

DEWAN MUSHTAQ TEXTILE MILLS LIMITED

Annual  
Report  
➤ 2015





## ***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	: Ishtiaq Ahmed - Chief Executive Officer
Non-Executive Directors	: Dewan Muhammad Yousuf Farooqui - Chairman, Board of Directors Dewan Abdullah Ahmed Swaleh Dewan Abdul Rehman Farooqui Mr. Haroon Iqbal Mr. Syed Muhammad Anwar
Independent Director	: Mr. Aziz-ul-Haque
Audit Committee	: Mr. Aziz-ul-Haque (Chairman) Dewan Abdul Rehman Farooqui (Member) Mr. Haroon Iqbal (Member)
Human Resources & Remuneration Committee	: Dewan Muhammad Yousuf Farooqui (Chairman) Mr. Haroon Iqbal (Member) Mr. Ishtiaq Ahmed (Member)
Auditors	: Feroze Sharif Tariq & Co. Chartered Accountants 4/N/4 Block-6, P.E.C.H.S., Karachi 75400, Pakistan.
Company Secretary	: Muhammad Hanif German
Chief Financial Officer	: Mehmood-Ul-Hassan Asghar
Tax Advisor	: Sharif & Co. Advocates
Legal Advisor	: A. K. Brohi & Co. Advocates
Bankers	: Habib Bank Limited Bank Islami Pakistan Limited MCB Bank Limited Silk Bank Limited
Registered Office	: Finance & Trade Centre Block-A, 8 <sup>th</sup> Floor, Shahrah-e-Faisal, Karachi
Shares Registrar & 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 Office	: A-30, S.I.T.E., Hyderabad, Sindh, Pakistan.
Website	: <a href="http://www.yousufdewan.com">www.yousufdewan.com</a>



## NOTICE OF 54th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty Forth Annual General Meeting of **Dewan Mushtaq Textile Mills Limited** ("**DMTML**" or "**the Company**") will be held on **Thursday, October 29, 2015, at 02:30 p.m.** at Dewan Cement Limited Factory Site, at Deh Dhand, 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 Extra Ordinary General Meeting of the Company held on Thursday, May 28, 2015;
2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2015, 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

**Muhammad Hanif German**  
*Company Secretary*

Date : October 01, 2015

Place : Karachi

### NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from October 22, 2015 to October 29, 2015 (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, 3<sup>rd</sup> 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, 2015 together with the Auditors' Report thereon.

### Overview

During the year under review, textile spinning industry continued to face distressed and unfortunate set of circumstances which hampered the operations of several units. The market has been undergoing through its bad time both domestically and internationally since last year. Lower market demand due to reduced local & export orders and power load shedding have adversely affected the production capacities of the industry. Moreover sluggish economic growth has made yarn prices uncompetitive in the market. In effect, many units in the sector are facing financial difficulties and some of these units have closed their operations. The high cost of doing business, energy shortages, myriad of taxes on exports, influx of smuggled and imported yarn and clothing in the domestic market, absence of institutional support, raw material shortages, and the gap between policy and its implementation have eroded the economic viability of textile business. Major regional developments claimed to have made domestic yarn production 'unviable' include slowdown in Chinese demand for Pakistani yarn and rebate allowed by India on its yarn exports.

### Operating results and performance:

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

	"Rupees"
SALES (NET)	959,399,670
COST OF SALES	(1,026,119,156)
<b>GROSS LOSS</b>	<b>(66,719,486)</b>
OPERATING EXPENSES	(52,697,327)
<b>OPERATING LOSS</b>	<b>(119,416,813)</b>
FINANCE COST	(36,572,988)
OTHER INCOME	52,560,324
<b>LOSS BEFORE TAXATION</b>	<b>(103,429,477)</b>
TAXATION	16,490,128
<b>LOSS AFTER TAXATION</b>	<b>(86,939,349)</b>

Company has achieved net sale of Rs.959,400 million as compared to Rs.1,571 billion of last year. Company has suffered gross loss of Rs. 66,719 million as compared to the gross profit of Rs. 88,283 million of previous year, whereas operating expenses of the company have decreased by Rs. 7,584 million.

During the year under review, decrease in production volume was the result of lesser market demand and under utilization of plant capacity, which brought about lesser sales volumes. The adverse effect resulted in negative margins due to the increase in cost of various inputs and capacity utilization. During the entire period raw material prices remained volatile which affected the cost of purchases, furthermore minimum wages have also pushed the cost of goods manufactured towards the higher side.

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.

The Auditors of the company have expressed qualified opinion in their report on following default in repayment of installments of restructured liabilities and related non-provisioning of mark-up as explained in their report.

The company has approached its lenders for further restructuring of its liabilities, which is in advanced stage as the term sheet has been finalized and circulated by the agent to syndicate of banks for their internal approvals. Management is hopeful that such revision will be finalized soon as fully explained in note 6.1.2 to the financial statements. Moreover 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 terms of agreement. Since the revision in restructuring is in advanced stage therefore management is confident that this amount will remain eligible for waiver, hence no provision of the same has been made in these financial statements.

### **Future Outlook**

The key challenges facing Pakistan's economy have continued to suppress economic activity and growth of the country. At present energy crisis, load shedding and law and order were affecting the economy badly; however, some initiatives which are being taken by the government will hopefully improve the situation in near future. In a backdrop of current scenario, a decline in cotton production has been forecasted which might result in higher cotton prices 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. 3.632 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.



### **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 period ended June 30, 2015.

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.19,509 million (2014:12,292 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 four meetings of the Board were held. The attendance of directors was as follows:

Names	No. of Meetings attended
Dewan Muhammad Yousuf Farooqui	2
Dewan Abdullah Ahmed Swalleh	0
Dewan Abdul Baqi Farooqui	2
Dewan Abdul Rehman Farooqui	4
Mr. Haroon Iqbal	4
Mr. Aziz-ul-Haque	4
Mr. Ishtiaq ahmed	4

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-UI 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 one Human Resource and Remuneration committee meeting was held and attendance was as follows



<b>Names</b>	<b>No. of Meetings attended</b>
Dewan Mouhammad Yousuf Farooqui	1
Dewan Abdul Baqi Farooqui	1
Mr. Haroon Iqbal	1

#### **Earnings per Share**

Loss per share during the period under report worked out to Rs. (24.17) [2014: Rs.(6.98)]

#### **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 Muhammad Yousuf Farooqui**  
Chairman Board of Directors

Date: September 30, 2015  
Place: Karachi.

**FINANCIAL HIGHLIGHTS**

(Rupees in Million)

	2010	2011	2012	2013	2014	2015
<b><u>PROFIT &amp; LOSS ACCOUNT</u></b>						
Sales (Net)	1,052	1,504	1,402	1,591	1,571	959
Gross Profit	72	31	49	69	88	(67)
Operating Expenses	(26)	(33)	(40)	(50)	(60)	(53)
Operating Profit / (Loss)	46	(2)	8	19	28	(119)
Finance Cost	(3)	(0)	(11)	(23)	(33)	(37)
Profit / (Loss) Before Tax	38	(2)	(2)	(4)	(5)	(103)
Taxation	(3)	13	20	(10)	(19)	16
Profit / (Loss) After Tax	35	11	18	(14)	(24)	(87)
<b><u>BALANCE SHEET</u></b>						
Assets Employed	808	855	1,373	1,402	1,332	1,084
Return on Equity (%)	27.15%	6.74%	9.93%	(6.39%)	(12.05%)	(49.96%)
Current Assets	504	553	619	685	654	437
Shareholder's Equity	130	163	183	212	199	174
Deferred Liabilities	52	22	121	125	131	109
Current Liabilities	542	669	214	331	387	286
Gross Profit Ratio (%)	6.82%	2.03%	3.49%	4.34%	5.61%	(6.95%)
Net Profit / (Loss) Ratio (%)	3.37%	0.73%	1.28%	(0.85%)	(1.52%)	(9.06%)
Earning / (Loss) per Share (Rs.)	10.32	3.20	5.29	(3.95)	(6.98)	(24.17)
Dividend (%)						
Cash	-	-	-	-	-	-
Stock	-	-	-	-	-	-
<b><u>Production</u></b>						
Actual Production at Actual Average Count (kg)	5,218,949	6,222,569	6,308,888	6,266,577	5,960,528	4,542,370
Actual Production Converted to 20 Count (kg)	10,442,000	11,756,662	10,034,950	9,951,917	9,291,811	7,367,438



## **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015**

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.

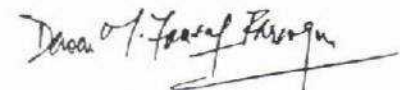
The company has applied the principles contained in the CCG in the following manner:

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. One Director has confirmed that he is not serving as director in more than seven listed companies including the Company, however six directors are serving as directors in more than seven listed Yousuf Dewan Companies.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the board during this period.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by the director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified on clause (xi) of CCG, three directors are exempted from the requirement of directors' training program and rest of the directors are qualified under the directors training program.
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 CFO before approval of the board.
12. The director, CEO and executives do not hold any interest in the shares of the company other than the disclosed in the pattern of shareholding.
13. The company has complied with all the corporate and financial reporting requirements of CCG.
14. The board has formed an Audit Committee. It comprises of three members whom one is an independent director, who is also the chairman and others are non executive directors
15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

## DEWAN MUSHTAQ TEXTILE MILLS LIMITED

16. The board has formed an Human resource and Remuneration Committee. It comprises of three members majority of the members are non executive directors including chairman of the committee.
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 30, 2015  
Place : Karachi



**Dewan Muhammad Yousuf Farooqui**  
Chairman Board of Directors

## **FEROZE SHARIF TARIQ & CO.**

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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** to comply with the respective Listing Regulation No(s). 37 of the Karachi Stock Exchange (Guarantee) limited, where the company is listed.

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

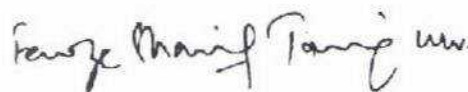
As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express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

Further, Sub-Regulation (xiii) of Listing Regulation on 35 (previously Regulation no 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Management Company to place before the Board of Director for their consideration and approval related party transactions distinguishing between transactions carried out on term equivalent to those that prevail in arm's length transactions and transaction which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transaction are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Director and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Following instances of Non-compliances with the requirements of the Code were observed which are not stated in the Statement of Compliance.

- a) The board includes one independent director, whereas in our opinion he does not meet the criteria of independence due to his cross directorship in other group companies.
- b) The chairman of Audit committee is not an independent director due to the reason reflected in para (a) above.

Based on our review, except for the above instances of non-compliance, nothing has come to our attention that causes us to believe, that the 'Statement of Compliance' does not appropriately reflect the company's compliance in all material respects, with the best practices contained in the Code of Corporate Governance, for the year June 30, 2015.



Audit Engagement Partner: Mohammad Tariq  
Date : September 30, 2015  
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, 2015, 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) During the year company defaulted in repayment of installments of restructured liabilities, hence as per clause 10.2 of the Compromise Agreement of the company, the entire outstanding restructured liabilities of Rs.176.359 million (note 6.1 to the financial Statements) along with markup of Rs.248.831 million (eligible for waiver outstanding as of date of restructuring) become immediately payable, therefore provision for markup should be made in these financial statements and the long term financing of Rs.100.777 million should be classified under current liabilities.
- b) Had the provisions for the mark up, as discussed in preceding paragraph (a), been made in these financial statements, the loss after taxation would have been higher by Rs. 248.831 million and markup payable would have been higher and shareholders' equity would have been lower by Rs. 248.831 million.
  - 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) except for the effects of matters referred in paragraphs (a) and (b) above 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;
    - 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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- e) in our opinion, except for the matter discussed in Para (a) and (b) of this report and the extent to which this may affect the accompanying financial statements 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, 2015 and of the Loss its Comprehensive income, Cash flows and Changes in Equity for the year then ended; and
- d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance 1980 (xviii of 1980), was deducted by the company and deposited in the Central Zakat fund established under section 7 of that ordinance.

Audit Engagement Partner: Mohammad Tariq  
Date : September 30, 2015  
Place : Karachi



**Feroze Sharif Tariq & Company**  
Chartered Accountants

**BALANCE SHEET  
AS AT JUNE 30, 2015**

		June 30, 2015	June 30, 2014
<b><u>EQUITY AND LIABILITIES</u></b>			
<b><u>CAPITAL &amp; RESERVES</u></b>			
	Notes	(Rupees)	
<b><u>Authorized</u></b>			
10,000,000 (June 30, 2014: 10,000,000) Ordinary Shares of Rs. 10/- each		100,000,000	100,000,000
Issued, Subscribed and Paid-up Capital	4	65,610,280	34,340,280
General Reserve - (a Revenue Reserve)		45,000,000	45,000,000
Unappropriated Profit		63,422,433	119,509,097
		174,032,713	198,849,377
<b>Surplus on revaluation of property plant and equipment</b>	5	307,403,558	327,132,113
<b><u>NON-CURRENT LIABILITIES</u></b>			
Long term loans	6	207,914,376	288,048,928
<b><u>Deferred Liabilities</u></b>			
Provision for Staff Gratuity	7	32,750,079	29,512,012
Deferred taxation	8	75,810,591	101,894,716
		108,560,670	131,406,728
<b><u>CURRENT LIABILITIES</u></b>			
Trade and Other Payables	9	93,554,478	100,044,149
Mark-up accrued on loans		16,326,619	2,852,380
Current and over due portion of Syndicated long term loans	6	75,582,381	96,016,308
Short Term Borrowings - Secured	10	37,499,468	116,744,321
Provision for Income Tax	11	62,975,936	68,273,628
		285,938,882	383,930,786
Contingencies and Commitments	12	--	--
		1,083,850,199	1,329,367,932
<b><u>ASSETS</u></b>			
<b><u>NON-CURRENT ASSETS</u></b>			
Property Plant and Equipment	13	567,130,310	614,125,963
Available for Sale Investment - at fair value	14	52,243,682	41,119,552
Long Term Deposits		27,552,410	20,429,970
<b><u>CURRENT ASSETS</u></b>			
Stores, Spares and Loose Tools	15	16,896,866	19,419,114
Stock-in-Trade	16	86,535,853	151,591,948
Trade Debts - Considered Good	17	247,698,208	383,575,949
Loans and Advances - Unsecured, Considered good	18	5,100,601	4,210,140
Trade Deposits, Prepayments and Statutory Balances - Considered good	19	13,954,825	14,788,331
Other Receivables - Unsecured, Considered good		12,225,000	15,525,060
Income Tax Refunds and Advances		48,254,240	56,161,364
Cash and Bank Balances	20	6,258,204	8,420,541
		436,923,797	653,692,447
		1,083,850,199	1,329,367,932

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



**Ishtiaq Ahmed**  
Chief Executive Officer



**Haroon Iqbal**  
Director

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2015

	Notes	2015 (Rupees)	2014
Sales - Net	21	959,399,670	1,571,417,282
Cost of Sales	22	<u>(1,026,119,156)</u>	<u>(1,483,134,627)</u>
Gross (loss) / Profit		(66,719,486)	88,282,655
<b>Operating expenses</b>			
Administrative and General Expenses	23	<u>(38,657,991)</u>	<u>(41,343,330)</u>
Distribution Costs and Selling Expenses	24	<u>(14,039,336)</u>	<u>(18,938,204)</u>
		(52,697,327)	(60,281,534)
Operating (loss) / Profit		<u>(119,416,813)</u>	<u>28,001,121</u>
Other Income	25	52,560,324	243,119
Finance Cost	26	<u>(36,572,988)</u>	<u>(33,075,015)</u>
Loss before taxation		(103,429,477)	(4,830,775)
<b>Taxation</b>			
Current	11	<u>(9,593,997)</u>	<u>(15,713,447)</u>
Deferred		26,084,125	(3,412,879)
		16,490,128	(19,126,326)
Loss after taxation		<u>(86,939,349)</u>	<u>(23,957,101)</u>
Loss per share - Basic and diluted	27	<u>(24.17)</u>	<u>(6.98)</u>

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



**Ishtiaq Ahmed**  
Chief Executive Officer



**Haroon Iqbal**  
Director

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014
	(Rupees)	
<b>Loss for the year</b>	(86,939,349)	(23,957,101)
<b>Other comprehensive Income:</b>		
Transfer from surplus on revaluation of property plant and equipment in respect of:		
Incremental depreciation	29,445,605	34,458,162
Related deferred tax	(9,717,050)	(11,715,775)
	19,728,555	22,742,387
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	11,124,130	(8,939,033)
<b>Total comprehensive Loss for the year</b>	<u>(56,086,664)</u>	<u>(13,458,061)</u>

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



**Ishtiaq Ahmed**  
Chief Executive Officer



**Haroon Iqbal**  
Director



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014
Notes	(Rupees)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before Taxation	(103,429,477)	(4,830,775)
Adjustment for Non-Cash and Other Items:		
Depreciation	51,695,654	57,836,539
Gain on Sale of Property Plant and Equipment	--	(243,119)
Provision for Gratuity	6,781,767	5,537,889
Finance Cost	36,572,988	33,075,015
	<u>95,050,409</u>	<u>96,206,324</u>
	(8,379,068)	91,375,549
<b>Working Capital Changes</b>		
<i>(Increase) / Decrease in Current Assets</i>		
Stores, Spares and Loose Tools	2,522,248	(5,125,736)
Stock-in-Trade	65,056,095	(3,671,702)
Trade Debts	135,877,741	29,463,957
Loans and Advances	(890,461)	3,019,120
Trade deposits, Prepayments & Statutory balances	833,506	1,579,597
Other Receivables	3,300,060	(4,552,658)
<i>Increase / (Decrease) in Current Liabilities</i>		
Trade Creditors, Payable & others borrowings	(59,049,996)	(30,168,046)
	<u>147,649,193</u>	<u>(9,455,468)</u>
	(6,984,565)	(9,838,972)
Taxes Paid	(3,543,700)	(5,793,940)
Gratuity Paid	<u>(10,528,265)</u>	<u>(15,632,912)</u>
<i>Net Cash Inflow/ (Outflow) from Operating Activities</i>	<u>128,741,860</u>	<u>66,287,169</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed Capital Expenditure	(4,700,000)	(6,545,705)
Long term deposits	(7,122,440)	
Sale Proceed of Property Plant and Equipment	--	290,000
<i>Net Cash Inflow / (Outflow) from Investing Activities</i>	<u>(11,822,440)</u>	<u>(6,255,705)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Syndicated Long Term Loan	(48,008,155)	(96,016,308)
Share Capital	31,270,000	--
Finance Cost Paid	(23,098,749)	(35,512,738)
<i>Net Cash Inflow/ (Outflow) from Financing Activities</i>	<u>(39,836,904)</u>	<u>(131,529,046)</u>
Net Increase / (decrease) in Cash and Cash Equivalents	77,082,516	(71,497,582)
Cash and Cash Equivalents at the Beginning	<u>(108,323,780)</u>	<u>(36,826,198)</u>
Cash and Cash Equivalents at the End	<u><u>(31,241,264)</u></u>	<u><u>(108,323,780)</u></u>

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

**Ishtiaq Ahmed**  
Chief Executive Officer

**Haroon Iqbal**  
Director

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2015

	Share Capital	General Reserve	Unrealized gain / (loss) due to change in fair value of investment	Unappropriat ed Profit / (Loss)	Total
	(Rupees)				
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
Balance as on July 01, 2014	34,340,280	45,000,000	10,925,486	108,583,611	198,849,377
Shares issued during the year	31,270,000	--	--	--	31,270,000
Total comprehensive income for the year	--	--	11,124,130	(67,210,794)	(56,086,664)
Balance as on June 30, 2015	65,610,280	45,000,000	22,049,616	41,372,817	174,032,713

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



**Ishtiaq Ahmed**  
Chief Executive Officer



**Haroon Iqbal**  
Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 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, Shahrab-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 Standards, amendments or interpretations 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 therein respective standard or interpretation:*

Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

IFRS 10 'Consolidated Financial Statements' - (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016.

IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.

Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.

*Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). These amendments are not likely to have an impact on Company's financial statements. The new cycle of improvements contain amendments to the following standards:*

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

## **2.2 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:

### **2.2.1 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.

### **2.2.2 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.

### **2.2.3 Stock-in-trade**

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

### **2.2.4 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.

### **2.2.5 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.

## **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.

### **3.1 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.

**3.2 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".

**Defined Contribution Plan**

The company up to 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 recognized 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 the fund.

**3.3 Trade and Other Payables**

Trade and other payables are stated at their cost.

**3.4 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.

**3.5 Property, Plant and Equipment**

**Owned**

Property, Plant and Equipment are stated at cost/revalued amounts less accumulated depreciation and impairment losses, including Leasehold land is amortised in equal installments over the remaining lease period, if any; 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.

**3.6 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.

**3.7 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.

**3.8 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.

**3.9 Stock-in-Trade**

These are valued as follows :

<b>Raw Material</b>	:	At lower of weighted average cost or net realizable value. Cost of raw material and components represents invoice value plus other charges paid thereon.
<b>Finished Goods</b>	:	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.
<b>Waste</b>	:	At net realizable value.
<b>Work-in-Process</b>	:	At weighted average cost. This comprises the direct cost of raw materials, wages, and appropriate manufacturing overheads.
<b>Stock in Transit</b>	:	At cost accumulated upto the balance sheet date.
<b>Stock at fair price shop</b>	:	At cost calculated on the First-in-first-out method of valuation.
<b>Packing Material</b>	:	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 positives 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 recognized in the financial statements in the period in which such dividends and appropriations are approved.

4	<b>Issued, Subscribed and Paid-up Capital</b>		June 30,	June 30,	
	<i>No. of Ordinary Shares of Rs. 10/- each</i>		2015	2014	
	June 30,	June 30,	(Rupees)		
	2015	2014			
	3,817,000	690,000	Fully Paid in cash	38,170,000	6,900,000
	2,744,028	2,744,028	Issued as fully paid bonus shares	27,440,280	27,440,280
	<u>6,561,028</u>	<u>3,434,028</u>		<u>65,610,280</u>	<u>34,340,280</u>

**Numbers of shares**

<b>4.1 Reconciliation of shares</b>		
At the beginning of the year	3,434,028	3,434,028
Ordinary shares issued during the year	3,127,000	--
At the end of the year	<u>6,561,028</u>	<u>3,434,028</u>

**4.2** The shareholders are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the meetings of the company. All shares rank equally in respect to the company's residual assets.

**4.3** The pattern of shareholding, as required under the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan, is attached at the end of this report.

**5 Surplus on Revaluation of Property Plant and Equipment**

Opening Balance	327,132,113	349,874,500
<b>Less : Transferred to unappropriated profit:</b>		
- Surplus relating to incremental depreciation - net of deferred tax	(19,728,555)	(22,742,387)
	<u>307,403,558</u>	<u>327,132,113</u>

## DEWAN MUSHTAQ TEXTILE MILLS LIMITED

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-istatement 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.

The revaluation has resulted in increase in surplus 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
	<b>771,900,000</b>	<b>247,283,685</b>	<b>524,616,315</b>

	Note	June 30, 2015	June 30, 2014
<b>(Rupees)</b>			
<b>6 Long term loans</b>			
Syndicated Long Term Loans - Secured	6.1	100,776,511	288,048,928
Sponsor Loan -Unsecured	6.2	107,137,865	--
		<u>207,914,376</u>	<u>288,048,928</u>



	Note	June 30, 2015	June 30, 2014
(Rupees)			
<b>6.1</b>	Syndicated Long term Loan	384,065,236	480,081,544
	Less: Adjustment for settlement	159,698,189	-
		<u>224,367,047</u>	<u>480,081,544</u>
	Less :payment during the year	(48,008,155)	(96,016,308)
		<u>176,358,892</u>	<u>384,065,236</u>
	Less Current and over due portion of Syndicated long term loans	(75,582,381)	(96,016,308)
		<u>100,776,511</u>	<u>288,048,928</u>

**6.1.1** The Compromise Agreement dated December 23, 2011 had been executed 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 10.1 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.

**6.1.2** The company has approached its lenders for further restructuring of its liabilities, which is in advanced stage as the term sheet has been finalized and circulated by the agent to syndicate of banks for their internal approvals. Management is hopeful that such revision will be finalized soon. Accordingly the Banks' liability has been classified as non-current.

**6.1.3** During the year one of the banks has settled the liability of the Company.

**6.2** Sponsor Loan- Unsecured

Sponsor Loan- Unsecured	<b>6.2.1</b>	159,698,189	-
Less : Amortization discount charged to P & L		(52,560,324)	-
Present Value of Sponsor loan		<u>107,137,865</u>	<u>-</u>

**6.2.1** The Sponsor loan has been measured at amortized cost in accordance with International Accounting Standard 39, Financial Instruments: Recognition and Measurement, and have been discounted using the weighted average interest rate of 8.01% per annum. This interest free loan is payable in monthly installments till 30th June 2020.

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	<b>June 30, 2015</b>	<b>June 30, 2014</b>
<b>7 Provision for Staff Gratuity</b>	<b>(Rupees)</b>	
Opening Balance	29,512,012	24,761,526
Payments during the period	3,543,700	5,793,940
	25,968,312	18,967,586
Charge for the period	6,781,767	5,537,889
Remeasurement Recognized in other comprehensive income	--	5,006,537
	32,750,079	29,512,012
<b>a) The amounts recognized in the balance sheet:</b>		
Present value of defined benefit obligations	18,973,456	17,097,512
Deficit/ (surplus)	13,776,623	12,414,500
Net liability	32,750,079	29,512,012
<b>b) The amounts recognized in the profit and loss account:</b>		
Current service cost	5,277,322	4,309,382
Net interest cost	1,504,445	1,228,507
	6,781,767	5,537,889
<b>c) Movement in the present value of defined benefit obligation:</b>		
Present value of defined benefit obligation	15,371,648	12,347,026
Current service cost	5,782,209	4,309,382
Interest cost	1,363,299	1,228,507
Benefit due but not paid (payable)	-	-
Benefits paid	(3,543,700)	(5,793,940)
Experience Adjustment	-	5,006,537
obligation as at June 30	18,973,456	17,097,512
<b>d) Remeasurement recognized in OCI:</b>		
Experience adjustment	-	5,006,537
	-	5,006,537
<b>e) Principal actuarial assumptions used in the actuarial valuation are as follows:</b>		
Discount rate	13%	13%
Discount rate used for year end obligation	13%	13%
Future salary increases	12%	12%
Retirement Assumptions	60 Years	60 Years
<b>f) Change in Net Liability</b>		
Balance sheet Liability	29,512,012	24,761,526
Expenses Charge to Profit and Loss Account	6,781,767	5,537,889
Remeasurement Chargeable in Other comprehensive income	-	5,006,537
Benefits paid	(3,543,700)	(5,793,940)
Balance sheet Liability	32,750,079	29,512,012



	June 30, 2015	June 30, 2014
	(Rupees)	
<b>g) The charge for the year has been allocated as follows</b>		
Cost of Sales	6,781,767	10,544,366
Administrative expense	--	--
	6,781,767	10,544,366

**8 Deferred Taxation**

Deferred tax liability arising due to accelerated tax depreciation	22,726,552	31,871,774
Deferred tax assets arising out of staff gratuity, tax loss and others	(27,673,080)	(26,279,091)
Deferred tax liability due to revaluation of property plant & equipment	80,757,119	96,302,033
	75,810,591	101,894,716

**8.1** The movement for the year, in the company's net deferred tax position is as follows:

Opening Balance	101,894,716	100,184,059
Deferred tax liability due to surplus on revaluation		--
Increase / (decrease) in deferred tax liability related to surplus on revaluation	(15,544,914)	(11,715,775)
Increase / (decrease) in other deferred tax liabilities	(9,145,222)	(2,847,848)
Decrease / (Increase) in deferred tax assets	(1,393,989)	16,274,280
Taken to Profit & Loss for the year	(26,084,125)	1,710,657
	75,810,591	101,894,716

**9 Trade and Other Payables**

Trade Creditors	49,440,973	49,459,396
Accrued Expenses	41,696,743	48,823,442
Unclaimed Dividend	308,319	308,319
Employees Provident	553,304	431,144
Sales tax Payable	1,555,139	1,021,848
	93,554,478	100,044,149

	2015	2014
<b>9.1 Provident Fund related Disclosures</b>	----- (Unaudited) -----	
Size of the fund	21,562,452	14,973,798
Cost of investments	19,509,148	12,291,741
Percentage of investments	90%	82%
Fair value of investments	20,440,148	12,756,408

**The breakup of of investments is as follows:**

Term Deposit Receipts	61%	13,300,000	55%	8,200,000
Bank balance	29%	6,209,148	27%	4,091,741

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.

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	Note	June 30, 2015	June 30, 2014
<b>10</b>	<b>Short Term Borrowings - Secured</b>		
		<b>(Rupees)</b>	
	Short Term Finance	37,499,468	85,887,655
	Temporary bank overdraft	-	30,856,666
		37,499,468	116,744,321

**10.1** As part of restructuring banks / financial institutions have approved as fully disclosed in note 6.1.1 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, 2015 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.

<b>11</b>	<b>Provision for Taxation</b>		
	Balance at the beginning	68,273,628	52,560,181
	Add: Provisions for Taxation	9,593,997	15,713,447
		77,867,625	68,273,628
	Payment/ Adjusted during the year	(14,891,689)	-
		62,975,936	68,273,628

The income tax returns of the company have been filed upto tax year 2014 to income tax department and the assessments of the company 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	(103,429,477)	(4,830,775)
Applicable tax rate	33%	34%
Tax payable / (refundable) on accounting profit / (loss)	(34,131,728)	(1,642,464)
Tax effect of timing difference on depreciation	11,829,812	13,322,170
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	2,267,238	2,960,228
Effect of tax Loss carried / (brought) forward	20,034,678	(14,639,934)
Tax payable under normal rules	--	--

<b>11.2</b> Minimum tax payable under income tax ordinance 2001	9,593,997	15,713,447
---	-----------	------------

**12** **Contingencies and Commitments**

**12.1** As per the terms of the restructuring (refer to no. 6.1.1 ) 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 has defaulted in repayment of liability, however has approached the lenders for further restructuring as detailed in note 6.1.2 to the financial statements. Since the restructuring is in advanced stage therefore management is confident that this amount will remain eligible for waiver, hence no provision of the same has been made in these financial statements.

**12.2** The Government of Pakistan during the year under review has promulgated the Gas Infrastructure Development Cess Ordinance 2014 against which the Company has filed suit in the Honorable Sindh High Court and the Honorable Sindh High Court has issued stay against the recovery of GIDC.

**12.3** Commitments in respect of letter of credits for capital expenditure commitments and other then capital expenditures commitments outstanding amounts to Rs. Nil (2014: Nil)

	Note	June 30, 2015	June 30, 2014
<b>13 Property Plant and Equipment</b>			
Operating assets	13.1	562,430,310	614,125,963
Capital Work in progress	13.2	4,700,000	---
		<b>567,130,310</b>	<b>614,125,963</b>

**13.1 Operating assets**

Particulars	2015				Rate %	2014				
	Cost / Revaluation		As at June 30,2015	As at July 01, 2014		Depreciation		Written Down Value as at June 30,2015		
	As at July 01, 2014	Additions / (Deletions)				Surplus on Revaluation	For the period		As at June 30,2015	
<b>OWNED</b>										
Lease Hold Land	150,000,000	--	--	150,000,000	--	2,678,571	--	2,678,571	5,357,142	144,642,858
Factory Building	177,062,964	--	--	177,062,964	10%	92,808,391	--	8,425,457	101,233,848	78,829,116
Non Factory Building	23,501,787	--	--	23,501,787	5%	4,990,250	--	925,577	5,915,827	17,585,960
Labour Quarters	48,719,048	--	--	48,719,048	25%	29,569,453	--	4,787,295	34,356,748	14,362,296
Plant and Machinery	847,734,199	--	--	847,734,199	10%	508,803,083	--	33,893,112	542,696,195	305,038,004
Factory and Office Equipments	1,718,825	--	--	1,718,825	10%	1,344,364	--	17,546	1,560,910	157,915
Vehicles	27,117,401	--	--	27,117,401	20%	23,219,734	--	779,533	23,999,267	3,118,134
Furniture and Fixture	7,872,354	--	--	7,872,354	10%	5,587,768	--	198,459	6,176,227	1,696,127
<b>June 30, 2015</b>	<b>1,283,726,578</b>	--	--	<b>1,283,726,578</b>		<b>669,600,614</b>	--	<b>51,695,654</b>	<b>721,296,268</b>	<b>562,430,310</b>
<b>June 30, 2014</b>	<b>1,278,008,873</b>	<b>5,717,705</b>	--	<b>1,283,726,578</b>		<b>612,545,195</b>	<b>(781,119)</b>	<b>57,836,539</b>	<b>669,600,615</b>	<b>614,125,963</b>

**Allocation of Depreciation**

Depreciation for the year has been allocated as follows:

	2015	2014
Cost of Sales	50,727,662	56,652,723
Administrative and General Expenses	967,992	1,183,815
	<b>51,695,654</b>	<b>57,836,539</b>

Particulars	2014				Rate %	2013				
	Cost / Revaluation		As at June 30, 2014	As at July 01, 2013		Depreciation		Written Down Value As At June 30, 2014		
	As at July 01, 2013	Additions (Deletions)				For the Year	As at June 30, 2014			
<b>Owned</b>										
Lease hold land	150,000,000	--	--	150,000,000	--	2,678,571	--	2,678,571	147,321,429	
Factory Building on lease hold land	177,062,964	--	--	177,062,964	10%	85,446,772	--	9,361,639	92,808,391	84,254,573
Non Factory Building on lease hold land	23,501,787	--	--	23,501,787	5%	4,015,959	--	974,297	4,990,250	18,511,537
Labour Quarters	48,719,048	--	--	48,719,048	25%	23,186,255	--	6,387,198	29,569,453	19,149,595
Plant and Machinery	841,196,854	6,537,345	--	847,734,199	10%	471,569,636	--	37,236,447	508,803,083	338,931,116
Factory Equipments	1,710,463	8,360	--	1,718,825	10%	1,524,768	--	18,596	1,543,364	175,461
Vehicles	27,945,401	(828,000)	--	27,117,401	20%	23,026,436	(78,115)	974,417	23,219,734	3,897,667
Furniture and Fixture	7,872,354	--	--	7,872,354	10%	5,578,369	--	209,088	5,987,457	1,884,896
<b>June 30, 2014</b>	<b>1,278,008,873</b>	<b>5,717,705</b>	--	<b>1,283,726,578</b>		<b>612,545,195</b>	<b>(781,119)</b>	<b>57,836,539</b>	<b>669,600,615</b>	<b>614,125,963</b>
<b>June 30, 2013</b>	<b>1,271,316,546</b>	<b>6,691,927</b>	--	<b>1,278,008,873</b>		<b>557,988,175</b>	<b>(694,344)</b>	<b>62,491,364</b>	<b>612,545,195</b>	<b>665,463,628</b>

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**13.1.1** 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, 2015			June 30, 2014		
	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	78,986,825	33,385,754	112,372,579	75,277,297	37,095,282
Non factory building	4,094,286	2,315,857	1,778,429	4,094,286	2,222,256	1,872,030
Labour Quarters	6,823,847	5,717,554	1,106,293	6,823,847	5,348,790	1,475,057
Plant & machinery	587,152,481	454,430,518	132,721,963	593,689,826	440,337,368	153,352,458
	<u>711,173,193</u>	<u>541,450,754</u>	<u>169,722,439</u>	<u>717,710,538</u>	<u>523,185,710</u>	<u>194,524,828</u>

	June 30, 2015	June 30, 2014
	(Rupees)	
<b>13.2 Capital Work in progress</b>		
<b>- Intangible</b>		
Software Development	<u>4,700,000</u>	--
<b>14 Long Term Investment - Related Party</b>		
Shares in Dewan Salman Fibre Limited (A Listed Associated Company)		
19,864,518 (2014: 19,864,518) fully paid up ordinary shares of Rs.10/- each.		
(including 15,864,518 bonus shares)	40,000,000	40,000,000
Change in the fair value of investments	12,243,682	1,119,552
	<u>52,243,682</u>	<u>41,119,552</u>
Percentage of Equity held	5.42%	5.42%
Aggregate Market value (Rupees per share)	2.63	2.07
<b>15 Stores, Spares &amp; Loose Tools</b>		
Stores and Spares	13,542,082	14,456,446
Packing Material	3,354,784	4,962,668
	<u>16,896,866</u>	<u>19,419,114</u>
<b>16 Stock-in-Trade</b>		
Raw Materials	4,811,461	45,217,727
Work-in-Process	7,904,700	5,617,483
Finished Goods	69,609,897	66,842,033
Waste	1,434,711	1,969,760
Stock Trade in Transit	2,775,084	31,944,946
	<u>86,535,853</u>	<u>151,591,948</u>

**16.1** Stocks valuing Rs. 58.351 million (2014: Rs. 96.134 million) was pledged with the banks against the restructured finance facilities obtained by the Company



	Note	2015	2014
(Rupees)			
<b>17 Trade Debts - Considered Good</b>			
Local Receivables - Unsecured		247,698,208	383,575,949
		<u>247,698,208</u>	<u>383,575,949</u>
<b>17.1</b>	The aging of debtors at the reporting date was:		
Up to one month		76,786,444	214,802,532
1 to 6 months		89,171,355	153,430,380
More than 6 months		81,740,409	15,343,038
		<u>247,698,208</u>	<u>383,575,949</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.			
<b>18 Loans and Advances - Unsecured, Considered Good</b>			
Advances for Expenses/suppliers		3,928,104	361,960
Loans and Advances to employees	18.1	1,172,497	3,569,056
Advance against imports		--	279,124
		<u>5,100,601</u>	<u>4,210,140</u>
<b>18.1</b>	Advance to Employees includes Rs. Nil (2014: Rs. Nil) due from the executives of the company.		
<b>19 Trade Deposits, Prepayments and Statutory Balances - Considered good</b>			
Deposits		181,874	187,824
Sales Tax Receivable		12,087,246	14,600,507
Prepayments		1,685,705	--
		<u>13,954,825</u>	<u>14,788,331</u>
<b>20 Cash and Bank Balances</b>			
Cash in Hand		567,685	569,171
Cash at Banks - Current Accounts		5,690,519	7,851,370
		<u>6,258,204</u>	<u>8,420,541</u>
<b>21 SALES - Net</b>			
Yarn-Local		983,552,278	1,612,668,663
Waste-Local		2,568,584	3,113,611
Gross Sale		986,120,862	1,615,782,274
Less: Sales Tax		(26,721,192)	(44,364,992)
		<u>959,399,670</u>	<u>1,571,417,282</u>

**DEWAN MUSHTAQ TEXTILE MILLS LIMITED**

	Note	2015	2014
		(Rupees)	
<b>22</b>	<b>Cost of Sales</b>		
	Raw Material Consumed	22.1 650,940,624	1,052,900,865
	Packing Material Consumed	20,730,976	25,668,516
	Stores and Spares Consumed	24,528,841	27,980,478
	Fuel, Power & Water	118,087,110	139,344,379
	Salaries, Wages and Other Benefits	22.2 161,048,356	143,561,336
	Insurance	1,761,928	1,922,195
	Repairs and Maintenance	2,813,692	2,753,739
	Depreciation	13.1 50,727,662	56,652,723
		<u>1,030,639,189</u>	<u>1,450,784,231</u>
	Work-in-Process - Opening	5,617,483	10,319,039
	Work-in-Process - Closing	<u>(7,904,700)</u>	<u>(5,617,483)</u>
	Cost of Goods Manufactured	1,028,351,972	1,455,485,787
	Finished Goods - Opening	68,811,792	92,655,895
	Purchase of Yarn	--	3,804,737
	Finished Goods - Closing	<u>(71,044,608)</u>	<u>(68,811,792)</u>
		<u><u>1,026,119,156</u></u>	<u><u>1,483,134,627</u></u>
<b>22.1</b>	<b>Raw Material Consumed</b>		
	Opening Stock	45,217,727	33,829,431
	Purchases - net	<u>610,534,358</u>	<u>1,064,289,161</u>
		655,752,085	1,098,118,592
	Closing Stock	<u>(4,811,461)</u>	<u>(45,217,727)</u>
	Raw Material Consumed	<u><u>650,940,624</u></u>	<u><u>1,052,900,865</u></u>
<b>22.2</b>	Salaries, wages and other benefits include Rs.10.919 million (2014: Rs. 8.317 million) relating to staff retirement benefits.		
<b>23</b>	<b>Administrative and General Expenses</b>		
	Salaries, Allowances and Other Benefits	23.1 21,904,252	21,459,993
	Rent, Rates and Taxes	3,029,815	3,620,167
	Traveling, Conveyance and Entertainment	575,263	949,342
	Printing and Stationery	340,305	530,381
	Postage, Telephone and Telex	391,432	478,087
	Vehicles Expenses	2,808,066	2,992,501
	Legal and Professional Charges	1,626,389	1,380,992
	Fees and Subscription	482,154	1,248,524
	Depreciation	13.1 967,992	1,183,815
	Auditors Remuneration	23.2 500,000	500,000
	Repairs and Maintenance	2,399,973	3,043,402
	Donation	23.3 3,632,350	3,956,126
		<u>38,657,991</u>	<u>41,343,330</u>



- 23.1** Salaries, allowances and other benefits include Rs. 1,271 million (2014: Rs. 2,307 million) relating to staff retirement benefits.
- 23.2** Represents Audit fee (Annual, Half year and Review of Code and 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 (2014: 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
- Haroon Iqbal - Trustee
- Aziz-ul-Haq - Trustee
- Ishtiaq Ahmed - Trustee
- Salman Rasheed - Trustee
- Mrs. Hina Yousuf (Spouse of Director) - Trustee

	Note	2015 (Rupees)	2014
<b>24 Distribution Costs and Selling Expenses</b>			
Salaries and other benefits	24.1	2,887,231	1,693,334
Packing Expenses		753,620	1,253,773
Cartage & freight		8,463,900	14,860,483
Other		1,934,585	1,130,614
		<u>14,039,336</u>	<u>18,938,204</u>
24.1 Salaries, wages and other benefits include Rs. 0.141 million (2014: Rs.0.182 million) relating to staff retirement benefits.			
<b>25 Other Income</b>			
Gain on Sale of Property Plant and Equipment		-	243,119
Amortization of interest free Sponsors loan		52,560,324	--
		<u>52,560,324</u>	<u>243,119</u>
<b>26 Finance Cost</b>			
Mark-up on Short Term Borrowings		8,010,730	6,808,613
Mark up on Syndicated Long Term Loan		27,738,528	25,059,270
Bank Charges and Commission		823,730	1,207,132
		<u>36,572,988</u>	<u>33,075,015</u>
<b>27 Earnings Per Share - Basic</b>			
Profit after Taxation		(86,939,349)	(23,957,101)
Weighted Average Number of Ordinary Shares		<u>3,596,803</u>	<u>3,434,028</u>
Earning Per Share - Basic and diluted (Rupees)		<u>(24.17)</u>	<u>(6.98)</u>

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 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	2015				2014			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	Rupees				Rupees			
Managerial Remuneration	--	--	11,448,036	11,448,036	--	--	8,747,553	8,747,553
House rent allowance	--	--	5,151,510	5,151,510	--	--	3,936,380	3,936,380
Utilities allowance	--	--	1,145,034	1,145,034	--	--	874,768	874,768
Conveyance	--	--	28,800	28,800	--	--	18,300	18,300
<b>Total</b>	--	--	<b>17,773,380</b>	<b>17,773,380</b>	--	--	<b>13,577,001</b>	<b>13,577,001</b>
<b>Number of persons</b>	--	--	<b>8</b>	<b>8</b>	--	--	<b>6</b>	<b>6</b>

28.1 The Executives of the company are provided, use of company maintained cars.

**29 Related Party Transactions**

During the year aggregate transactions made by the company with the associated companies were purchases of Rs.2,809 million (2014: Rs.21,777 million), sales of Rs.Nil (2014: Rs.2,455 million), provident fund contribution of Rs.5,284 million (2014: Rs.5,270 million), shared expenses of Rs.3,848 Million (2014: Rs.3,263 million), Donations of Rs. 3,000 million (2014: 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	2015	2014
Actual production at actual average count (Kgs)	4,542,370	5,960,528
Actual production converted to 20 count (Kgs)	7,367,438	9,291,811
Attainable capacity converted to 20 count (Kgs)	12,077,988	12,077,988
Number of spindles installed	25,776	25,776
Number of spindles worked	14,936	19,812
Number of shifts worked	634	842

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, 2015	June 30, 2014
<b>31 Cash and Cash Equivalents</b>		<b>(Rupees)</b>	
Cash and Bank Balances	20	6,258,204	8,420,541
Short term Borrowings	10	(37,499,468)	(116,744,321)
		<u>(31,241,264)</u>	<u>(108,323,780)</u>



**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:	June 30, 2015	June 30, 2014
	(Rupees)	
Long Term Investment - Related Party	52,243,682	41,119,552
Trade Debts - Considered Good	247,698,208	383,575,949
Loans and Advances - Unsecured, Considered good	5,100,601	4,210,140
Trade Deposits, Prepayments and Statutory Balances - Considered good	181,874	187,824
Other Receivables - Unsecured, Considered good	12,225,000	15,525,000
Cash and Bank Balances	6,258,204	8,420,541
	<u>323,707,569</u>	<u>453,039,006</u>

**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:

	2015					
	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	283,496,757	351,488,483	54,167,374	27,083,687	54,356,330	215,881,093
Trade and other payables	93,554,478	93,554,478	93,554,478	-	-	-
Short term Borrowings	37,499,468	39,003,556	39,003,556	-	-	-
Mark-up accrued on loans	16,326,619	16,326,619	16,326,619	-	-	-
	<u>430,877,322</u>	<u>500,373,136</u>	<u>203,052,027</u>	<u>27,083,687</u>	<u>54,356,330</u>	<u>215,881,093</u>
	2014					
	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	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>670,817,049</u>	<u>281,446,051</u>	<u>60,057,872</u>	<u>116,658,818</u>	<u>212,374,308</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:

	<u>Carrying Amounts</u>	
	June 30, 2015	June 30, 2014
	Rupees	
Financial liabilities	320,996,225	500,809,557
	<u>320,996,225</u>	<u>500,809,557</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 composes shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

Total Borrowings	320,996,225	500,809,557
Less Cash and Bank Balances	(6,258,204)	(8,420,541)
Net debt	314,738,021	492,389,016
Total equity	174,032,713	198,849,377
Total Capital	<u>488,770,734</u>	<u>691,238,393</u>
Gearing ratio	<u>64.39%</u>	<u>71.23%</u>



**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 Nos. 502 (2014: Nos. 493) and the average number of persons employed during the year were Nos. 513 (2014: Nos. 490).

**34 Approval of Financial Statements**

These financial statements were approved by the Board of Directors and authorized for issue on September 30, 2015.

**35 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 deposit of SSGC amounting to Rs. 19,589,760 previously classified as short term deposit now reclassified to long term deposit.
- 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 environment in which the company operates. The financial Statements are presented in Pakistani rupees, which is the Company's functional and Presentational currency.

**Ishtiaq Ahmed**  
Chief Executive Officer

**Haroon Iqbal**  
Director

**ATTERN OF SHAREHOLDING UNDER REGULATION  
XX)(I) OF THE CODE OF CORPORATE GOVERNANCE  
AT JUNE 30, 2015**

Srl #	Categories of Shareholders	Number of Shareholders	Number of Shares held	% of Shareholding
1.	Associated Companies	1	231,099	3.52%
2.	NIT and ICP	6	220,974	3.37%
3.	Directors, CEO, their Spouses & Minor Children	8	4,745,734	72.33%
4.	Executives	-	-	0.00%
5.	Public Sector Companies & Corporations	8	3,970	0.06%
6.	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds	2	306	0.00%
7.	Individuals	659	1,358,945	20.71%
<b>TOTAL</b>		<b>684</b>	<b>6,561,028</b>	<b>100.00%</b>

**DETAILS OF CATAGORIES OF SHAREHOLDERS**

Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
<b>1. Associated Companies</b>				
1.1	Dewan Motors (Pvt.) Limited	1	231,099	3.52%
<b>2. NIT and ICP</b>				
2.1	Investment Corp. of Pakistan	1	68	0.00%
2.2	IDBP (ICP UNIT)	1	595	0.01%
2.3	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	197,424	3.01%
2.4	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEFOLENT FUND TRUST	1	771	0.01%
2.5	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	1	21,981	0.34%
2.6	National Bank of Pakistan	1	135	0.00%
		<b>6</b>	<b>220,974</b>	<b>3.37%</b>
<b>3. Directors, CEO, their Spouses &amp; Minor Children</b>				
<b>Directors and CEO</b>				
3.1	Dewan Muhammad Yousuf Farooqui	1	3,942,607	60.09%
3.2	Dewan Abdullah Ahmed Swaleh Farooqui	1	224,217	3.42%
3.3	Dewan Abdul Baqi Farooqui	1	234,395	3.57%
3.4	Dewan Abdul Rehman Farooqui	1	288,999	4.40%
3.5	Ishliq Ahmed	1	500	0.01%
3.6	Mr. Haroon Iqbal	1	500	0.01%
3.7	Mr. Aziz ul Haque	1	500	0.01%
		<b>7</b>	<b>4,691,718</b>	<b>71.51%</b>
<b>Spouses of Directors and CEO</b>				
3.8	Mrs. Hina Yousuf	1	54,016	0.82%
		<b>1</b>	<b>54,016</b>	<b>0.82%</b>
<b>Minor Children of Directors and CEO</b>				
<b>SHAREHOLDERS HOLDING 5% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY</b>				
Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1	Dewan Muhammad Yousuf Farooqui	1	3,942,607	60.09%

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

Name	Date of Conversion of Loan	No. of Shares
Dewan Muhammad Yousuf Farooqui (Conversion of loan)	11-Jun-15	3,127,000



## 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 5

Number of Shareholders	Shareholdings			Total Shares held
338	1	-	100 Shares	6,219
200	101	-	500 Shares	49,931
53	501	-	1,000 Shares	42,117
46	1,001	-	5,000 Shares	107,827
17	5,001	-	10,000 Shares	128,389
10	10,001	-	15,000 Shares	128,413
2	15,001	-	20,000 Shares	37,500
4	20,001	-	25,000 Shares	90,152
1	25,001	-	30,000 Shares	27,008
1	30,001	-	40,000 Shares	38,707
3	40,001	-	55,000 Shares	161,901
1	55,001	-	150,000 Shares	144,974
1	150,001	-	200,000 Shares	197,424
1	200,001	-	225,000 Shares	224,217
2	225,001	-	235,000 Shares	465,494
1	235,001	-	240,000 Shares	236,973
1	240,001	-	245,000 Shares	242,176
1	245,001	-	290,000 Shares	288,999
1	290,001	-	4,000,000 Shares	3,942,607
<b>684</b>	<b>TOTAL</b>			<b>6,561,028</b>

Categories of Shareholders	Shares held	Percentage
5.1 Directors, Chief Executive Officer, their spouses and minor children	4,745,734	72.33%
5.2 Associated Companies, undertakings and related parties	231,099	3.52%
5.3 NIT and ICP	220,974	3.37%
5.4 Banks, Development Financial Institutions, Non-Banking Finance Companies	-	0.00%
5.5 Insurance Companies	185	0.00%
5.6 Modarabas and Mutual Funds	121	0.00%
5.7 Shareholders holding 5%	3,942,607	60.09%
5.8 General Public		
a. Local	1,343,845	20.48%
b. Foreign	15,100	0.23%
5.9 Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees)	3,970	0.06%

# DEWAN MUSHTAQ TEXTILE MILLS LIMITED

## 54TH 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 54th Annual General Meeting of the Company to be held on Thursday, 29th

October, 2015 at 02:30 p. 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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