/- each.

(including 15,864,518 bonus shares)

Change in the fair value of investments

Percentage of Equity held

Aggregate Market value (Rupees per share)

	June 30, 2014	June 30, 2013
	(Rupees)	
	40,000,000	40,000,000
	1,119,552	10,058,585
	<u>41,119,552</u>	<u>50,058,585</u>
	5.42%	5.42%
	<u>2.07</u>	<u>2.52</u>

15 Stores, Spares & Loose Tools

Stores and Spares

Packing Material

	14,456,446	11,737,009
	4,962,668	2,556,369
	<u>19,419,114</u>	<u>14,293,378</u>

16 Stock-in-Trade

Raw Materials

Work-in-Process

Finished Goods

Waste

Stock-in-transit

	45,217,727	33,829,432
	5,617,483	10,319,039
	66,842,033	90,886,418
	1,969,760	1,769,477
	31,944,946	11,115,880
	<u>151,591,948</u>	<u>147,920,246</u>

16.1 Stocks valuing Rs. 96,134 million (2013: 50,498 million) was pledged with the banks against the restructured finance facilities obtained by the Company.

	2014	2013
	(Rupees)	
17 Trade Debts - Considered Good		
Local Receivables - Unsecured	383,575,949	413,039,906
	<u>383,575,949</u>	<u>413,039,906</u>
17.1 The aging of debtors at the reporting date was:		
Up to one month	214,802,532	165,215,963
1 to 6 months	153,430,380	156,955,164
More than 6 months	15,343,038	90,868,779
	<u>383,575,949</u>	<u>413,039,906</u>

Based on past experience the management believes that no impairment allowance is necessary in respect of trade debts due to major amount of trade debts have been recovered subsequent to the balance sheet date and for the 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 measured with their past performance of no default.

18 Loans and Advances - Unsecured, Considered Good		
Advances for Expenses/suppliers	361,960	2,122,903
Loans and Advances to employees	3,569,056	5,106,357
Advance against imports	279,124	--
	<u>4,210,140</u>	<u>7,229,260</u>
19 Trade Deposits, Prepayments and Statutory Balances - Considered good		
Prepayments	--	2,507,954
Deposits	19,777,584	20,152,414
Sales Tax Receivable	14,600,507	13,297,320
	<u>34,378,091</u>	<u>35,957,688</u>
20 Cash and Bank Balances		
Cash in Hand	569,171	523,799
Cash at Banks - Current Accounts	7,851,370	9,212,373
	<u>8,420,541</u>	<u>9,736,172</u>

	2014	2013
	(Rupees)	
21 SALES - Net		
Yarn-Local	1,612,668,663	1,619,376,020
Waste-Local	3,113,611	4,554,133
Gross Sales	1,615,782,274	1,623,930,153
Less:		
Sales Tax	(44,364,992)	(33,295,709)
Commission on Local sales	(72,607)	(70,886)
	<u>1,571,344,675</u>	<u>1,590,563,558</u>

	Note	June 30, 2014	June 30, 2013
(Rupees)			
22 Cost of Sales			
Raw Material Consumed	22.1	1,052,900,865	1,058,611,066
Packing Material Consumed		25,668,516	23,679,374
Stores and Spares Consumed		27,980,478	17,037,765
Fuel, Power & Water Consumed		139,344,379	128,018,011
Salaries, Wages and Other Benefits	22.2	143,561,336	140,723,054
Insurance		1,922,195	1,361,833
Repairs and Maintenance		2,753,739	1,931,673
Depreciation	13.1.	56,652,723	61,028,957
		<u>1,450,784,231</u>	<u>1,432,391,733</u>
Work-in-Process - Opening		10,319,039	13,866,127
Work-in-Process - Closing		(5,617,483)	(10,319,039)
Cost of Goods Manufactured		<u>1,455,485,787</u>	<u>1,435,938,821</u>
Finished Goods - Opening		92,655,895	176,760,668
Purchase of Yarn		3,804,737	1,502,881
Finished Goods - Closing		(68,811,792)	(92,655,895)
		<u>1,483,134,627</u>	<u>1,521,546,474</u>
22.1 Raw Material Consumed			
Opening Stock		33,829,431	12,507,525
Purchases - net		<u>1,064,289,161</u>	<u>1,079,932,973</u>
		1,098,118,592	1,092,440,498
Closing Stock		(45,217,727)	(33,829,432)
Raw Material Consumed		<u>1,052,900,865</u>	<u>1,058,611,066</u>
22.2			
Salaries, wages and other benefits include Rs. 8.317 million (2013: Rs. 7.952 million) relating to staff retirement benefits.			
23 Administrative and General Expenses			
Salaries, Allowances and Other Benefits	23.1	21,459,993	17,399,890
Rent, Rates and Taxes		3,620,167	3,486,749
Traveling, Conveyance and Entertainment		949,342	2,062,046
Printing and Stationery		530,381	438,673
Postage, Telephone and Telex		478,087	363,163
Vehicles Expenses		2,992,501	2,327,491
Legal and Professional Charges		1,380,992	2,536,151
Fees and Subscription		1,248,524	332,418
Depreciation	13.1	1,183,815	1,462,406
Auditors Remuneration	23.2	500,000	440,000
Repairs and Maintenance		3,043,402	2,314,779
Donation	23.3	3,956,126	3,300,000
		<u>41,343,330</u>	<u>36,463,766</u>

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- 23.1 Salaries, allowances and other benefits include Rs. 2,307 million (2013: Rs. 1,870 million) relating to staff retirement benefits.
- 23.2 Represents Audit fee (Annual, Half year and Review of Code of Corporate Governance) for the year.
- 23.3 Interest of the directors or their spouses in the donations made during the year is as follows:

Dewan Farooque Trust - related party

3,000,000

3,000,000

Donation include a sum Rs.3,000 million (2013: Rs. 3,000 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
- Dewan Abdul Baqi Farooqui - Trustee
- Mr. Haroon Iqbal - Trustee
- Mr. Ishtiaq Ahmed - Trustee
- Mr. Aziz-ul-Haque - Trustee
- Mrs. Hina Yousuf (Spouse of Director) - Trustee

	Note	2014	2013
		(Rupees)	
24	Distribution Costs and Selling Expenses		
	Salaries and other benefits	1,693,334	1,220,376
	Packing Expenses	1,253,773	1,150,073
	Cartage & freight	14,860,483	10,629,984
	Other Selling Expenses	1,058,007	734,377
		<u>18,865,597</u>	<u>13,734,810</u>
	24.1 Salaries, wages and other benefits include Rs. 0.182 million (2013: Rs.0.131 million) relating to staff retirement benefits.		
25	Other Income		
	Exchange Gain	--	--
	Gain on Sale of assets	243,119	505,344
	Scrap sales	--	--
		<u>243,119</u>	<u>505,344</u>
26	Finance Cost		
	Mark-up on Short Term Borrowings	6,808,613	2,250,622
	Mark up on Syndicated Long Term Loan	25,059,270	20,005,453
	Bank Charges and Commission	1,207,132	957,341
		<u>33,075,015</u>	<u>23,213,416</u>
27	Loss Per Share - Basic		
	Loss after taxation	<u>(23,957,101)</u>	<u>(13,571,240)</u>
	Number of Ordinary Shares	<u>3,434,028</u>	<u>3,434,028</u>
	Loss Per Share - Basic (Rupees)	<u>(6.98)</u>	<u>(3.95)</u>

27.1 No figure for diluted earning per share has been presented as the company has not yet issued any instruments which would have an impact on basic earning / (Loss) per share when exercised.

28 Remuneration of Chief Executive, Director and Executives

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company was as follows:

Particulars	2014				2013			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	<i>Rupees</i>				<i>Rupees</i>			
Managerial Remuneration	--	--	8,747,553	8,747,553	--	--	7,708,320	7,708,320
House rent allowance	--	--	3,936,380	3,936,380	--	--	3,468,768	3,468,768
Utilities allowance	--	--	874,768	874,768	--	--	771,264	771,264
Conveyance	--	--	18,300	18,300	--	--	18,000	18,000
Total	-	-	13,577,001	13,577,001	-	-	11,966,352	11,966,352
Number of persons	-	-	6	6	-	-	5	5

29 Related Party Transactions

During the year aggregate transactions made by the company with the associated companies were purchases of Rs.21,777 million (2013: Rs.16,084 million), sales of Rs.2,455 million (2013: Rs.9,628 million), provident fund contribution of Rs.5,270 million (2013: Rs.4,450 million), shared expenses of Rs.0,366 Million (2013: Rs.2,494 million), Donations of Rs. 3,000 million (2013: 3,000 million)

All transactions were carried out on commercial terms and conditions and were valued at arm's length price. Reimbursement of expenses were on actual basis. Remuneration and benefits to key management personnel under the terms of their employment are given in Note 28 above.

30 Plant Capacity and Production

Particulars	2014	2013
Actual production at actual average count (Kgs)	5,960,528	6,266,577
Actual production converted to 20 count (Kgs)	9,291,811	9,951,917
Attainable capacity converted to 20 count (Kgs)	12,077,988	11,226,077
Number of spindles installed	25,776	25,776
Number of spindles worked	19,812	22,824
Number of shifts worked	842	1,053

The main reason for reduction in capacity utilization was due to short supply of raw material to the plant caused by the working capital constraints

	Note	June 30, 2014	June 30, 2013
31 Cash and Cash Equivalents		(Rupees)	
Cash and Bank Balances	20	8,420,541	9,736,172
Short term Borrowings	10	(116,744,21)	(46,562,370)
		(108,323,779)	(36,826,198)

32 Financial Instruments

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has 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.

32.1 Credit risk

Credit risk is the risk that one party to the financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company believes that it is not exposed to major concentration of credit risk. However, to reduce exposure to credit risk, if any, the management monitors the credit exposure towards the customers and makes provisions against those balances considered doubtful of recovery.

The maximum exposure to credit risk at the reporting date is:

Long Term Investment - Related Party	41,119,552	50,058,585
Trade Debts - Considered Good	383,575,949	413,039,906
Loans and Advances - Unsecured, Considered good	4,210,140	7,229,260
Trade Deposits, Prepayments and Statutory Balances - Considered good	19,777,584	20,152,414
Other Receivables - Unsecured, Considered good	15,525,000	10,972,402
Cash and Bank Balances	8,420,541	9,736,172
	472,628,766	511,188,739

32.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liability when due.

The company is exposed to liquidity risk in respect of non current interest bearing liabilities, short term borrowings, trade and other payable and mark up accrued.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

2014						
Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One year onward	Two to five years	
Rupees						
Financial liabilities						
Syndicated long term loans	384,065,236	451,166,199	62,075,201	60,057,872	116,658,818	212,374,308
Trade and other payables	100,044,149	100,044,149	100,044,149	--	--	--
Short term Borrowings	116,744,321	116,744,321	116,744,321	--	--	--
Mark-up accrued on loans	2,852,380	2,852,380	2,852,380	--	--	--
	<u>603,706,086</u>	<u>670,807,049</u>	<u>281,716,051</u>	<u>60,057,872</u>	<u>116,658,818</u>	<u>212,374,308</u>

2013						
Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One year onward	Two to five years	
Rupees						
Financial liabilities						
Long term Finances	480,081,544	384,065,232	48,008,154	48,008,154	288,048,924	288,048,924
Trade and other payables	130,212,494	130,212,494	97,659,371	32,553,124	-	-
Short term Borrowings	46,562,370	41,906,133	41,906,133	--	--	--
Mark-up accrued on loans	5,290,105	5,290,105	5,290,105	--	--	--
	<u>662,146,513</u>	<u>561,473,964</u>	<u>192,863,763</u>	<u>80,561,278</u>	<u>288,048,924</u>	<u>288,048,924</u>

32.3 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate resulting in as a result of changes in market prices or the market prices due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

32.4 Currency risk

Foreign currency risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. The Company is not materially exposed to foreign currency risk on foreign currency assets and liabilities.

32.5 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. majority of the interest rate exposure arises from short and long term borrowings from bank and term deposits and deposits in profit and loss sharing accounts with banks. At the balance sheet date the interest rate profile of the company's interest-bearing financial instruments are:

	Carrying Amounts	
	June 30, 2014	June 30, 2013
	Rupees	
Financial liabilities	<u>500,809,557</u>	<u>526,643,914</u>
	<u>500,809,557</u>	<u>526,643,914</u>

32.6 Risk management policies

Risk management is carried out by the management under policies approved by board of directors. The board provides principles for overall risk management, as well as policies covering specific areas like foreign exchange risk, interest rate risk and investing excessive liquidity.

32.7 Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures commensuration to the circumstances.

Consistent with others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholder. Debt is calculated as total borrowings ('long term loan' and short term borrowings' as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

Total Borrowings	500,809,557	526,643,914
Less Cash and Bank Balances	(8,420,541)	(9,736,172)
Net debt	492,389,016	516,907,742
Total equity	198,849,377	212,380,105
Total Capital	691,238,393	729,287,847
Gearing ratio	71.23%	70.88%

32.8 Fair value of financial instruments

Fair value is an amount for which an assets could be exchanged, or a liability settled, between knowledgeable willing parties in arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

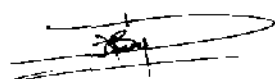
As at the reporting date the fair value of all financial assets and liabilities are estimated to approximate their carrying values.

33 NUMBER OF EMPLOYEES

Number of persons employed as at year end were 493 (2013: 492) and the average number of persons employed during the year were 490 (2013: 485).

34 General

- i) Comparative figures have been rearranged and reclassified wherever necessary for the purpose of better presentation and comparison. However, there was no material reclassification to report except reported in respected notes to the financial statements.
- ii) Figures have been rounded off to nearest rupee
- iii) Items included in the financial statements are measured using the currency of the primary economic envirement in which the company operates. The financial Statements are presented in Pakistani rupees, which is the Company's functional and Presentational currency.



Dewan Abdul Baqi Ferooqi
Chief Executive



Haroon Iqbal
Director

PATTERN OF SHAREHOLDING UNDER THE CODE OF CORPORATE GOVERNANCE AS ON 30TH JUNE 2014

Srl #	Categories of Shareholders	Number of Shareholders	Number of Shares held	% of Shareholding
1.	Associated Companies	1	231,099	6.73%
2.	NIT and ICP	6	263,974	7.69%
3.	Directors, CEO, their Spouses & Minor Children	8	1,618,734	47.14%
4.	Executives	-	-	0.00%
5.	Public Sector Companies & Corporations	12	7,080	0.21%
6.	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds	2	306	0.01%
7.	Individuals	647	1,312,837	38.23%
	TOTAL	676	3,434,030	100.00%

DETAILS OF CATAGORIES OF SHAREHOLDERS

Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1. <u>Associated Companies</u>				
1.1	Dewan Motors (Pvt.) Limited	1	231,099	6.73%
2. <u>NIT and ICP</u>				
2.1	Investment Corp. of Pakistan	1	68	0.00%
2.2	IDBP (ICP UNIT)	1	595	0.02%
2.3	National Bank of Pakistan Trustee Deptt. Nifuit Fund	1	240,424	7.00%
2.4	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	1	771	0.02%
2.5	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	1	21,981	0.64%
2.6	National Bank of Pakistan	1	135	0.00%
		6	263,974	7.69%
3. <u>Directors, CEO, their Spouses & Minor Children</u>				
<u>Directors and CEO</u>				
3.1	Dewan Muhammad Yousuf Farooqui	1	815,607	23.75%
3.2	Dewan Abdullah Ahmed Swaleh	1	224,217	6.53%
3.3	Dewan Abdul Baqi Farooqui	1	234,395	6.83%
3.4	Dewan Abdul Rehman Farooqui	1	288,999	8.42%
3.5	Mr. Haroon Iqbal	1	500	0.01%
3.6	Mr. Aziz ul Haque	1	500	0.01%
3.7	Mr. Ishtiaq Ahmed	1	500	0.01%
		7	1,564,718	45.57%
<u>Spouses of Directors and CEO</u>				
3.8	Mrs. Heena Yousuf	1	54,016	1.57%
		1	54,016	1.57%

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	815,607	23.75%
2	Dewan Abdul Rehman Farooqui	1	288,999	8.42%
3	Dewan Zia-ur-Rehman Farooqui	2	263,981	7.69%
4	Dewan Asim Mushfiq Farooqui	1	242,176	7.05%
5	National Bank of Pakistan-Trustee Dept. Nifut Fund	1	240,424	7.00%
6	Dewan Abdul Baqi Farooqui	1	234,395	6.83%
7	Dewan Motors (Pvt.) Limited	1	231,099	6.73%
8	Dewan Abdullah Ahmed Swaleh	1	224,217	6.53%

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
(Section 236(1) and 464)
PATTERN OF SHAREHOLDING

1. Incorporation Number 001561
2. Name of the Company DEWAN MUSHTAQ TEXTILE MILLS LIMITED
3. Pattern of holding of the shares held by the Shareholders as at 3 0 0 6 2 0 1 4

Number of Shareholders	Shareholdings				Total Shares held
343	1	-	100	Shares	6,560
200	101	-	500	Shares	48,856
49	501	-	1,000	Shares	39,099
46	1,001	-	5,000	Shares	101,014
11	5,001	-	10,000	Shares	80,663
9	10,001	-	15,000	Shares	114,913
2	15,001	-	20,000	Shares	36,500
1	20,001	-	25,000	Shares	21,981
1	25,001	-	30,000	Shares	27,008
3	30,001	-	55,000	Shares	161,901
2	55,001	-	100,000	Shares	136,671
1	100,001	-	145,000	Shares	144,974
1	145,001	-	225,000	Shares	224,217
2	225,001	-	235,000	Shares	465,494
1	235,001	-	240,000	Shares	236,973
2	240,001	-	245,000	Shares	482,600
1	245,001	-	290,000	Shares	288,999
1	290,001	-	820,000	Shares	815,607
676	TOTAL				3,434,030

Categories of Shareholders	Shares held	Percentage
5.1 Directors, Chief Executive Officer, their spouses and minor children	1,618,734	47.14%
5.2 Associated Companies, undertakings and related parties	231,099	6.73%
5.3 NIT and ICP	263,974	7.69%
5.4 Banks, Development Financial Institutions, Non-Banking Finance Companies	-	0.00%
5.5 Insurance Companies	185	0.01%
5.6 Modarabas and Mutual Funds	121	0.00%
5.7 Shareholders holding 5%	2,540,898	73.99%
5.8 <u>General Public</u>		
a. Local	1,292,737	37.64%
b. Foreign	20,100	0.59%
5.9 Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees)	7,080	0.21%

DEWAN MUSHTAQ TEXTILE MILLS LIMITED
53RD 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 MUSHTAQ 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 MUSHTAQ 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 53rd Annual General Meeting of the Company to be held on Thursday, 30th
October, 2014 at 11:30 a.m. and any adjournment thereof.
Signed this _____ day of _____ 2014.

Affix
Revenue
Stamp
Rs. 5/-

Signature _____

Witness: _____
SIGNATURE

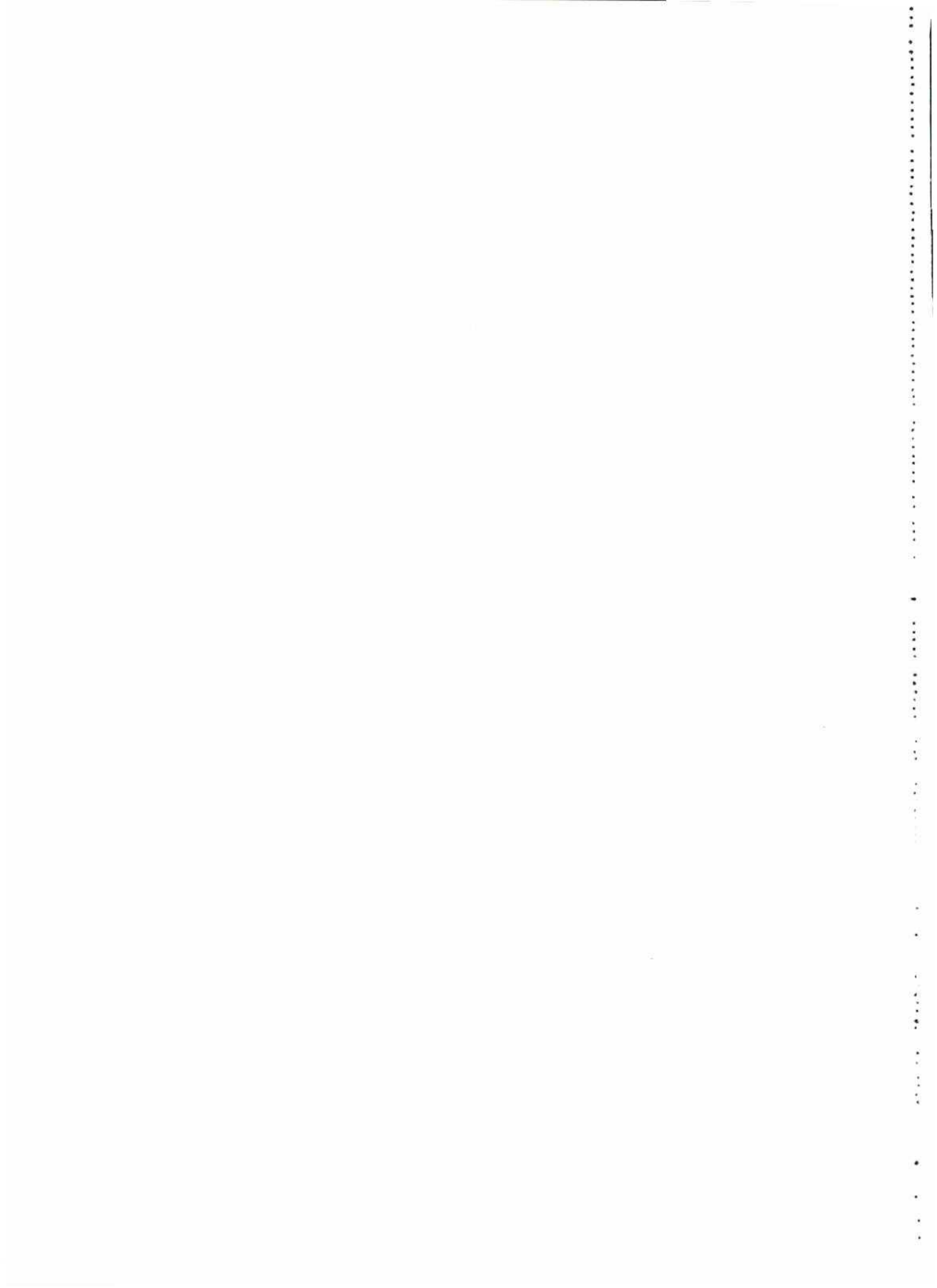
Name : _____

Address : _____

Witness: _____
SIGNATURE

Name : _____

Address : _____





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