

ANNUAL REPORT 2014



DEWAN FAROOQUE SPINNING MILLS LIMITED



YD

A YOUSUF DEWAN COMPANY

Vision Statement

To be the leader in textile industry by building the Companys' image through quality, competitive prices, customer's satisfaction and meeting social obligation.

Mission Statement

Our Mission is to be recognized as a premium quality yarn manufacturing unit.

The Unit is setup with an idea to cater to the premium market of fine count compact yarn to satisfy the valuable customers.

To assume leadership role in the technological advancement of the industry.

To benefit the customers, employees and shareholders and to fulfill our commitments to the society.

Our trademark is honesty, innovation, fairness, teamwork of our people and integrity in relationship with our customers, associates, shareholders, community and stake holders.



CONTENTS

Company Information	4
Notice of Annual General Meeting	5
Directors' Report	7
Financial Highlights	12
Statement of Compliance with the Best Practices of Code of Corporate Governance	13
Review Report to the Members	15
Auditors' Report	16
Balance Sheet	17
Profit and Loss Account	18
Statement of Comprehensive Income	19
Cash Flow Statement	20
Statement of Changes in Equity	21
Notes to the Financial Statements	22
Pattern of Share Holding	43
Form of Proxy	

COMPANY INFORMATION

BOARD OF DIRECTORS		
EXECUTIVE DIRECTOR	:	Dewan Abdul Baqi Farooqui - Chief Executive Officer
NON-EXECUTIVE DIRECTORS	:	Dewan Muhammad Yousuf Farooqui - Chairman, Board of Directors Dewan Abdul Rehman Farooqui Mr. Mr. Haroon Iqbal Syed Muhammad Anwar Mr. Ishtiaq Ahmed
INDEPENDENT DIRECTOR	:	Mr. Aziz-ul-Haque
AUDIT COMMITTEE	:	Mr. Aziz-ul-Haque - Chairman Dewan Abdul Rehman Farooqui - Member Mr. Haroon Iqbal - Member
HUMAN RESOURCES & REMUNERATION COMMITTEE	:	Dewan Muhammad Yousuf Farooqui - Chairman Dewan Abdul Baqi Farooqui - Member Mr. Haroon Iqbal - Member
AUDITORS	:	Feroze Sharif Tariq & Company Chartered Accountants 4/N/H Block-6, P.E.C.H.S., Karachi 75400, Pakistan
COMPANY SECRETARY	:	Syed Muhammad Salahuddin
CHIEF FINANCIAL OFFICER	:	Mehmood ul Hassan Asghar
LEGAL ADVISORS	:	Abbass & Atif Law Associates
TAX ADVISOR	:	Sharif & Co. Advocates
BANKERS	:	United Bank Limited Bank Islami Pakistan Limited MCB Bank Limited Silk Bank Limited Askari Bank Limited NIB Bank Limited Allied Bank Limited Soneri Bank Limited Summit Bank Limited
REGISTERED OFFICE	:	Finance & Trade Centre Block-A, 7th Floor, Shahrah-e-Faisal, Karachi.
SHARES REGISTRAR & TRANSFER AGENT	:	BMF Consultants Pakistan (Private) Ltd. Anam Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, Adjacent Baloch Colony Bridge, Karachi-75350, Pakistan
FACTORY OFFICE	:	54 Km, Multan Road, Phool Nagar By Pass District Kasur, Punjab, Pakistan.
WEBSITE	:	www.yousufdewan.com

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of **Dewan Farooque Spinning Mills Limited** ("**DFSML**" or "**the Company**") will be held on **Thursday, October 30, 2014, at 02:00 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, January 30, 2014;
2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2014, together with the Directors' and Auditors' Reports thereon;
3. To appoint the Statutory Auditors' of the Company for the ensuing year, and to fix their remuneration;
4. To consider any other business with the permission of the Chair.

By Order of the Board



Syed Muhammad Salahuddin
Company Secretary

Karachi: September 26, 2014

NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from October 23, 2014 to October 30, 2014 (both days inclusive).
2. Members are requested to immediately notify change in their addresses, if any, at our Shares Registrar Transfer Agent BMF Consultants Pakistan (Private) Limited, located at Anum Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, adjacent to Baloch Colony Bridge, Karachi, Pakistan.
3. A member of the Company entitled to attend and vote at this meeting, may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company at the above-said address, not less than 48 hours before the meeting.
4. CDC Account holders will further have to observe the following guidelines, as laid down in Circular 01 dated January 20, 2000, issued by the Securities and Exchange Commission of Pakistan:

a) For Attending Meeting:

- i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original National Identity Card (CNIC), or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney, along with the specimen signature of the nominee, shall be produced (unless it has been provided earlier) at the time of meeting.

b) For Appointing Proxies:

- i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements.
- ii) Two persons, whose names, addresses, and CNIC numbers shall be mentioned on the form, shall witness the proxy.
- iii) Attested copies of CNIC or passport of the beneficial owners and proxy shall be furnished along with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney, along with the specimen signature of the nominee, shall be produced (unless it has been provided earlier) along with the proxy form to the Company.

DIRECTORS' REPORT TO THE SHAREHOLDERS

IN THE NAME OF ALLAH; THE MOST GRACIOUS AND MERCIFUL
IF YE GIVE THANKS, I WILL GIVE YOU MORE (HOLY QURAN)

Dear Shareholder(s),

Assalam-o-Alykum!

The Board of Directors, other members of the management of your Company are pleased to present the Annual Audited Financial Statements of the Company for the year ended June 30, 2014 together with the Auditors' Report thereon.

Overview

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

Operating results and performance:

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

	"Rupees"
SALES (NET)	1,636,369,861
COST OF SALES	(1,554,485,872)
GROSS PROFIT	81,883,989
OPERATING EXPENSES	(61,581,255)
OPERATING PROFIT	20,302,7334
OTHER CHARGES	(53,520,656)
LOSS BEFORE TAXATION	(33,217,922)
TAXATION	(20,747,790)
LOSS AFTER TAXATION	(53,965,712)

During the year, Company has achieved net sale of Rs. 1.636 billion as compared to Rs. 1.314 billion of last year. Company has earned gross profit of Rs. 81.884 million as compared to the gross profit of Rs. 120.382 million of previous year, whereas operating expenses of the company have increased by Rs. 3.326 million.

Your Company continued to be in the grip of challenges; power outages and in gas load shedding resulted into non utilization of optimum capacity that has hindered the Company's plan to achieve the desired production targets which have further affected our sales turnover. The Company had to operate in the depressed textile market when cost continued to go up due to increased cost of production.

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, however certain lenders having suits of Rs.69.60 million, did not accept the restructuring proposal at that time.

Future Outlook

The key challenges facing Pakistan's economy regarding long standing financial issues have continued to suppress economic activity and growth of the country. The macroeconomic outlook is largely dependent on government's ability to control fiscal deficit while addressing energy shortage to revitalize large scale manufacturing industry. At present energy crisis and load shedding are affecting the economy badly; however, some initiatives which are being taken by the government will hopefully improve the situation in near future. Business environment needs political stability along with improvement in law and order situation in the country.

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

Corporate Social Responsibilities

We are also committed to corporate social responsibility (CSR) and integrating sound social practices in our day to day business activities. CSR is an important part of who we are and how we operate. We measure our success not only in terms of financial criteria but also in building customer satisfaction and supporting the communities we serve. Company has donated a sum of Rs. 3.901 million for social and charitable cause.

Health, Safety and Environment

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

Human Resource

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



Post Balance Sheet Events

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

Compliance with Code of Corporate Governance

Security and Exchange Commission of Pakistan framed a code of corporate governance, which was incorporated through the listing regulations of all stock exchanges of the country. The directors of your Company have ensured implementation of all provisions of code of corporate governance applicable for the period ended June 30, 2014.

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

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

1. The financial Statements presented by the management of the Company give a fair account of the state of affairs, the results of its operations, cash flow and changes in equity.
2. Proper books of accounts have been maintained as required under the Companies Ordinance, 1984.
3. Accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from, if any, has been adequately disclosed.
5. The system of internal controls, which is in place, is sound in design and has been effectively implemented and monitored.
6. There has been no material departure from the best practices of the corporate governance.
7. The Company has constituted an Audit Committee from amongst the non-executive members of its Board.
8. The Board has prepared and circulated a Statement of Ethics and Business Practices amongst its members and the company's employees.
9. There are no doubts upon the company's Going Concern.
10. Information regarding the outstanding taxes and levies is given in the notes to the financial statements.
11. 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;

12. The value of investment made by the Provident fund as per its respective accounts is Rs. 20.086 million (2013: Rs. 9 758 million)

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

Names	No. of Meetings attended
Dewan Muhammad Yousuf Farooqui	5
Dewan Abdul Baqi Farooqui	6
Dewan Asim Mushfiq Farooqui	1
Dewan Abdullah Ahmed Swaleh	0
Dewan Abdul Rehman Farooqui	7
Mr. Haroon Iqbal	7
Mr. Aziz-ul-Haque	7
Mr. Mansur-ul-Haque	3
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-Ul Haque	4
Dewan Abdul Rehman Farooqui	4
Mr. Haroon Iqbal	4

Human Resource and Remuneration Committee

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

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

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

Earnings per Share

(Loss)/ Earnings per share during the period under report worked out to Rs (0.55) [(2013: Rs.0.36)]

Appointment of Auditors

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

Pattern of Shareholding

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

Key operating and financial data

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

Vote of Thanks & Conclusion

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

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

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

By and under Authority of the Board of Directors



Dewan Abdul Baqi Farooqui
Chief Executive

Date: September 26, 2014
Place: Karachi

FINANCIAL HIGHLIGHTS

	2009	2010	2011	2012	2013	2014
	(Rupees in Thousands)					
Sales - Net	920,419	1,247,720	1,736,128	1,363,080	1,301,852	1,636,370
Gross profits/ (loss)	(54,422)	138,952	34,553	(17,510)	107,846	81,884
Profit/ (Loss) before tax	(217,008)	85,640	(16,942)	(105,825)	9,277	(33,218)
Profit/ (Loss) after tax	(209,510)	75,664	(73,756)	(107,625)	35,237	(53,966)
Current assets	586,138	586,936	846,151	907,081	918,886	826,838
Shareholders equity	375,684	451,348	750,204	656,019	730,249	711,966
Current liabilities	838,390	793,710	1,151,888	446,601	485,854	473,840
Earning/ (Loss) per share (Rs.)	(3.49)	1.26	(1.05)	(1.10)	0.36	(0.55)
Breakup value per share (Rs.)	6.26	7.52	7.67	6.71	7.47	7.28
Current ratio (Times)	0.70	0.74	0.73	2.03	1.89	1.74
Gross profit/ (loss) %	-5.91%	11.14%	1.99%	-1.28%	8.28%	5.00%
Net profit/ (loss) %	-22.76%	6.06%	-4.25%	-7.90%	2.71%	-3.30%
Debt equity ratio (Times)	0.67	0.62	0.52	0.61	0.53	0.55

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

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

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

1. The Company encourages representation of independent non executive directors and directors representing minority interests on its Board of Directors. At present the board includes One Independent Director, five Non-Executive Directors and one Executive Directors of the Company.
2. The condition of maximum number of seven directorships to be held by a director in listed companies as per clause ii of the CCG will be applicable after election of next Board of Directors of the Company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the Board on June 27, 2014 was filled up by the Board of Directors within six days.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by the director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified on clause (xi) of CCG, some directors are exempted from the requirement of directors' training program and rest of the Directors to be trained within specified time.
10. There was no change in the position of CFO, Company Secretary and Head of Internal Audit during the year. The Directors report for this have been prepared in compliance with the requirement of the CCG and fully describes the salient matters required to be disclosed.
11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
12. The director, CEO and executives do not hold any interest in the shares of the company other than the disclosed in the pattern of shareholding.
13. The company has complied with all the corporate and financial reporting requirements of CCG.
14. The board has formed an 'Audit Committee. It comprises three members who are non-executive directors including the chairman of the committee. The condition of clause 1(b) of the CCG in relation to the independent director will be applicable on election of the next Board of Directors of the Company.

15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The board has formed an HR and Remuneration Committee. It comprises of three members of whom two are non-executive directors and the chairman of the committee is a non-executive director.
17. The board has set up an effective internal audit function. The staffs are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The closed period, prior to the announcement of interim/final results, and business decisions, which may materially effect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
21. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
22. We confirm that all the other material principles enshrined in the CCG have been complied with.

Date : September 26, 2014
Place : Karachi



Dewan Abdul Baqi Farooqui
Chief Executive

**FEROZE SHARIF TARIQ & CO.**

FEROZE SHARIF TARIQ & CO.
Chartered Accountants
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AUDITORS' REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Dewan Farooque Spinning Mills Limited** ('the Company') for the year ended June 30, 2014 to comply with the requirements of Listing Regulations No. 35 of the Karachi Stock Exchange where the Company is listed.

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

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

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

CHARTERED ACCOUNTANTS

FEROZE SHARIF TARIQ & CO.

FEROZE SHARIF TARIQ & CO.
Chartered Accountants
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of *Dewan Farooque Spinning Mills Limited*, as at June 30, 2014, and related Profit and Loss account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended, and we state that, we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the Balance Sheet and Profit & Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied.
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & Loss Account, statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the loss, its Comprehensive income, Cash flows and Changes in Equity for the year then ended; and
- d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our opinion we draw attention of the members to note 15.2 to the financial statements which states that the company would be liable to pay a sum of Rs. 371.60 million in the event of default in term of settlement reached with the lenders.

Audit Engagement Partner: Mohammad Tariq

Dated: September 26, 2014

Place: Karachi

Feroze Sharif Tariq *aw.*

CHARTERED ACCOUNTANTS



BALANCE SHEET

As at 30th June, 2014

EQUITY AND LIABILITIES SHAREHOLDERS' EQUITY

Share capital

Authorised capital

100,000,000 (June 30, 2013: 100,000,000) ordinary shares of Rs.10/- each

June 30,
2014

June 30,
2013

Notes

(Rupees)

Issued, Subscribed and Paid-up Capital

97,750,726 (June 30, 2013: 97,750,726) ordinary shares of Rs.10/- each

Un appropriated loss

Surplus on revaluation of property, plant and equipment

NON-CURRENT LIABILITIES

Syndicated Long Term Loan - Secured

Deferred liabilities for staff benefits

Deferred Taxation

CURRENT LIABILITIES

Trade & other payables

Accrued mark-up

Short term borrowings- secured

Current portion of long term liabilities

Provision for taxation

Contingencies and Commitments

ASSETS

NON-CURRENT ASSETS

Property, plant and equipment

Long term deposits

CURRENT ASSETS

Stores & Spares

Stock-in-trade

Trade Debts- Unsecured, Considered Good.

Loans & advances- Unsecured, Considered Good.

Trade deposits & other receivables- Considered Good.

Advance income tax

Cash and bank balances

	<u>1,000,000,000</u>	<u>1,000,000,000</u>
6	<div>977,507,260</div> <div>(265,541,280)</div> <div>711,965,980</div>	<div>977,507,260</div> <div>(247,257,832)</div> <div>730,249,428</div>
7	588,984,804	624,667,068
8	469,150,027	628,684,739
9	<div>8,023,322</div>	<div>8,106,646</div>
10	<div>196,791,303</div>	<div>192,407,212</div>
11	<div>101,356,567</div> <div>2,446,571</div>	<div>130,552,046</div> <div>14,264,197</div>
12	38,296,213	25,482,873
13	245,395,598	245,573,785
14	<div>86,344,877</div> <div>473,839,826</div>	<div>69,981,178</div> <div>485,854,079</div>
15	<div>-</div> <div>2,448,755,262</div>	<div>-</div> <div>2,669,969,172</div>
16	1,595,169,837	1,724,336,167
	26,747,245	26,747,245
17	<div>34,222,002</div>	<div>35,262,768</div>
18	182,655,863	272,073,939
19	316,191,984	335,242,002
20	77,462,730	81,134,061
21	67,974,549	68,555,914
	135,263,412	101,419,973
22	<div>13,067,640</div> <div>826,838,180</div>	<div>25,197,103</div> <div>918,885,760</div>
	<div>2,448,755,262</div>	<div>2,669,969,172</div>

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

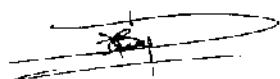
Dewan Abdul Baqi Farooqui
Chief Executive

Haroon Iqbal
Director

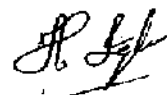
PROFIT & LOSS ACCOUNT **FOR THE YEAR ENDED 30TH JUNE 2014**

	Notes	2014	2013
		(Rupees)	
SALES - NET	23	1,636,369,861	1,314,387,912
COST OF SALES	24	(1,554,485,872)	(1,194,006,233)
GROSS PROFIT		81,883,989	120,381,679
OPERATING EXPENSES			
Administrative expenses	25	(30,401,163)	(27,354,360)
Selling and distribution expenses	26	(31,180,092)	(30,901,104)
		(61,581,255)	(58,255,464)
OPERATING PROFIT		20,302,734	62,126,215
Finance cost	27	(55,575,053)	(52,541,345)
Other Charges	28	-	(698,306)
Other Income	29	2,054,397	390,924
		(53,520,656)	(52,848,727)
(LOSS) / PROFIT BEFORE TAXATION		(33,217,922)	9,277,488
TAXATION			
Current year		(16,363,699)	(6,557,010)
Deferred		(4,384,091)	32,516,182
		(20,747,790)	25,959,172
(LOSS) / PROFIT AFTER TAXATION		(53,965,712)	35,236,660
Basic (loss) / earnings per share (Rupees)	30	(0.55)	0.36

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



Dewan Abdul Baqi Farooqui
Chief Executive



Haroon Iqbal
Director



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2014

	2014	2013
	(Rupees)	
(LOSS) / PROFIT AFTER TAXATION	(53,965,712)	35,236,660
OTHER COMPREHENSIVE INCOME	-	-
Transfer from surplus on revaluation of property plant and equipment in respect of:		
Incremental depreciation	54,064,036	59,990,035
Related deferred tax	(18,381,772)	(20,996,512)
	35,682,264	38,993,523
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	(18,283,448)	74,230,183

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

Dewan Abdul Baqi Farooqui
Chief Executive

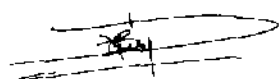
Haroon Iqbal
Director

CASH FLOW STATEMENT

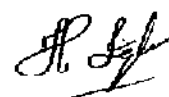
FOR THE YEAR ENDED 30TH JUNE 2014

Note	2014	2013
	(Rupees)	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(33,217,922)	9,277,488
Adjustments for non cash and other items:		
Gain on sale of property, plant and equipment	(549,045)	-
Depreciation	135,731,131	148,839,305
Financial charges	55,575,053	52,541,345
Cash flow before working capital changes	157,539,217	210,658,138
Working Capital changes		
(Increase)/ Decrease in assets:		
Stores & spares	1,040,766	(12,728,864)
Stock in trade	89,418,076	134,729,540
Trade debts	19,050,018	(91,987,103)
Loans & advances	3,671,331	5,266,382
Trade deposits & other receivables	581,365	(19,348,905)
Increase/ (Decrease) in liabilities:		
Trade creditors, other payables and borrowings	(38,109,010)	25,679,561
Cash generated/(used) in operations	75,652,546	41,610,611
Taxes paid	(33,843,439)	(19,306,997)
Gratuity paid	(83,324)	(84,100)
Net cash generated/(used) in operating activities	199,265,000	232,877,653
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(6,645,756)	(16,515,799)
Sale proceeds on disposal of fixed assets	630,000	-
Net cash outflow from investing activities	(6,015,756)	(16,515,799)
CASH FLOW FROM FINANCING ACTIVITIES		
Lease repayment	-	(3,093,944)
Financial charges paid	(67,392,679)	(52,908,003)
Syndicated Long Term Loan	(150,799,368)	(65,846,790)
Net cash Inflow/(out flow) from financing activities	(218,192,047)	(121,848,737)
Net decrease in cash and cash equivalents	(24,942,803)	94,513,117
Cash and Cash equivalents at the beginning of the year	(285,770)	(94,798,887)
Cash and Cash equivalents at the end of the year	(25,228,573)	(285,770)

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



Dewan Abdul Baqi Farooqui
Chief Executive



Haroon Iqbal
Director



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2014

	Share Capital	Unappropriated Profit/ (loss)	Total
Balance as at July 01, 2012	977,507,260	(321,488,015)	656,019,245
Total comprehensive income / (loss) for the year	-	74,230,183	74,230,183
Balance as at June 30, 2013	<u>977,507,260</u>	<u>(247,257,832)</u>	<u>730,249,428</u>
Balance as at July 01, 2013	977,507,260	(247,257,832)	730,249,428
Total comprehensive income / (loss) for the year	-	(18,283,448)	(18,283,449)
Balance as at June 30, 2014	<u>977,507,260</u>	<u>(265,541,280)</u>	<u>711,965,979</u>

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

Dewan Abdul Baqi Farooqui
Chief Executive

Haroon Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2014

1 THE COMPANY AND ITS OPERATIONS

Dewan Farooque Spinning Mills Limited is incorporated in Pakistan on December 22, 2003 as public limited company, under the Companies Ordinance, 1984. The shares of the company are listed on the Karachi Stock Exchange. The registered office of the company is located at Finance & Trade Centre, Block "A" 7th floor, Shara-e-Faisal, Karachi, Pakistan; while its manufacturing facilities are located at 54 km Multan Road, Phool Nagar By-pass District Kasur near the city of Lahore in Pakistan. The principal activity of the company is manufacturing and sale of fine quality yarn. The company has installed capacity of 28,800 spindles.

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 and amendments to approved accounting standards that are not yet effective

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

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 16 & 38 – Clarification of Acceptable Method of Depreciation and Amortization	01 January 2016
IAS 19 - Employee Contributions	01 July 2014
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014
IAS 36 – Recoverable Amount for Non-Financial Assets (Amendment)	01 January 2014
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	01 January 2014

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

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

Standard	IASB Effective date (accounting periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 10 – Consolidated Financial Statements	01 January 2013
IFRS 11 – Joint Arrangements	01 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 – Fair Value Measurement	01 January 2013
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2017

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTION

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

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

3.1 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 tangible property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

3.2 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.

3.3 Stock-in-Trade

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

3.4 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 New and amended standards and interpretations

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

IAS 19 – Employee Benefits – (Revised)

IFRS 7 Financial Instruments: Disclosures (Amendments)

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

Improvements to Accounting Standards

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

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

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

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

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

4.2 Basis of Preparation and measurement

These financial statements are presented in Pakistani Rupees, rounded off to the nearest Rupee. The financial statements have primarily been prepared on the historical cost basis except certain Fixed Assets which are stated their revalued amounts, unless an accountings policy herein states otherwise. The financial statements, except for the cash flow statement, have been prepared under the accrual basis of accounting.

4.3 Property, plant and equipment Owned

Operating assets except Freehold land are stated at cost or revalued amount less accumulated depreciation. Freehold land and capital work-in-progress are stated at cost.

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 (net of tax) charged on the revalued assets, the related surplus on revaluation of property, plant and equipment 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 when chargeable. 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 to income using the reducing balance method whereby the cost or revalued amount of an asset is written off over its estimated useful life and rates applied are in no case less than the rates prescribed by Federal Board of Revenue. Depreciation is charged from the month of acquisition or transfer of assets from capital work in progress on proportionate basis. The assets' residual values and useful lives are reviewed at each financial year end, and adjusted, if appropriate, at each balance sheet date. Depreciation is charged before month of disposal on proportionate basis.

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.

Finance 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 the reduction of lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

4.4 Stores, spares and loose tools

These are valued at moving average cost except items in transit which are valued at cost accumulated to balance sheet date.

Provision is made for any slow moving and obsolete items.

4.5 Stock-in-Trade

Raw Material	At lower of weighted average cost and net realizable value. Cost of raw material and components represents invoice value plus other charges paid thereon.
Finished goods	At lower of weighted average cost and net realizable value. Cost of finished goods comprises of prime cost and an appropriate portion of production overheads.
Waste	At net realizable value.
Work-in-process	At weighted average cost. This comprises the direct cost of raw materials, wages, and appropriate manufacturing overheads.
Stock in transit	At cost accumulated up to the balance sheet date.
Packing material	At lower of weighted average cost and 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 sale.

Provision for obsolete and slow moving stock is determined based on the management assessments regarding their future useability.

4.6 Long term loans/ Borrowings

Long term loans/ borrowings are initially recognized at cost. After initial recognition same are measured at original recorded amount less principal repayments thereof.

4.7 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

4.8 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. The company charges all exchange differences to Profit and Loss Account.

4.9 Borrowing costs

Borrowing Costs are recognised 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.

4.10 Financial instruments**Recognition**

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

Off Setting

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

Derivatives

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

4.11 Cash and cash equivalents.

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, with banks on current and saving accounts, term deposits with maturities of three months or less and short term running finance.

4.12 Related party transactions

All transactions with related parties are carried out by the company at arm's length price using the method prescribed under the Companies Ordinance' 1984.

4.13 Revenue recognition

Revenue from sales is recognized on dispatch of goods and on performance of service

Revenue from Export Sales of Goods recognized when significant risks and rewards of ownership are transferred to buyer, this is, when shipped which coincides with date of Shipping Bill.

Gain on Sale of Fixed Assets is recorded when the title is transferred in favor of transferor.

Interest Income is recognized on a time proportioned basis using the effective rate of return.

Income from scrap is recorded on dispatch of scrap to the customers.

Rebate on export is recognized after finalization of export documents.

4.14 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.

4.15 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.

4.16 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.

4.17 Loans, advances and other receivables

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

4.18 Short term and long term loans

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

4.19 Post Employment Benefits - Defined Contribution Plan

The company upto June 30, 2010 was operating an un-funded gratuity scheme for its employees. 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 as of June 30, 2010.

Effective from July 01, 2010, the company has, in place of gratuity scheme, established a recognised provident fund for its permanent employees. Equal contributions are being made in respect thereof by company and employees in accordance with the terms of the fund.

4.20 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.

4.21 Dividend and appropriation to reserves

Dividend is recognized as a liability in the period in which it is approved by the shareholders.

5	AUTHORISED SHARE CAPITAL			June 30, 2014	June 30, 2013
	June 30, 2014	June 30, 2013		Rupees	
	(Number of shares)				
	100,000,000	100,000,000	Ordinary shares of Rs.10/- each	1,000,000,000	1,000,000,000
	<u>100,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs.10/- each	<u>1,000,000,000</u>	<u>1,000,000,000</u>

6 ISSUED, SUBSCRIBED AND PAID UP-CAPITAL

	June 30 2014	June 30 2013			
	(Number of shares)				
	97,750,726	97,750,726	Ordinary shares of Rs.10/- each	977,507,260	977,507,260
	<u>97,750,726</u>	<u>97,750,726</u>	Ordinary shares of Rs.10/- each	<u>977,507,260</u>	<u>977,507,260</u>

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.

Dewan Motors (Private) Limited, an associated company, held 37,750,726 Ordinary shares of Rs.10 each.

7 SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT

Opening Balance	624,667,068	663,660,591
Surplus arising on revaluation during the year	-	-
	624,667,068	663,660,591
Transferred to unappropriated profit:		
- Surplus relating to incremental depreciation - net of deferred tax	(35,682,264)	(38,993,523)
	<u>588,984,804</u>	<u>624,667,068</u>

The assets of the Company have been revalued as on March 13, 2012. The revaluation is carried out by an independent valuer, M/s Iqbal A. Nanjee & Co. (Pvt) Ltd on the basis of professional assessment of present market values or depreciated replacement values and resulted in a surplus on Revaluation of Property Plant and Equipment over the written down value as follows:

Land

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

Building

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

Plant and Machinery

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

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

The revaluation has resulted in increase in surplus are as follows

	Revalued Amount as per independent valuer Report as on March 13, 2012	Written down Value as on March 13, 2012	surplus on Revaluation as on March 13, 2012
		Rupees	
Free hold land	349,650,000	85,415,080	264,234,920
Factory Building on Free hold land	143,112,063	124,666,603	18,445,460
Plant and Machinery	1,143,972,486	556,935,526	587,036,960
Non Factory Building	88,139,113	58,442,814	29,696,299
	1,724,873,662	825,460,023	899,413,639

8 SYNDICATED LONG TERM LOANS - SECURED

	Note	June 30, 2014	June 30, 2013
		Rupees	
Syndicated Long Term Loan - Secured	8.1	776,332,738	842,179,528
Less: Paid during the year		150,799,368	65,846,790
		<u>625,533,370</u>	<u>776,332,738</u>
Less: Transferred to current portion		156,383,342	156,561,529
		<u>469,150,027</u>	<u>619,771,209</u>

- 8.1 The Company had settled with its lenders through Compromise Agreement dated December 23, 2011 against which consent decrees had been granted by the Honorable High Court of Sindh, Karachi. As per the terms, Company's short term and long term loans had been rescheduled in the form of long term loans of Rs.875.13 million which was to be repaid in six and half years from the date of restructuring with progressive mark up ranging from 6% 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 institution have also approved further working capital limit to the Company amounting to Rs. 192.10 million by providing syndicated cash finance against pledge of stocks in proportion to their loan amounts as explained in note 12.1 to these financial statements. This has streamlined the funding requirements of the Company which has ultimately helped the management to run the operations smoothly with optimum utilization of production capacity. 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.

DEWAN FAROOQUE SPINNING MILLS LIMITED

	Note	June 30, 2014	June 30, 2013
		Rupees	
9 DEFERRED LIABILITIES FOR STAFF BENEFITS			
Opening Balance of staff gratuity		8,106,646	8,190,746
Provided during the year		-	-
		<u>8,106,646</u>	<u>8,190,746</u>
Paid during the year		83,324	84,100
Closing balance of staff gratuity		<u>8,023,322</u>	<u>8,106,646</u>

The company has discontinued unfunded gratuity scheme with effect from June 30, 2010 and from July 01, 2010 company has started Provident fund scheme in lieu of Gratuity. Equal contributions are being made in respect thereof by company and employees in accordance with the terms of the fund.

10 DEFERRED TAXATION

Deferred tax liability arising due to accelerated tax depreciation	156,305,534	174,519,262
Deferred tax liability arising on liability against assets subject to finance lease	11,810,528	15,560,639
Deferred tax liability due to revaluation of property plant & equipment	175,697,078	194,078,850
Deferred tax assets arising on staff gratuity	(2,727,929)	(2,837,326)
Deferred tax assets arising on carry forward losses	(144,293,908)	(188,914,213)
	<u>196,791,303</u>	<u>192,407,212</u>

11 TRADE AND OTHER PAYABLES

Creditors		61,707,662	115,510,606
Accrued expenses		38,923,615	13,864,371
Provident Fund	11.1	525,774	478,763
Workers' profits participation fund	11.2	-	498,790
Workers' welfare fund	11.3	199,516	199,516
		<u>101,356,567</u>	<u>130,552,046</u>

11.1 Provident Fund	June 30, 2014	June 30, 2013
General Disclosures	----- (Unaudited) -----	
Size of the fund	25,689,527	19,627,463
Cost of investments	20,086,408	9,758,280
Fair value of investments	20,278,145	9,976,844
Percentage of investments	78%	50%
The breakup of investments is:		
Term Deposit Receipts	25% 6,400,000	18% 3,600,000
Bank balance	53% 13,686,408	31% 6,158,280

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.



	Note	June 30, 2014	June 30, 2013
		Rupees	
11.20 Workers' profits participation fund			
Balance at beginning of the year		498,790	-
Add: Allocation for the period		-	498,790
		<u>498,790</u>	<u>498,790</u>
Less: Payments during the year		<u>(498,790)</u>	<u>-</u>
Balance at end of the year		<u><u>-</u></u>	<u><u>498,790</u></u>
 11.30 Workers' welfare fund			
Balance at beginning of the year		199,516	-
Add: Allocation for the period		-	199,516
		<u>199,516</u>	<u>199,516</u>
Less: Payments during the year		<u>-</u>	<u>-</u>
Balance at end of the year		<u><u>199,516</u></u>	<u><u>199,516</u></u>
 12 SHORT TERM BORROWING - SECURED			
Short term finance	12.1	22,763,484	25,482,873
Temporary Book Over draft	12.2	<u>15,532,730</u>	<u>-</u>
		<u><u>38,296,213</u></u>	<u><u>25,482,873</u></u>
 12.1	As part of restructuring banks / financial institutions as fully disclosed in note no. 8.1 to the financial statements have approved further working capital to the Company amounting to Rs. 192.10 million by providing syndicated cash finance against pledge of stocks in proportion to their loan amounts. The tenure of working capital facility is one year expiring on December 31, 2014 on rollover basis and this facility is secured by way of pledge of stocks of the company. The markup rate for this facility is one month KIBOR which is payable on quarterly basis.		
12.2	Temporary over draft due to unrepresented Cheques		
 13 CURRENT PORTION OF LONG TERM LIABILITIES			
Liabilities against assets subject to finance lease		52,762,256	52,762,256
Redeemable capital - PPTFCs		36,250,000	36,250,000
Syndicated Long term loan		<u>156,383,342</u>	<u>156,561,529</u>
		<u><u>245,395,598</u></u>	<u><u>245,573,785</u></u>
 14 PROVISION FOR TAXATION			
Balance at the beginning of the year		69,981,178	63,424,168
Provision made during the year		<u>16,363,699</u>	<u>6,557,010</u>
		<u>86,344,877</u>	<u>69,981,178</u>
Payment/ Adjusted during the year		<u>-</u>	<u>-</u>
		<u><u>86,344,877</u></u>	<u><u>69,981,178</u></u>

The income tax returns of the company has been filed up to tax year 2013 to income tax department and the assessments of the company deemed to have been finalized up to 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 filling of return may select the deemed assessment for audit.

	Note	June 30, 2014	June 30, 2013
		Rupees	
14.1 Relationship between income tax expense and accounting profit			
Accounting (Loss) / Profit as per accounts		(33,217,922)	9,277,488
Applicable tax rate		34%	35%
Tax payable / refundable on accounting profit / (loss)		(11,294,093)	3,247,121
Tax effect of timing difference on depreciation		35,619,593	36,887,647
Tax effect of expenses / provision that are not deductible in determining taxable loss charged to profit and loss account		1,297,875	1,027,565
Effect of Loss carried / (brought) forward		(25,623,374)	(41,162,333)
Tax payable under normal rules		-	-
Minimum tax payable under Income Tax Ordinance, 2001		16,363,699	6,557,010

15 Contingencies and Commitments

15.1 During the year, a Leasing Company has filed a suit for recovery of Rs. 37.4 million against the Company, whereas the company has already been facing litigation with one of its other lenders for recovery suit of Rs. 32.2 million that is pending in Honorable High Court of Sindh, Karachi, and the aggregate suit amount of both lenders is Rs. 69.60 million. The company expects that the settlement / restructuring of liabilities with these lenders will also be reached in the same manner as has been done with majority of the lenders. Furthermore, the company has not provided mark up on above loan since December 2009 amounting to Rs. 33.06 million as fully disclosed in note 27.1 to the financial statements.

15.2 As per the terms of the restructuring (refer to no. 8.1) the markup outstanding up to the date of restructuring is Rs. 371.60 million, which the company would be liable to pay in the event of default of the terms of agreement. The company expects no defaults to the payments.

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

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

16 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - net	16.1	1,595,169,836	1,724,336,167
		1,595,169,836	1,724,336,167

16.1 Operating Fixed Assets

The following is a statement of operating fixed assets:

	2014										Total
	Owned									Leased	
	Freehold Land	Factory Building	Non-Factory Building	Plant & Machinery	Electric Installation	Furniture & Fixtures	Vehicles	Computer Equipment	Office Equipment	Plant and Machinery (Leased)	
Cost - Revalued Amount											
Cost as at 01 July 2013	349,650,000	207,734,858	108,111,211	1,687,804,205	63,983,921	8,772,959	29,400,062	1,893,852	870,374	200,449,275	2,647,690,714
Add-on/Transfer from CWP	-	2,878,351	-	449,101	1,687,982	-	1,646,000	245,557	211,470	-	6,843,756
Transfers/Deletion	-	-	-	-	-	-	(945,000)	-	-	-	(545,000)
Surplus on Revaluation	-	-	-	-	-	-	-	-	-	-	-
As at June 30, 2014	349,650,000	210,613,209	108,111,211	1,688,253,306	65,076,105	8,772,959	30,410,062	5,208,404	1,101,844	200,449,275	2,647,743,475
Accumulated Depreciation											
As at 01 July 2013	-	79,236,321	24,752,139	657,776,585	41,986,330	4,744,124	21,163,885	424,112	443,948	165,228,049	917,540,352
Charge for the year	-	(3,712,764)	4,168,651	(103,075,485)	(3,607,965)	(403,841)	(671,052)	(110,762)	(43,647)	9,722,123	(15,731,171)
Adjustments	-	-	-	-	-	-	(513,045)	-	-	-	(513,045)
As at June 30, 2014	-	92,100,085	28,918,249	740,744,070	45,455,608	5,147,008	22,316,882	4,451,874	486,591	112,650,172	1,052,573,638
Net book value											
As at June 30, 2014	349,650,000	118,612,964	79,192,962	927,509,236	19,620,297	3,625,951	8,093,170	753,530	615,253	87,799,103	1,595,169,837
As at June 30, 2013	349,650,000	128,648,537	83,361,013	1,030,027,620	21,997,591	4,028,835	8,236,177	678,742	426,426	97,221,226	1,724,336,167
Depreciation rate % per annum	-	10	5	10	10	15	10	20	30	10	

	2013										Total
	Owned									Leased	
	Freehold Land	Factory Building	Non-Factory Building	Plant & Machinery	Electric Installation	Furniture & Fixtures	Vehicles	Computer Equipment	Office Equipment	Plant and Machinery (Leased)	
Cost - Revalued Amount											
Cost As at 01 July 2012	349,650,000	207,734,858	108,111,211	1,651,472,341	63,577,586	8,772,959	25,400,062	4,900,454	870,374	200,449,275	2,625,089,920
Add-on/Transfer from CWP	-	-	-	16,351,664	166,025	-	-	(19,290)	58,530	-	16,515,799
Transfers/Deletion	-	-	-	-	-	-	-	-	-	-	-
Surplus on Revaluation	-	-	-	-	-	-	-	-	-	-	-
As at 30th June 2013	349,650,000	207,734,858	108,111,211	1,667,824,005	63,883,921	8,772,959	25,400,062	4,913,854	870,374	200,449,275	2,641,696,714
Accumulated Depreciation											
As at 01 July 2012	-	84,792,049	20,562,770	625,075,357	38,110,639	4,296,476	19,104,84	2,352,664	288,754	97,426,681	765,521,247
Charge for the year	-	(11,294,282)	4,387,422	(112,609,528)	(3,535,691)	(447,548)	(21,890,644)	(243,118)	(43,214)	(3,802,388)	(148,839,305)
Adjustments	-	-	-	-	-	-	-	-	-	-	-
As at 30th June 2013	-	79,086,321	24,750,198	657,776,585	41,986,330	4,744,124	21,163,885	4,241,112	443,948	165,228,049	917,540,352
Net book value											
As at June 30, 2013	349,650,000	128,648,537	83,361,013	1,030,027,620	21,997,591	4,028,835	8,236,177	678,742	426,426	97,221,226	1,724,336,167
As at June 30, 2012	349,650,000	42,342,819	87,748,436	1,136,395,294	23,567,257	14,461,057	10,295,221	947,460	413,240	108,023,544	1,856,659,674
Depreciation rate % per annum	-	10	5	10	10	15	10	20	30	10	

Revaluation of land, building, and plant & machinery had been carried out on March 13, 2012 by independent professional valuers M/s Iqbal A. Nanjee & Co. 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, building and plant & machinery at June 30, 2013 would have been as follows:

2014			
Cost	Accumulated Depreciation	Written Down Value	
Rupees			
Free hold land	85,415,080	-	85,415,080
Factory building on Free hold Land	192,267,589	88,097,420	104,170,169
Non - factory building	78,414,913	25,576,177	52,838,736
Plant & machinery	1,081,216,606	613,357,050	467,859,556
	1,437,314,188	727,030,647	710,283,541

2013			
Cost	Accumulated Depreciation	Written Down Value	
Rupees			
Free hold land	85,415,080	-	85,415,080
Factory building on Free hold land	189,289,398	76,688,411	112,600,987
Non - factory building	78,414,913	22,795,191	55,619,722
Plant & machinery	1,080,767,245	561,401,781	519,365,464
	1,433,886,636	660,885,383	773,001,253

16.2 Allocation of Depreciation

Depreciation Expenses for the year has been allocated as follows :

Cost of Sales	134,515,867	147,501,571
Administrative Expenses	1,215,264	1,337,733
	135,731,131	148,839,304

16.3 Disposal of Operating Fixed Assets

Description	Qty	Cost	Accumulated Depreciation	Book Value	Sales proceeds	Gain	Mode of Disposal	Particulars of purchasers
Rupees								
Hundai Shehzore Pickup	1	599,000.00	518,045.00	80,955.00	630,000.00	549,045.00	Negotiation	Mr.Ather Kiyani
	1	599,000.00	518,045.00	80,955.00	630,000.00	549,045.00		

	June 30, 2014	June 30, 2013
17 STORES & SPARES	Rupees	
Packing material	5,265,720	3,713,435
Store & spares	28,956,282	31,549,333
	<u>34,222,002</u>	<u>35,262,768</u>
18 STOCK IN TRADE		
Raw material	3,435,402	17,963,728
Work-in-process	11,319,368	16,951,008
Stock in Transit	58,223,436	66,926,805
Yarn	109,677,658	170,232,398
	<u>182,655,863</u>	<u>272,073,939</u>

Stocks valuing Rs.26.78 million (2013; Rs.29.98) was pledged with the banks against the restructured finance facilities obtained by the Company.

19 TRADE DEBTORS - Considered Good, Unsecured		
Trade debts - local	316,191,984	335,242,002
19.1 The aging of debtors at the reporting date:		
Up to one month	175,655,847	186,238,807
1 to 6 months	80,677,357	85,538,027
More than 6 months	59,858,780	63,465,168
	<u>316,191,984</u>	<u>335,242,002</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.

20 LOANS AND ADVANCES - Unsecured, Considered Good		
Suppliers of goods & services	73,310,221	68,101,779
Advance against Import	1,973,561	2,687,347
Advance to Employees	660,698	687,240
Others	1,518,250	9,657,695
	<u>77,462,730</u>	<u>81,134,061</u>
21 TRADE DEPOSITS AND OTHER RECEIVABLES		
Trade deposits	18,718,606	16,268,341
Sales tax refundable	49,255,943	52,287,573
	<u>67,974,549</u>	<u>68,555,914</u>

DEWAN FAROOQUE SPINNING MILLS LIMITED

	Note	June 30, 2014	June 30, 2013
		Rupees	
22 CASH AND BANK BALANCES			
In hand - Cash		64,985	91,119
At banks - Current Accounts		13,002,655	18,700,222
At banks - PLS Account		-	6,405,762
		<u>13,067,640</u>	<u>25,197,103</u>
		2014	2013
		Rupees	
23 SALES - NET			
Local sales		1,567,137,018	1,236,878,124
Waste sales		97,289,260	78,772,538
Commercial Doubling		4,719,822	6,137,554
Export sales		-	3,240,518
		<u>1,669,146,099</u>	<u>1,325,028,734</u>
Sales Tax		<u>(32,776,238)</u>	<u>(10,640,822)</u>
		<u>1,636,369,861</u>	<u>1,314,387,912</u>
24 COST OF SALES			
Opening stock of finished goods		170,232,398	159,248,274
Cost of goods manufactured	24	1,493,931,132	1,192,581,958
Finished goods purchased		-	12,408,399
		<u>1,664,163,530</u>	<u>1,364,238,631</u>
Less: closing stock of finished goods		<u>109,677,658</u>	<u>170,232,398</u>
		<u>1,554,485,872</u>	<u>1,194,006,233</u>
24.1 Cost of goods manufactured			
Raw material consumed	24.1.1	912,600,819	716,205,934
Stores and spares consumed		42,136,765	31,822,063
Packing material consumed		20,939,969	17,046,017
Salaries, wages & other benefits	24.1.2	107,748,900	95,646,378
Insurance		4,509,574	4,523,298
Repair & maintenance		3,677,865	3,711,962
Fuel & power		255,529,001	174,366,735
Vehicle running & maintenance		2,375,430	2,239,601
Communication		727,237	484,819
Rent, rates & taxes		833,239	509,380
Entertainment		238,363	136,807
Printing & stationary		563,720	360,723
Travelling & conveyance		960,146	602,438
Other manufacturing expenses		942,597	450,155
Depreciation	16.2	<u>134,515,867</u>	<u>147,501,571</u>
		<u>1,488,299,492</u>	<u>1,195,607,881</u>
Work-in-process - Opening		16,951,008	13,925,085
Work-in-process - Closing		<u>11,319,368</u>	<u>16,951,008</u>
Cost of Goods Manufactured		<u>1,493,931,132</u>	<u>1,192,581,958</u>



	Note	2014	2013
Rupees			
24.1.1 Raw Material Consumed			
Opening Stock		17,963,728	108,733,960
Add: Purchases inclusive of direct expenses		898,072,493	625,435,702
		<u>916,036,221</u>	<u>734,169,662</u>
Less: Closing Stock		3,435,402	17,963,728
		<u>912,600,819</u>	<u>716,205,934</u>

24.1.2 Salaries and benefits include Rs.4.31 million (2013 Rs.3.64 million) in respect of post employment benefits.

25 ADMINISTRATIVE EXPENSES

Salaries and benefits	25.1	8,437,209	8,060,856
Director remuneration		6,840,000	6,840,000
Travelling & conveyance		663,649	54,826
Printing & stationary		510,897	417,558
Legal & professional		2,256,069	2,206,097
Auditors remuneration	25.2	500,000	450,000
Vehicle running expenses		584,175	425,365
Communication		422,833	111,668
Fees & subscription		1,589,952	1,213,775
Rent Expenses		2,897,010	2,897,012
Donations	25.3	3,900,603	3,020,000
Depreciation	16.2	1,215,264	1,337,733
Other expenses		583,502	319,470
		<u>30,401,162</u>	<u>27,354,360</u>

25.1 Salaries and benefits include Rs.0.90 million (2013 Rs.0.87 million) in respect of post employment benefits.

25.2 Audit Fee	350,000	325,000
Half yearly review	75,000	75,000
Code of Corporate Governance	50,000	25,000
Reimbursable expenses	25,000	25,000
	<u>500,000</u>	<u>450,000</u>

25.3 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
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- Dewan M. Yousuf Farooqui - Chairman Board of Trustees
- Dewan Abdul Baqi Farooqui - Trustee
- Mr. Haroon Iqbal - Trustee
- Mr. Ishiaq Ahmed - Trustee
- Mr. Aziz-ul-Haque - Trustee
- Mrs. Hina Yousuf (Spouse of Director) - Trustee

	Note	June 30, 2014	June 30, 2013
		Rupees	
26 SELLING AND DISTRIBUTION EXPENSES			
Salaries and benefits	26.1	12,823,864	10,445,934
Export expenses		-	135,744
Ocean freight		-	108,560
Travelling & conveyance		1,949,408	1,950,578
Export development surcharge		-	44,336
Vehicle running expenses		4,628,724	4,222,903
Communication		328,410	899,842
Commission on sales		10,812,159	12,536,113
Miscellaneous expenses		637,527	557,094
		<u>31,180,092</u>	<u>30,901,104</u>
26.1 Salaries and benefits include Rs.1.38 million (2013 : Rs.1.12 million) in respect of post employment benefits.			
27 FINANCE COST			
Markup on :			
Syndicate Long Term Loans		47,804,014	47,463,220
Short term syndicate Loan		5,037,349	3,356,469
Bank & other charges		2,733,690	1,721,656
		<u>55,575,053</u>	<u>52,541,345</u>
27.1 The Company has not made provision of markup for the year amounting to Rs.3.86 million in respect of borrowings of certain lenders who have not yet accepted the restructuring proposal. The management of the Company is quite hopeful that these lenders will also accept restructuring proposal in near future. Had the provision been made the loss for the year and accrued markup would have been higher by Rs.33.06 million and shareholders' equity would have been lower by Rs.33.06 million.			
28 Other Charges			
Workers' profits participation fund		-	498,790
Workers' welfare fund		-	199,516
		<u>-</u>	<u>698,306</u>
29 OTHER INCOME			
Gain on disposal of fixed assets		549,045	-
Exchange Gain / (Loss)		-	(35,385)
Profit on Saving Accounts		1,505,352	426,309
		<u>2,054,397</u>	<u>390,924</u>
30 BASIC EARNINGS PER SHARE			
(Loss)/ profit after taxation (Rupees)		(53,965,713)	35,236,660
Weighted average number of ordinary shares		97,750,726	97,750,726
(Loss)/ profit per share		(0.55)	0.36

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.

Note	June 30, 2014	June 30, 2013
	Rupees	
31 CASH AND CASH EQUIVALENTS		
Cash and Bank Balances	13,067,640	25,197,103
Short term Borrowings	(38,296,213)	(25,482,873)
	<u>(25,228,573)</u>	<u>(285,770)</u>

32 REMUNERATION OF DIRECTORS & EXECUTIVES

	2014			2013		
	CHIEF EXECUTIVE	DIRECTOR	EXECUTIVES	CHIEF EXECUTIVE	DIRECTOR	EXECUTIVES
	(Rupees)			(Rupees)		
Managerial Remuneration	4,412,903	-	7,373,698	4,412,903	-	12,034,216
House rent allowance	1,765,161	-	2,949,479	1,765,161	-	4,813,686
Utilities allowance	661,935	-	1,106,055	661,935	-	1,805,132
Bonus	-	-	-	-	-	-
	<u>6,840,000</u>	<u>-</u>	<u>11,429,232</u>	<u>6,840,000</u>	<u>-</u>	<u>18,653,035</u>
Number of persons	1	-	8	1	-	10

Chief executives and executives are also provided with Company maintained cars.

33 TRANSACTIONS WITH RELATED PARTIES

Related parties include associated group companies, directors, executives and key management personnel. The remuneration paid to executives has been mentioned in Note 32. During the year aggregate transactions undertaken by the company with the associated companies are as follows:

	June 30, 2014	June 30, 2013
	Rupees	
Purchases - Raw Material/ Yarn	62,467,326	14,467,398
Sales - Yarn/ Waste/ Cotton	4,410,663	2,389,940
Shared Based Expenses	3,635,295	3,635,295
Purchases - Vehicle	1,549,000	-
Provident Fund	6,592,524	5,627,769
Donation - Dewan Farooque Trust	3,000,000	3,000,000

All transactions were carried out on commercial terms and conditions and were valued at arm's length price.

34 PLANT CAPACITY AND PRODUCTION

Installed capacity after conversion into 20's (Kgs)	11,130,330	10,409,600
Actual production after conversion into 20's (Kgs)	10,017,297	9,368,640
Total number of spindles installed	28,800	28,800
Average number of spindles worked	24,750	23,670
Number of shifts worked per day	3	3
Total days worked	314	300

35 Number of employees

Total number of employees at year end	423	427
Average number of employees during the year	427	424

36 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.

	June 30, 2014	June 30, 2013
36.1 Credit risk		
	Rupees	
The maximum exposure to credit risk at the reporting date is:		
Trade Debts - Considered Good	316,191,984	243,254,899
Loans and Advances - Unsecured - Considered good	2,178,948	6,325,728
Trade deposits & other receivable - Considered Good.	67,974,549	49,207,009
Cash and bank balances	13,067,640	16,768,478
	<u>399,413,121</u>	<u>315,556,114</u>

36.2 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:

Financial Instruments

	2014				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve	One year onward
	Rupees				
Financial liabilities					
Syndicated long term loan	625,833,369	734,821,813	101,102,902	97,817,245	535,901,666
Trade and other payables	101,356,568	101,356,568	101,356,568	-	-
Short term Borrowings	38,296,213	43,466,202	43,466,202	-	-
Mark-up payable	2,446,571	2,446,571	2,446,571	-	-
	<u>767,632,720</u>	<u>882,091,153</u>	<u>248,372,242</u>	<u>97,817,245</u>	<u>535,901,666</u>
	2013				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve	One to two year
	Rupees				
Financial liabilities					
Long term Finances	785,246,268	939,705,950	101,250,716	103,633,420	734,821,814
Trade and other payables	130,552,046	130,552,046	130,552,046	-	-
Short term Borrowings	25,482,873	28,923,061	28,923,061	-	-
Mark-up payable	14,264,197	14,264,197	14,264,197	-	-
	<u>941,281,187</u>	<u>1,099,181,057</u>	<u>260,725,823</u>	<u>103,633,420</u>	<u>734,821,814</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at June 30, 2014. The rates of markup have been disclosed in relevant notes to the financial statements.

36.3 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.

36.4 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.

36.5 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:

	June 30, 2014	June 30, 2013
	Carrying amounts	
Fixed rate instruments	-	-
Variable rate instruments	-	-
Financial assets	-	-
Financial liabilities	888,108,478	1,054,766,623
	<u>888,108,478</u>	<u>1,054,766,623</u>

36.6 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.

36.7 Capital risk management

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

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

	June 30, 2014	June 30, 2013
	Rupees	
Total Borrowings	888,108,478	1,054,766,623
Less Cash and Bank Balances	13,067,640	16,768,478
Net debt	875,040,838	1,037,998,145
Total equity	711,965,979	656,019,245
Total Capital	1,587,006,817	1,694,017,390
Gearing ratio	0.55	0.61

36.8 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.

37 Date of Authorization

These financial statements have been authorized for issue on September 26, 2014 by the Board of Directors of the company.

38 General

38.1 Comparative figures has been rearranged and re-classified wherever necessary for the purpose of better presentation and comparison. However, there was no material reclassification to report.

38.2 Figures have been rounded off to the nearest rupees.

38.3 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.



Dewan Abdul Baqi Farooqui
Chief Executive



Haroon Iqbal
Director

Karachi.
Dated : September 26, 2014

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

Srl #	Categories of Shareholders	Number of Shareholders	Number of Shares held	% of Shareholding
1.	Associated Companies	1	37,750,726	38.62%
2.	NIT and ICP	-	-	0.00%
3.	Directors, CEO, their Spouses & Minor Children	9	15,240,678	15.59%
4.	Executives	-	-	0.00%
5.	Public Sector Companies & Corporations	10	1,198,826	1.23%
6.	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds	1	500	0.00%
7.	Individuals	1,830	43,559,996	44.56%
TOTAL		1,851	97,750,726	100.00%

DETAILS OF CATEGORIES OF SHAREHOLDERS				
Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1.	<u>Associated Companies</u>			
	Dewan Motors (Pvt.) Limited	1	37,750,726	38.62%
2.	<u>NIT and ICP</u>			
		-	-	0.00%
3.	<u>Directors, CEO, their Spouses & Minor Children</u>			
	<u>Directors and CEO</u>			
3.1	Dewan Muhammad Yousuf Farooqui	1	9,065,451	9.27%
3.2	Dewan Abdul Baqi Farooqui	1	4,072,727	4.17%
3.3	Dewan Abdul Rehman Farooqui	1	500	0.00%
3.4	Mr. Haroon Iqbal	1	500	0.00%
3.5	Mr. Aziz ul Haque	1	500	0.00%
3.6	Syed Muhammad Anwar	1	500	0.00%
3.7	Mr. Ishtiaq Ahmed	1	500	0.00%
		7	13,140,678	13.44%
	<u>Spouses of Directors and CEO</u>			
3.8	Mrs. Hina Yousuf	1	1,050,000	1.07%
3.9	Mrs. Nada Jabri	1	1,050,000	1.07%
		2	2,100,000	2.15%
	<u>Minor Children of Directors and CEO</u>			
		-	-	0.00%

SHAREHOLDERS HOLDING 5% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY				
Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1	Dewan Motors (Pvt.) Limited	1	37,750,726	38.62%
2	Dewan Muhammad Yousuf Farooqui	1	9,065,451	9.27%
3	Dewan Zia-ur-Rehman Farooqui	2	8,622,727	8.82%
DETAILS OF TRADING IN THE SHARES OF THE COMPANY BY DIRECTORS, CEO, CFO, COMPANY SECRETARY, THEIR SPOUSES AND MINOR CHILDREN				

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

THE COMPANIES ORDINANCE, 1984

(Section 236(1) and 464)

PATTERN OF SHAREHOLDING

1. Incorporation Number **0046530**
2. Name of the Company **DEWAN FAROOQUE SPINNING MILLS LIMITED**
3. Pattern of holding of the shares held by the Shareholders as at **3 0 0 4 2 0 1 4**

Number of Shareholders	Shareholdings			Total Shares held
60	1	-	100 Shares	867
780	101	-	500 Shares	389,169
240	501	-	1,000 Shares	239,600
362	1,001	-	5,000 Shares	1,116,133
129	5,001	-	10,000 Shares	1,159,786
48	10,001	-	15,000 Shares	649,135
42	15,001	-	20,000 Shares	798,100
35	20,001	-	25,000 Shares	839,114
26	25,001	-	30,000 Shares	743,832
6	30,001	-	35,000 Shares	203,500
12	35,001	-	40,000 Shares	468,802
7	40,001	-	45,000 Shares	302,000
13	45,001	-	50,000 Shares	647,500
3	50,001	-	55,000 Shares	161,000
6	55,001	-	60,000 Shares	352,500
7	60,001	-	65,000 Shares	445,000
5	65,001	-	70,000 Shares	339,000
2	70,001	-	75,000 Shares	148,500
5	75,001	-	80,000 Shares	395,000
2	80,001	-	90,000 Shares	176,000
1	90,001	-	95,000 Shares	95,000
18	95,001	-	100,000 Shares	1,795,912
3	100,001	-	110,000 Shares	313,500
2	110,001	-	120,000 Shares	234,000
3	120,001	-	130,000 Shares	376,000
2	130,001	-	140,000 Shares	270,000
1	140,001	-	150,000 Shares	145,500
4	150,001	-	200,000 Shares	800,000
3	200,001	-	250,000 Shares	640,489
3	250,001	-	300,000 Shares	842,000
1	300,001	-	350,000 Shares	335,500
2	350,001	-	400,000 Shares	765,365
1	400,001	-	500,000 Shares	401,511
1	500,001	-	600,000 Shares	572,727
1	600,001	-	700,000 Shares	611,500
1	700,001	-	800,000 Shares	740,000
1	800,001	-	900,000 Shares	845,826
5	900,001	-	1,500,000 Shares	5,250,000
1	1,500,001	-	3,000,000 Shares	3,000,000
1	3,000,001	-	4,000,000 Shares	3,057,000
3	4,000,001	-	5,000,000 Shares	12,218,181
1	5,000,001	-	8,100,000 Shares	8,050,000
1	8,100,001	-	9,070,000 Shares	9,065,451
1	9,070,001	-	37,755,000 Shares	37,750,726
1851	TOTAL			97,750,726



5.	Categories of Shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer, their spouses and minor children	15,240,678	15.59%
5.2	Associated Companies, undertakings and related parties	37,750,726	38.62%
5.3	NIT and ICP	-	0.00%
5.4	Banks, Development Financial Institutions, Non-Banking Finance Companies	500	0.00%
5.5	Insurance Companies	-	0.00%
5.6	Modarabas and Mutual Funds	-	0.00%
5.7	Shareholders holding 5%	55,438,904	56.71%
5.8	<u>General Public</u>		0.00%
	a. Local	43,546,996	44.55%
	b. Foreign	13,000	0.01%
5.9	Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees)	1,198,826	1.23%

DEWAN FAROOQUE SPINNING MILLS LIMITED
11th ANNUAL GENERAL MEETING
PROXY FORM

IMPORTANT

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
 of **Dewan Farooque Spinning Mills Limited** and holder of _____
 _____ Ordinary shares as per Registered Folio No./CDC
 Participant's ID and Account No. _____ hereby appoint
 _____ of _____
 _____ who is also
 member of **Dewan Farooque Spinning Mills Limited** vide Registered Folio No./CDC Participant's ID
 and Account No. _____ my/our proxy to vote for me/our behalf at the 11th Annual General
 Meeting of the Company to be held on **Thursday, October 30, 2014, at 02:00 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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