

DEWAN FAROOQUE SPINNING MILLS LIMITED

# Annual Report ➤ 2015



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A YOUSUF DEWAN COMPANY





## COMPANY INFORMATION

### BOARD OF DIRECTORS

Executive Directors	:	Ishtiaq Ahmed - Chief Executive Officer
Non-Executive Director	:	Dewan Muhammad Yousuf Farooqui - Chairman, Board of Directors Dewan Abdul Rehman Farooqui Mr. Mr. Haroon Iqbal Syed Muhammad Anwar Mr. Ghazanfar Babar Siddiqui
Independent Director	:	Mr. Aziz -ul-Haque
Audit Committee	:	Mr. Aziz -ul-Haque - Chairman Dewan Abdul Rehman Farooqui - Member Mr. Haroon Iqbal - Member
Human Resources & Remuneration Committee	:	Dewan Muhammad Yousuf Farooqui - Chairman Mr. Haroon Iqbal - Member Mr. Ishtiaq Ahmed- Member
Auditors	:	Feroze Sharif Tariq & Company Chartered Accountants 4/N/H Block-6, P.E.C.H.S., Karachi 75400, Pakistan
Company Secretary	:	Muhammad Hanif German
Chief Financial Officer	:	Mehmood ul Hassan Asghar
Tax Advisor	:	Abbass & Atif Law Associates
Legal 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, 7 <sup>th</sup> Floor, Shahrah-e-Faisal, Karachi
Shares Registrar & Transfer Agent	:	BMF Consultants Pakistan (Private) Limited Anum Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, adjacent to Baloch Colony Bridge, Karachi 75350, Pakistan.
Factory Office	:	54 Km, Multan Road, Phool Nagar By Pass District Kasur, Punjab, Pakistan.
Website	:	<a href="http://www.yousufdewan.com">www.yousufdewan.com</a>

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twelfth Annual General Meeting of **Dewan Farooque Spinning Mills Limited** ("**DFSML**" or "**the Company**") will be held on **Thursday, October 29, 2015, at 03:30 p.m.** at Dewan Cement Limited Factory Site, at Dch 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 Annual General Meeting of the Company held on Thursday, October 30, 2014;
2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2015, together with the Directors' and Auditors' Reports thereon;
3. To appoint the Statutory Auditors' of the Company for the ensuing year, and to fix their remuneration;
4. To consider any other business with the permission of the Chair.

By Order of the Board



**Muhammad Hanif German**  
*Company Secretary*

Karachi: October 01, 2015

### NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from October 22, 2015 to October 29, 2015 (both days inclusive).
2. Members are requested to immediately notify change in their addresses, if any, at our Shares Registrar Transfer Agent BMF Consultants Pakistan (Private) Limited, located at Anum Estate Building, Room No. 310 & 311, 3<sup>rd</sup> Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, adjacent to Baloch Colony Bridge, Karachi, Pakistan.
3. A member of the Company entitled to attend and vote at this meeting, may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company at the above-said address, not less than 48 hours before the meeting.
4. CDC Account holders will further have to observe the following guidelines, as laid down in Circular 01 dated January 20, 2000, issued by the Securities and Exchange Commission of Pakistan:
  - a) **For Attending Meeting:**
    - i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original National Identity Card (CNIC), or original passport at the time of attending the meeting.
    - ii) In case of corporate entity, the Board of Directors' resolution/power of attorney, along with the specimen signature of the nominee, shall be produced (unless it has been provided earlier) at the time of meeting.



**b) For Appointing Proxies:**

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

## DIRECTORS' REPORT 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, 2015 together with the Auditors' Report thereon.

### Overview

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

### Operating results and performance:

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

	"Rupees"
SALES (NET)	1,208,179,412
COST OF SALES	(1,172,567,341)
<b>GROSS PROFIT</b>	<b>35,612,071</b>
OPERATING EXPENSES	(50,690,674)
<b>OPERATING LOSS</b>	<b>(15,078,603)</b>
FINANCE COST	(50,953,242)
OTHER INCOME	71,269,009
<b>PROFIT BEFORE TAXATION</b>	<b>5,237,164</b>
TAXATION	15,828,721
<b>PROFIT AFTER TAXATION</b>	<b>21,065,885</b>

During the year, Company has achieved net sale of Rs.1,208 billion as compared to Rs.1,636 billion of last year. Company has earned gross profit of Rs. 35,612 million as compared to the gross profit of Rs. 81,884 million of previous year, whereas operating expenses of the company have decreased by Rs. 10,891 million.

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

In 2011-12, Company had settled with its lenders through Compromise Agreement against which consent decrees had been granted by the Honorable High Court of Sindh, Karachi. Company's short term and long term loans had been rescheduled in the form of long term loans, however certain lenders having suits of Rs.69.60 million, did not accept the restructuring proposal at that time.

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

Company has approached its lenders for further restructuring of its liabilities, which is in advanced stage as the term sheet has been finalized and circulated by the agent to syndicate of banks for their internal approvals. Management is hopeful that such revision will be finalized soon as fully explained in note 8.1.2 to the financial statements. Moreover the markup outstanding up to the date of restructuring is Rs.389,154 million, which the company would be liable to pay in the event of default of terms of agreement. Since the revision in restructuring is in advanced stage therefore management is confident that this amount will remain eligible for waiver, hence no provision of the same has been made in these financial statements.

#### **Future Outlook**

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

#### **Corporate Social Responsibilities**

We are also committed to Corporate Social Responsibility (CSR) and integrating sound social practices in our day to day business activities. CSR is an important part of who we are and how we operate. We measure our success not only in terms of financial criteria but also in building customer satisfaction and supporting the communities we serve. Company has donated a sum of Rs. 3.00 million for social and charitable cause.

#### **Health, Safety and Environment**

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

### Human Resource

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

### Compliance with Code of Corporate Governance

Security and Exchange Commission of Pakistan framed a code of corporate governance, which was incorporated through the listing regulations of all stock exchanges of the country. The directors of your Company have ensured implementation of all provisions of code of corporate governance applicable for the period ended June 30, 2015.

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

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

1. The financial Statements presented by the management of the Company give a fair account of the state of affairs, the results of its operations, cash flow and changes in equity.
2. Proper books of accounts have been maintained as required under the Companies Ordinance, 1984.
3. Accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from, if any, has been adequately disclosed.
5. The system of internal controls, which is in place, is sound in design and has been effectively implemented and monitored.
6. There has been no material departure from the best practices of the corporate governance.
7. The Company has constituted an Audit Committee from amongst the non-executive members of its Board.
8. The Board has prepared and circulated a Statement of Ethics and Business Practices amongst its members and the company's employees.
9. There are no doubts upon the company's Going Concern.
10. Information regarding the outstanding taxes and Levis 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. 25.012 million (2014: Rs.20.086 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 four meetings of the Board were held. The attendance of directors was as follows:

Names	No. of Meetings attended
Dewan Muhammad Yousuf Farooqui	2
Dewan Abdul Baqi Farooqui	2
Dewan Abdul Rehman Farooqui	4
Mr. Haroon Iqbal	4
Mr. Aziz-ul-Haque	4
Mr. Ishtiaq Ahmed	3
Syed Muhammad Anwar	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 one Human Resource and Remuneration committee meeting was held and attendance was as follows

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

**Earnings per Share**

Earnings/(Loss) per share during the period under report worked out to Rs 0.22 [(2014: Rs.(0.55)]

**Appointment of Auditors**

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

**Pattern of Shareholding**

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

**Key operating and financial data**

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

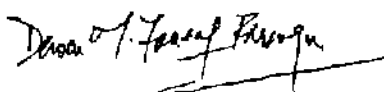
**Vote of Thanks & Conclusion**

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

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

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

*By and under Authority of the Board of Directors*



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

Date: September 30, 2015

Place: Karachi



## FINANCIAL HIGHLIGHTS

	2010	2011	2012	2013	2014	2015
	(Rupees in Thousands)					
Sales - Net	1,247,720	1,736,128	1,363,080	1,301,852	1,636,370	1,208,179
Gross profits/ (loss)	138,952	34,553	(17,510)	107,846	81,884	35,612
Profit/ (Loss) before tax	85,640	(16,942)	(105,825)	9,277	(33,218)	5,237
Profit/ (Loss) after tax	75,664	(73,756)	(107,625)	35,237	(53,966)	21,066
Current assets	586,936	846,151	907,081	918,886	826,838	786,567
Shareholders equity	451,348	750,204	656,019	730,249	711,966	765,679
Current liabilities	793,710	1,151,888	446,601	485,854	473,840	483,618
Earning/ (Loss) per share (Rs.)	1.26	(1.05)	(1.10)	0.36	(0.55)	0.22
Breakup value per share (Rs.)	7.52	7.67	6.71	7.47	7.28	7.83
Current ratio (Times)	0.74	0.73	2.03	1.89	1.74	1.63
Gross profit/ (loss) %	11.14%	1.99%	-1.28%	8.28%	5.00%	2.95%
Net profit/ (loss) %	6.06%	-4.25%	-7.90%	2.71%	-3.30%	1.74%
Debt equity ratio (Times)	0.62	0.52	0.61	0.53	0.55	0.85

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

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

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

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



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

Date : September 30, 2015  
Place : Karachi

Dewan Muhammad Yousuf Farooqui  
Chairman Board of Directors

**FEROZE SHARIF TARIQ & CO.**

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** to comply with the respective Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, where the company is listed.

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

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

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

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

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

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

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



CHARTERED ACCOUNTANTS



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

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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, 2015, and related Profit and Loss account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended, and we state that, we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- a) During the year company defaulted in repayment of installments of restructured liabilities of Financial institutions, hence as per clause 10.2 of the Compromise Agreement of the company, the entire outstanding restructured liabilities of Rs.389.154 million (note 8.1 to the financial Statements) along with markup of Rs.371.60 million (eligible for waiver outstanding as of date of restructuring) become immediately payable, therefore provision for markup should be made in these financial statements and the long term financing of Rs.198.795 million should be classified under current liabilities.
- b) Had the provisions for the mark up, as discussed in preceding paragraph (a), been made in these financial statements, the loss after taxation would have been higher by Rs. 371.60 million and markup payable would have been higher and shareholders' equity would have been lower by Rs. 371.60 million.
  - a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
  - b) in our opinion:
    - i) except for the effects of matters referred in paragraphs (a) and (b) above the Balance Sheet and Profit & Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
    - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
    - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
    - c) in our opinion, except for the matter discussed in Para (a) and (b) of this report and the extent to which may affect the accompanying financial statements, and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & Loss Account, statement of Comprehensive income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the Loss its Comprehensive income, Cash flows and Changes in Equity for the year then ended; and
    - d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance 1980 (xviii of 1980), was deducted by the company and deposited in the Central Zakat fund established under section 7 of that ordinance.

Audit Engagement Partner: Mohammad Tariq

Dated: September 30, 2015

Place: Karachi

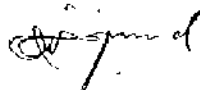
*Feroze Sharif Tariq* *www.*

CHARTERED ACCOUNTANTS

**BALANCE SHEET****As at 30th June, 2015**

		June 30, 2015	June 30, 2014
	Notes	( Rupees )	
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
<b>Share capital</b>			
Authorised capital			
100,000,000 (June 30, 2014: 100,000,000) ordinary shares of Rs.10/- each		1,000,000,000	1,000,000,000
<b>Issued, Subscribed and Paid-up Capital</b>			
97,750,726 (June 30, 2014: 97,750,726) ordinary shares of Rs.10/- each	6	977,507,260	977,507,260
Un appropriated loss		(211,828,315)	(265,541,280)
		765,678,945	711,965,980
Surplus on revaluation of property, plant and equipment	7	556,337,724	588,984,804
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	8	342,170,888	469,150,027
Deferred liabilities for staff benefits	9	7,924,822	8,023,322
Deferred Taxation	10	168,880,788	196,791,303
<b>CURRENT LIABILITIES</b>			
Trade & other payables	11	63,944,202	101,356,567
Accrued mark-up		47,549,097	2,446,571
Short term borrowings- secured	12	26,054,191	38,296,213
Current and over due portion of long term liabilities	13	279,416,128	245,395,598
Provision for taxation	14	66,654,199	86,344,877
		483,617,817	473,839,826
Contingencies and Commitments	15	-	-
		2,324,610,985	2,448,755,262
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	16	1,511,296,562	1,595,169,836
Long term deposits		26,747,245	26,747,245
<b>CURRENT ASSETS</b>			
Stores & Spares	17	35,644,171	34,222,002
Stock-in-trade	18	155,068,130	182,655,863
Trade Debts- Unsecured, Considered Good.	19	309,537,032	316,191,984
Loans & advances- Unsecured, Considered Good.	20	99,155,511	77,462,730
Trade deposits & other receivables- Considered Good.	21	67,974,549	67,974,549
Advance income tax		117,227,307	135,263,412
Cash and bank balances	22	1,960,477	13,067,640
		786,567,177	826,838,180
		2,324,610,985	2,448,755,262

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



**Ishtiaq Ahmed**  
Chief Executive Officer



**Haroon Iqbal**  
Director



## PROFIT & LOSS ACCOUNT

### FOR THE YEAR ENDED 30TH JUNE 2015

	Notes	2015	2014
		(Rupees)	
<b>SALES - NET</b>	23	1,208,179,412	1,636,369,861
<b>COST OF SALES</b>	24	(1,172,567,341)	(1,554,485,872)
<b>GROSS PROFIT</b>		35,612,071	81,883,989
<b>OPERATING EXPENSES</b>			
Administrative expenses	25	(29,224,976)	(30,401,163)
Selling and distribution expenses	26	(21,465,698)	(31,180,092)
		(50,690,674)	(61,581,255)
<b>OPERATING (LOSS) / PROFIT</b>		(15,078,603)	20,302,734
Finance cost	27	(50,953,242)	(55,575,053)
Other Income	28	71,269,009	2,054,397
		20,315,767	(53,520,656)
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		5,237,164	(33,217,922)
<b>TAXATION</b>			
Current year		(12,081,794)	(16,363,699)
Deferred		27,910,515	(4,384,091)
		15,828,721	(20,747,790)
<b>PROFIT / (LOSS) AFTER TAXATION</b>		21,065,885	(53,965,712)
<b>Basic earnings/ (loss) per share (Rupees)</b>	29	0.22	(0.55)

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

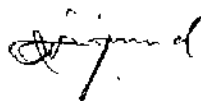
**Ishtiaq Ahmed**  
Chief Executive Officer

**Haroon Iqbal**  
Director

# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2015

	2015	2014
	(Rupees)	
PROFIT / (LOSS) AFTER TAXATION	21,065,885	(53,965,712)
OTHER COMPREHENSIVE INCOME	-	-
Transfer from surplus on revaluation of property plant and equipment in respect of:		
Incremental depreciation	48,726,985	54,064,036
Related deferred tax	(16,079,905)	(18,381,772)
	32,647,080	35,682,264
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	<u>53,712,965</u>	<u>(18,283,448)</u>

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



**Ishtiaq Ahmed**  
Chief Executive Officer

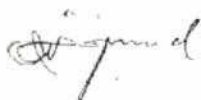


**Haroon Iqbal**  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2015

	2015	2014
	(Rupees)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	5,237,164	(33,217,922)
Adjustments for non cash and other items:		
Gain on sale of property, plant and equipment	66,107	(549,045)
Depreciation	122,587,899	135,731,131
Financial charges	50,953,242	55,575,053
Cash flow before working capital changes	178,844,412	157,539,217
<b>Working Capital changes</b>		
(Increase)/ Decrease in assets:		
Stores & spares	(1,422,169)	1,040,766
Stock in trade	27,587,733	89,418,076
Trade debts	6,654,952	19,050,018
Loans & advances	(21,692,781)	3,671,331
Trade deposits & other receivables	-	581,365
Increase/ (Decrease) in liabilities:		
Trade creditors, other payables and borrowings	(107,772,630)	(38,109,010)
Cash generated/(used) in operations	(96,644,895)	75,652,546
Taxes paid	(13,736,367)	(33,843,439)
Gratuity paid	(98,500)	(83,324)
Financial charges paid	(5,850,716)	(67,392,679)
<b>Net cash generated/(used) in operating activities</b>	62,513,934	131,872,321
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(38,845,732)	(6,645,756)
Sale proceeds on disposal of fixed assets	65,000	630,000
Net cash outflow from investing activities	(38,780,732)	(6,015,756)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Syndicated Long Term Loan	(22,598,343)	(150,799,368)
Net cash Inflow/(out flow) from financing activities	(22,598,343)	(150,799,368)
Net increase / (decrease) in cash and cash equivalents	1,134,859	(24,942,803)
Cash and Cash equivalents at the beginning of the year	(25,228,573)	(285,770)
Cash and Cash equivalents at the end of the year	(24,093,714)	(25,228,573)

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



**Ishtiaq Ahmed**  
Chief Executive Officer

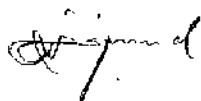


**Haroon Iqbal**  
Director

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

	Share Capital	Unappropriated Profit/ (loss) (Rupees)	Total
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)	(18,283,448)
Balance as at June 30, 2014	977,507,260	(265,541,280)	711,965,980
Balance as at July 01, 2014	977,507,260	(265,541,280)	711,965,980
Total comprehensive income / (loss) for the year	-	53,712,965	53,712,965
Balance as at June 30, 2015	977,507,260	(211,828,315)	765,678,945

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



**Ishtiaq Ahmed**  
Chief Executive Officer



**Haroon Iqbal**  
Director

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

### 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:

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

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

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

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

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

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

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

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

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

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

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



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

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

### **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.

#### **4.1 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 and staff retirement which is stated at present value.

#### **4.2 Property, plant and equipment**

##### **Owned**

Operating assets except Freehold land are stated at cost or revalued amount less accumulated depreciation. Freehold hold 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 inappropriate 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.

#### **4.3 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.

#### **4.4 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 usability.

#### **4.5 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.

#### **4.6 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.

#### **4.7 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.

#### **4.8 Borrowing costs**

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

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

#### **4.9 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.

#### **4.10 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.

#### **4.11 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.

**4.12 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.

**4.13 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.

**4.14 Provisions**

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

**4.15 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.

**4.16 Loans, advances and other receivables**

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

**4.17 Short term and long term loans**

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

**4.18 Post Employment Benefits - Defined Contribution Plan**

The company up to 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 recognized 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.

**4.19 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.

#### 4.20 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, 2015	June 30, 2014		June 30, 2015	June 30, 2014
	June 30, 2015	June 30, 2014					
	(Numbers of shares)					Rupees	
	100,000,000	100,000,000	Ordinary shares of Rs.10/- each		1,000,000,000		1,000,000,000
	100,000,000	100,000,000	Ordinary shares of Rs.10/- each		1,000,000,000		1,000,000,000

#### 6 ISSUED, SUBSCRIBED AND PAID UP-CAPITAL

	June 30, 2015	June 30, 2014		June 30, 2015	June 30, 2014
	(Numbers of shares)				
	97,750,726	97,750,726	Ordinary shares of Rs.10/- each	977,507,260	977,507,260
	97,750,726	97,750,726	Ordinary shares of Rs.10/- each	977,507,260	977,507,260

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 (2014: 37,750,726) Ordinary shares of Rs.10 each.

#### 7 SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT

Opening Balance	588,984,804	624,667,068
Less : Transferred to unappropriated profit:		
- Surplus relating to incremental depreciation - net of deferred tax	(32,647,080)	(35,682,264)
	556,337,724	588,984,804

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-istatement value have been computed after applying present market rate of construction.

**Plant and Machinery**

The plant, Machinery and Equipment values are derived from the make, model and year from the local machinery Dealer/ Agent and/or suppliers Local or Foreign. A complete list of machinery is prepared on the basis of physical existence, condition and level of maintenance. The total assessed value of the plant is obtained on the basis of physical existence, condition and level of maintenance. The total assessed value of the plant is obtained on the basis of manufacturing cost of individual machines on the basis of material and technology used for manufacturing of the machine on international engineering standards and practice. Rates of manufacturing of similar kinds of machinery are acquired from different manufactures. The total production capacity of the project and all the ancillary and peripheral machines, which from 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 ass

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
	<u>1,724,873,662</u>	<u>825,460,023</u>	<u>899,413,639</u>

	Note	June 30, 2015	June 30, 2014
		Rupees	
<b>8 LONG TERM LOANS</b>			
Syndicated Long Term Loans - Secured	8.1	198,749,800	469,150,027
Sponsor Loan unsecured	8.2	143,421,088	-
		<u>342,170,888</u>	<u>469,150,027</u>
<b>8.1 SYNDICATED LONG TERM LOANS - SECURED</b>			
Syndicated Long Term Loan - Secured		625,533,370	776,332,738
Less: Paid during the year		22,598,343	150,799,368
		<u>602,935,027</u>	<u>625,533,370</u>
Less: Adjustment for settlement	8.2 & 8.1.3	213,781,355	-
	8.1.1 & 8.1.2	389,153,672	625,533,370
Less: Transferred to current & over due portion		190,403,872	156,383,342
		<u>198,794,800</u>	<u>469,150,027</u>

**8.1.1** The Compromise Agreement dated December 23, 2011 had been executed between the banks and the company against which consent decrees had been granted by the Honorable High Court of Sindh, Karachi. As per the terms, Company's short term and long term loans had been rescheduled in the form of long term loans of Rs.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. 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.

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

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

	June 30, 2015	June 30, 2014
<b>8.2 Sponsor Loan</b>		
Sponsor Loan- Unsecured	213,781,355	-
Less: Amortization discount charged to P & I	(70,360,267)	-
Present Value of Sponsor loan	<u>143,421,088</u>	<u>-</u>

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

## 9 DEFERRED LIABILITIES FOR STAFF BENEFITS

Opening Balance of staff gratuity	8,023,322	8,106,646
Paid during the year	<u>98,500</u>	<u>83,324</u>
Closing balance of staff gratuity	<u>7,924,822</u>	<u>8,023,322</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	132,864,944	156,305,534
Deferred tax liability arising on liability against assets subject to finance lease	8,575,689	11,810,528
Deferred tax liability due to revaluation of property plant & equipment	149,067,592	175,697,078
Deferred tax assets arising on staff gratuity	(2,615,191)	(2,727,929)
Deferred tax assets arising on carry forward losses	<u>(119,012,246)</u>	<u>(144,293,908)</u>
	<u>168,880,788</u>	<u>196,791,303</u>

# DEWAN FAROOQUE SPINNING MILLS LIMITED

	Note	June 30, 2015	June 30, 2014
		Rupees	
<b>11 TRADE AND OTHER PAYABLES</b>			
Creditors		42,534,657	61,597,872
Accrued expenses		20,391,797	38,923,615
Employees Provident Fund	11.1	714,366	525,774
Workers' welfare fund	11.2	199,516	199,516
Sales tax payable		103,866	109,790
		<u>63,944,202</u>	<u>101,356,567</u>

11.1 Employees Provident Fund	June 30, 2015	June 30, 2014
<b>General Disclosures</b>	----- (Unaudited) -----	
Size of the fund	29,726,466	25,689,527
Cost of investments	25,012,100	20,086,408
Fair value of investments	25,910,830	20,278,145
Percentage of investments	84%	78%

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

Term Deposit Receipts	28%	8,500,000	25%	6,400,000
Bank balance	56%	16,512,100	53%	13,686,408

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.

<b>11.2 Workers' welfare fund</b>		
Balance at beginning of the year	199,516	199,516
Add: Allocation for the period	-	-
	<u>199,516</u>	<u>199,516</u>
Less: Payments during the year	-	-
Balance at end of the year	<u>199,516</u>	<u>199,516</u>

**12 SHORT TERM BORROWING - SECURED**

Short term finance	26,054,191	22,763,484
Temporary Book Over draft	-	15,532,730
	<u>26,054,191</u>	<u>38,296,213</u>

**12.1** As part of restructuring banks / financial institutions as fully disclosed in note no 8.1.1 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, 2015 on rollover basis and this facility is secured by way of pledge of stocks of the company. The markup rate for this facility is one month KIBOR which is payable on quarterly basis.

**12.2** Temporary over draft due to unrepresented Cheques.

	Note	June 30, 2015	June 30, 2014
<b>13</b>	<b>CURRENT AND OVER DUE PORTION OF LONG TERM LIABILITIES</b>		
			<b>Rupees</b>
	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	190,403,872	156,383,342
		<u>279,416,128</u>	<u>245,395,598</u>
<b>14</b>	<b>PROVISION FOR TAXATION</b>		
	Balance at the beginning of the year	86,344,877	69,981,178
	Provision made during the year	12,081,794	16,363,699
		<u>98,426,671</u>	<u>86,344,877</u>
	Payment/ Adjusted during the year	31,772,472	-
		<u>66,654,199</u>	<u>86,344,877</u>

The income tax returns of the company has been filed up to tax year 2014 to income tax department and the assessments of the company 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.

**14.1 Relationship between income tax expense and accounting profit**

Accounting (loss) / profit as per profit and loss account	5,237,164	(33,217,922)
Applicable tax rate	33%	34%
Tax payable / refundable on accounting profit / (loss)	1,728,264	(11,294,093)
Tax effect of timing difference on depreciation	25,986,937	35,619,593
Tax effect of expenses / provision that are not deductible in determining taxable loss charged to profit and loss account	1,101,792	1,297,875
Effect of Loss carried / (brought) forward	(28,816,993)	(25,623,374)
	<u>-</u>	<u>-</u>
Minimum tax payable under Income Tax Ordinance, 2001	12,081,794	16,363,699

**15 Contingencies and Commitments**

- 15.1** Company has been facing litigations with two of its lenders those had filed suits for recovery of Rs. 69.60 million which are pending in Honorable High Court of Sindh, Karachi. 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. 36.98 million and for the year impact also disclosed in note 27.1 to the financial statements.
- 15.2** As per the terms of the restructuring (refer to no. 8.1.1) 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 term of agreement. The Company has defaulted in repayment of liability, however has approached the lenders for further restructuring as detailed in note 8.1.2 to the financial statements. Since the restructuring is in advanced stage therefore management is confident that this amount will remain eligible for waiver, hence no provision of the same has been made in these financial statements.
- 15.3** Commitments in respect of letter of credits for capital expenditure commitments and other then capital expenditures commitments outstanding amounts to Rs. Nil (2014: Rs. Nil)

**16 PROPERTY, PLANT AND EQUIPMENT**

Operating fixed assets	16.1	1,472,816,332	1,595,169,836
Capital work in progress	16.4	38,480,230	-
		<u>1,511,296,562</u>	<u>1,595,169,836</u>

# 16.1 Operating Fixed Assets

	2015										
	Owned									Leased	
	Leasehold Land	Factory Building	Non-Factory Building	Plant & Machinery	Electric Installation	Furniture & Fixtures	Vehicles	Computer Equipment	Office Equipment	Plant and Machinery (Leased)	Total
Cost: Revalued Amount											
Cost As at 01 July 2014	349,650,000	210,713,049	108,111,211	1,668,253,566	65,076,005	8,772,959	30,410,062	5,205,404	1,101,944	200,449,275	2,647,743,475
Addition: Transfer from CWP	-	-	-	-	-	-	-	365,502	-	-	365,502
Transfers: Deletion	-	-	-	-	-	-	(699,000)	-	-	-	(699,000)
Surplus on Revaluation	-	-	-	-	-	-	-	-	-	-	-
As at June 30, 2015	349,650,000	210,713,049	108,111,211	1,668,253,566	65,076,005	8,772,959	29,711,062	5,570,906	1,101,944	200,449,275	2,647,409,977
Accumulated Depreciation											
As at 01 July 2014	-	92,006,283	24,918,249	430,744,070	45,455,698	5,147,005	22,119,832	4,451,874	486,591	112,950,172	1,052,573,679
Charge for the year	-	11,867,296	3,959,648	82,750,950	2,443,046	562,995	1,618,034	280,864	6,533	8,740,910	122,587,599
Adjustments	-	-	-	-	-	-	(567,831)	-	-	-	(567,831)
As at June 30, 2015	-	103,873,579	28,877,897	513,495,020	47,898,744	5,709,999	23,170,035	4,732,738	548,126	121,700,082	1,174,593,645
Net book value											
As at June 30, 2015	349,650,000	106,839,470	79,233,314	1,154,758,546	16,077,261	3,062,960	6,541,027	838,168	553,818	78,749,193	1,472,816,332
As at June 30, 2014	349,650,000	118,612,964	79,192,962	927,509,496	19,620,307	3,625,951	8,090,170	753,530	615,353	87,499,103	1,595,169,836
Depreciation rate % per annum	-	10	5	1	15	10	20	30	30	10	-

	2014										
	Owned									Leased	
	Leasehold Land	Factory Building	Non-Factory Building	Plant & Machinery	Electric Installation	Furniture & Fixtures	Vehicles	Computer Equipment	Office Equipment	Plant and Machinery (Leased)	Total
Cost: Revalued Amount											
Cost As at 01 July 2013	349,650,000	207,734,458	104,111,211	1,667,804,225	61,883,921	8,772,955	29,400,062	4,919,854	870,374	200,449,275	2,641,695,719
Addition: Transfer from CWP	-	2,978,191	-	4,976,1	3,92,084	-	1,609,020	25,550	23,570	-	6,645,746
Transfers: Deletion	-	-	-	-	-	-	(599,000)	-	-	-	(599,000)
Surplus on Revaluation	-	-	-	-	-	-	-	-	-	-	-
As at 30th June 2014	349,650,000	210,713,049	104,111,211	1,668,253,566	65,076,005	8,772,959	30,410,062	5,205,404	1,101,944	200,449,275	2,647,743,475
Accumulated Depreciation											
As at 01 July 2013	-	70,086,221	24,750,198	437,718,585	41,086,170	4,744,124	21,163,873	1,241,112	443,948	103,228,049	917,360,553
Charge for the year	-	13,013,754	4,168,051	85,027,485	3,469,368	402,884	1,674,069	204,762	42,643	9,722,142	135,731,132
Adjustments	-	-	-	-	-	-	(518,045)	-	-	-	(518,045)
As at 30th June 2014	-	92,100,085	28,918,249	510,744,070	45,455,698	5,147,008	22,819,892	4,451,874	486,591	112,950,172	1,052,573,679
Net book value											
As at June 30, 2014	349,650,000	118,612,964	79,192,962	927,509,496	19,620,307	3,625,951	8,090,170	753,530	615,353	87,499,103	1,595,169,836
As at June 30, 2013	349,650,000	128,648,537	83,361,013	1,030,087,610	21,997,591	4,018,835	8,236,177	678,742	426,426	97,221,326	1,724,336,167
Depreciation rate % per annum	-	10	5	1	15	10	20	30	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, 2014 would have been as follows:

	2015		
	Cost	Accumulated Depreciation	Written Down Value
	Rupees		
Free hold land	85,415,080	-	85,415,080
Factory building on lease hold land	189,289,398	98,082,599	91,206,799
Non - factory building	78,414,913	28,218,114	50,196,799
Plant & machinery	1,080,767,245	660,081,219	420,686,026
	1,433,886,636	786,381,932	647,504,704

	2014		
	Cost	Accumulated Depreciation	Written Down Value
Free hold land	85,415,080	-	85,415,080
Factory building on lease 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

	2015	2014
<b>16.2 Allocation of Depreciation</b>		
Depreciation Expenses for the year has been allocated as follows :		
Cost of Goods Manufactured	121,486,107	134,515,867
Administrative Expenses	1,101,792	1,215,264
	<u>122,587,899</u>	<u>135,731,131</u>

### 16.3 Disposal of Operating Fixed Assets

Description	Qty	Cost	Accumulated Depreciation	Book Value	Sales proceeds	Loss	Mode of Disposal	Particulars of purchasers
HYUNDAI SANTRO	1	699,000	567,893	131,107	65,000	(66,107)	Negotiation	Mr.Tufail Aslam
	<u>1</u>	<u>699,000</u>	<u>567,893</u>	<u>131,107</u>	<u>65,000</u>	<u>(66,107)</u>		

	June 30, 2015	June 30, 2014
<b>16.4 Capital Work in progress</b>		
-Tangible		
Civil Works	35,480,230	-
-Intangible		
Software Development	3,000,000	-
	<u>38,480,230</u>	<u>-</u>
<b>17 STORES &amp; SPARES</b>		
Packing material	4,185,902	5,265,720
Store & spares	31,458,269	28,956,282
	<u>35,644,171</u>	<u>34,222,002</u>
<b>18 STOCK IN TRADE</b>		
Raw material	118,447	3,435,402
Work-in-process	7,498,316	11,319,368
Stock in Transit	59,773,356	58,223,436
Yarn	87,678,011	109,677,657
	<u>155,068,130</u>	<u>182,655,863</u>

The above Stock has been pledged with the banks to the extent of restructured finance facilities obtained by the Company Rs. 18.98 million (2014; Rs.26.78 million)

<b>19 TRADE DEBTORS - Considered Good, Unsecured</b>		
Trade debts - local	<u>309,537,032</u>	<u>316,191,984</u>
<b>19.1 The aging of debtors at the reporting date:</b>		
Up to one month	171,958,785	175,655,847
1 to 6 months	78,979,325	80,677,357
More than 6 months	58,598,921	59,858,780
	<u>309,537,032</u>	<u>316,191,984</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.

# DEWAN FAROOQUE SPINNING MILLS LIMITED

	Note	June 30, 2015	June 30, 2014
		<b>Rupees</b>	
<b>20 LOANS AND ADVANCES - Unsecured, Considered Good</b>			
Advances to Suppliers of goods & services		97,201,782	73,310,221
Advance against Import		25,475	1,973,561
Advances to Employees	20.1	508,070	660,698
Others		1,420,184	1,518,250
		<u>99,155,511</u>	<u>77,462,730</u>
20.1 Advance to Employees includes Rs. Nil (2014: Rs. Nil) due from the executives of the company.			
<b>21 TRADE DEPOSITS AND OTHER RECEIVABLES</b>			
Trade deposits		18,698,606	18,718,606
Sales tax		49,275,943	49,255,943
		<u>67,974,549</u>	<u>67,974,549</u>
<b>22 CASH AND BANK BALANCES</b>			
In hand - Cash		91,016	64,985
At banks - Current Accounts		1,804,121	12,832,932
At banks - Saving Account		65,340	169,723
		<u>1,960,477</u>	<u>13,067,640</u>
<b>23 SALES - NET</b>			
Local sales		1,156,356,891	1,567,137,018
Waste sales		71,136,053	97,289,260
Commercial Doubling		4,846,637	4,719,822
		1,232,339,581	1,669,146,099
Sales Tax		(24,160,169)	(32,776,238)
		<u>1,208,179,412</u>	<u>1,636,369,861</u>
<b>24 COST OF SALES</b>			
Opening stock of finished goods		109,677,657	170,232,398
Cost of goods manufactured	24.1	1,150,567,695	1,493,931,132
		1,260,245,352	1,664,163,530
Less: closing stock of finished goods		87,678,011	109,677,658
		<u>1,172,567,341</u>	<u>1,554,485,872</u>
<b>24.1 Cost of goods manufactured</b>			
Raw material consumed	24.1.1	658,845,815	912,600,819
Stores and spares consumed		33,928,748	42,136,765
Packing material consumed		19,902,713	20,939,969
Salaries, wages & other benefits	24.1.2	108,392,946	107,748,900
Insurance		6,647,251	4,509,574
Repair & maintenance		1,558,239	3,677,865
Fuel & power		192,359,324	255,529,001
Vehicle running & maintenance		1,606,261	2,375,430
Communication		703,803	727,237
Rent, rates & taxes		350,843	833,239
Entertainment		139,504	238,363
Printing & stationary		6,108	563,720
Travelling & conveyance		302,654	960,146
Other manufacturing expenses		516,327	942,597
Depreciation	16.2	121,486,107	134,515,867
		<u>1,146,746,643</u>	<u>1,488,299,492</u>
Work-in-process - Opening		11,319,368	16,951,008
Work-in-process - Closing		7,498,316	11,319,368
Cost of Goods Manufactured		<u>1,150,567,695</u>	<u>1,493,931,132</u>



	Note	June 30, 2015	June 30, 2014
		Rupees	
<b>24.1.1 Raw Material Consumed</b>			
Opening Stock		3,435,402	17,963,728
Add: Purchases inclusive of direct expenses		655,528,860	898,072,493
		658,964,262	916,036,221
Less: Closing Stock		118,447	3,435,402
		658,845,815	912,600,819
<b>24.1.2</b>	Salaries and benefits include Rs. 6.226 million (2014 Rs. 5.527 million) in respect of post employment benefits.		
<b>25 ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits	25.1	9,920,834	8,437,209
Director remuneration		5,809,668	6,840,000
Travelling & conveyance		1,061,702	663,649
Printing & stationary		445,744	510,897
Legal & professional		1,852,340	2,256,069
Auditors remuneration	25.2	500,000	500,000
Vehicle running expenses		404,377	584,175
Communication		319,925	422,833
Fees & subscription		543,312	1,589,952
Rent, Rate & Taxes		3,254,402	2,897,010
Donations	25.3	3,000,000	3,900,603
Depreciation	16.2	1,101,792	1,215,264
Other expenses		1,010,880	583,502
		29,224,976	30,401,163
<b>25.1</b>	Salaries and benefits include Rs.0.687 million (2014 Rs. 0.639 million) in respect of post employment benefits.		
<b>25.2</b>	Audit Fee	350,000	350,000
	Half yearly review	75,000	75,000
	Code of Corporate Governance	50,000	50,000
	Reimbursable expenses	25,000	25,000
		500,000	500,000
<b>25.3</b>	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
	- Dewan M. Yousuf Farooqui- Chairman Board of Trustees		
	- Dewan Abdul Baqi Farooqui - Trustee		
	- Haroon Iqbal - Trustee		
	- Aziz-ul-Haq - Trustee		
	- Ishtiaq Ahmed - Trustee		
	- Salman Rasheed - Trustee		
	- Mrs. Hina Yousuf - Trustee		

# DEWAN FAROOQUE SPINNING MILLS LIMITED

	Note	2015	2014
		Rupees	
<b>26 SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries and benefits	26.1	12,764,181	12,823,864
Travelling & conveyance		569,958	1,949,408
Vehicle running expenses		1,268,962	4,628,724
Communication		422,106	328,410
Commission on sales		6,176,012	10,812,159
Miscellaneous expenses		264,479	637,527
		<u>21,465,698</u>	<u>31,180,092</u>

**26.1** Salaries and benefits include Rs.0.458 million (2014 Rs.0.426 million) in respect of post employment benefits.

<b>27 FINANCE COST</b>			
Markup on :			
Syndicate Long Term Loans		46,402,113	47,804,014
Short term syndicate loan		3,062,659	5,037,349
Bank & other charges		1,488,470	2,733,690
		<u>50,953,242</u>	<u>55,575,053</u>

**27.1** The Company has not made the provision of markup for the year amounting to Rs.3.92 million in respect of borrowings of certain banks who have not yet accepted the restructuring proposal. The management of the Company is quite hopeful that these banks will also accept restructuring proposal in near future. Had the provision been made the loss for the year and accrued markup would have been higher by Rs.36.98 million and shareholders' equity would have been lower by Rs.36.98 million.

<b>28 OTHER INCOME</b>			
(Loss) / Gain on disposal of fixed assets		(66,107)	549,045
Scrap sales		738,868	-
Profit on Saving Accounts		235,981	1,505,352
Amortization of interest free sponser loan	8.2	70,360,267	-
		<u>71,269,009</u>	<u>2,054,397</u>

<b>29 BASIC EARNINGS PER SHARE</b>			
Profit / (Loss) after taxation (Rupees)		21,065,885	(53,965,713)
Weighted average number of ordinary shares		97,750,726	97,750,726
Profit / (Loss) per share		0.22	(0.55)

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.

<b>30 CASH AND CASH EQUIVALENTS</b>			
Cash and Bank Balances		1,960,477	13,067,640
Short term Borrowings		(26,054,191)	(38,296,213)
		<u>(24,093,714)</u>	<u>(25,228,573)</u>


**31 REMUNERATION OF DIRECTORS & EXECUTIVES**

	2015			2014		
	CHIEF EXECUTIVE	DIRECTOR	EXECUTIVES	CHIEF EXECUTIVE	DIRECTOR	EXECUTIVES
	Rupees			Rupees		
Managerial Remuneration	4,412,903	-	8,276,988	4,412,903	-	7,373,698
House rent allowance	1,765,161	-	3,309,256	1,765,161	-	2,949,479
Utilities allowance	661,935	-	1,240,330	661,935	-	1,106,055
Bonus	-	-	522,717	-	-	-
	<u>6,839,999</u>	<u>-</u>	<u>13,379,291</u>	<u>6,839,999</u>	<u>-</u>	<u>11,429,232</u>
Number of persons	1	-	8	1	-	8

**32 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 31 to these Financial Statements. During the year aggregate transactions undertaken by the company with the associated companies are as follows :

	2015	2014
	Rupees	
Purchases - Raw Material/ Yarn	101,983,680	62,467,326
Sales - Yarn/ Waste/ Cotton	33,065,985	4,410,663
Shared Based Expenses	2,883,327	3,635,295
Purchases - Vehicle	-	1,549,000
Provident Fund	7,372,259	6,592,524
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.

	2015	2014
	Rupees	
<b>33 PLANT CAPACITY AND PRODUCTION</b>		
Installed capacity after conversion into 20's (lbs)	11,130,330	11,130,330
Actual production after conversion into 20's (lbs)	9,024,848	10,017,297
Total number of spindles installed	28,800	28,880
Average number of spindles worked	21,981	24,750
Number of shifts worked per day	3	3
Total days worked	278	314
<b>34 NUMBER OF EMPLOYEES</b>		
Total number of employees as at	447	423
Average number of employees during the year	436	427

**35 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.

# DEWAN FAROOQUE SPINNING MILLS LIMITED

	Note	June 30, 2015	June 30, 2014
<b>35.1 Credit risk</b>			<b>Rupees</b>
The maximum exposure to credit risk at the reporting date is:			
Trade Debts - Considered Good		309,537,032	316,191,984
Loans and Advances - Unsecured - Considered good		1,928,254	2,178,948
Trade deposits & other receivable - Considered Good.		67,974,549	67,974,549
Cash and bank balances		1,960,477	13,067,640
		<u>381,400,312</u>	<u>399,413,121</u>

## 35.2 Liquidity risk

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

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

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

2015					
Carrying amount	Contractual cash flows	Six months or less	Six to twelve	One year onward	
Rupees					
Financial liabilities					
Long term loan	621,587,016	658,446,910	104,960,134	105,055,336	448,431,439
Trade and other payables	63,944,202	63,944,202	63,944,202	-	-
Short term Borrowings	26,054,191	27,096,359	27,096,359	-	-
Mark-up payable	47,549,097	47,549,097	47,549,097	-	-
	759,134,506	797,036,568	243,549,792	105,055,336	448,431,439

2014					
Carrying amount	Contractual cash flows	Six months or less	Six to twelve	One to two year	
Rupees					
Financial liabilities					
Syndicated long term loan	625,533,369	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	38,396,213	43,466,202	43,466,202	-	-
Mark-up payable	2,446,571	2,446,571	2,446,571	-	-
	767,632,720	882,091,153	248,372,242	97,817,245	535,901,666

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at June 30, 2015. The rates of markup have been disclosed in relevant notes to the financial statements.

## 35.3 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.



#### 35.4 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.

#### 35.5 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, 2015	June 30, 2014
	<b>Carrying amounts</b>	
Fixed rate instruments		
Variable rate instruments		
Financial liabilities	740,599,817	888,108,478
	<u>740,599,817</u>	<u>888,108,478</u>

#### 35.6 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.

#### 35.7 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, 2015	June 30, 2014
	<b>Rupees</b>	
Total Borrowings	740,599,817	888,108,478
Less Cash and Bank Balances	1,960,477	13,067,640
Net debt	<u>738,639,340</u>	<u>875,040,838</u>
Total equity	765,678,945	711,965,979
Total Capital	<u>1,504,318,285</u>	<u>1,587,006,817</u>
Gearing ratio	0.49	0.55

**35.8 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.

**36 Date of Authorization**

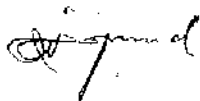
These financial statements have been authorized for issue on September 30, 2015 by the Board of Directors of the company.

**37 General**

**37.1** 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.

**37.2** Figures have been rounded off to the nearest rupees.

**37.3** 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.



**Ishtiaq Ahmed**  
Chief Executive Officer



**Haroon Iqbal**  
Director

Karachi.  
Dated : September 30, 2015



**PATTERN OF SHAREHOLDING UNDER REGULATION 37  
(XX)(I) OF THE CODE OF CORPORATE GOVERNANCE  
AS AT JUNE 30, 2015**

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	1,478,327	1.51%
6.	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds	1	500	0.00%
7.	Individuals	1,791	43,280,495	44.28%
	<b>TOTAL</b>	<b>1,812</b>	<b>97,750,726</b>	<b>100.00%</b>

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 &amp; 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. Ishraq 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		6		2		0		1		5	
4.	Number of Shareholders	Shareholdings												Total Shares held			
	56	1	-	100	Shares											621	
	754	101	-	500	Shares											376,039	
	231	501	-	1,000	Shares											230,195	
	352	1,001	-	5,000	Shares											1,135,274	
	151	5,001	-	10,000	Shares											1,345,369	
	48	10,001	-	15,000	Shares											626,532	
	43	15,001	-	20,000	Shares											812,482	
	31	20,001	-	25,000	Shares											751,614	
	24	25,001	-	30,000	Shares											685,916	
	9	30,001	-	35,000	Shares											293,902	
	14	35,001	-	40,000	Shares											542,588	
	6	40,001	-	45,000	Shares											255,500	
	18	45,001	-	50,000	Shares											899,000	
	5	50,001	-	55,000	Shares											264,000	
	5	55,001	-	60,000	Shares											290,500	
	4	60,001	-	65,000	Shares											251,500	
	3	65,001	-	70,000	Shares											199,000	
	1	70,001	-	75,000	Shares											72,500	
	2	75,001	-	80,000	Shares											156,500	
	3	80,001	-	85,000	Shares											248,000	
	4	85,001	-	90,000	Shares											352,000	
	1	90,001	-	95,000	Shares											95,000	
	5	95,001	-	100,000	Shares											495,912	
	2	100,001	-	110,000	Shares											209,500	
	1	110,001	-	120,000	Shares											119,500	
	1	120,001	-	130,000	Shares											120,500	
	1	130,001	-	140,000	Shares											131,000	
	2	140,001	-	150,000	Shares											293,511	
	2	150,001	-	160,000	Shares											313,500	
	1	160,001	-	170,000	Shares											165,000	
	3	170,001	-	200,000	Shares											600,000	
	3	200,001	-	220,000	Shares											630,495	
	2	220,001	-	250,000	Shares											471,000	
	1	250,001	-	300,000	Shares											281,500	
	4	300,001	-	350,000	Shares											1,347,500	
	1	350,001	-	400,000	Shares											386,365	
	1	400,001	-	500,000	Shares											449,000	
	1	500,001	-	600,000	Shares											572,727	
	1	600,001	-	700,000	Shares											700,000	
	2	700,001	-	900,000	Shares											1,690,826	
	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											3,554,500	
	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	-	9,700,000	Shares											9,065,451	
	1	9,700,001	-	38,000,000	Shares											37,750,726	
	1812	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	43,276,704	44.27%
	b. Foreign	3,791	0.00%
5.9	Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees)	1,478,327	1.51%

**DEWAN FAROOQUE SPINNING MILLS LIMITED**  
**12th 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 12th Annual General Meeting of the Company to be held on **Thursday, October 29, 2015, at 03:30 p.m.** And any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

Affix  
Revenue  
Stamp  
Rs. 5/-

Signature \_\_\_\_\_

Witness: \_\_\_\_\_

Signature

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Witness: \_\_\_\_\_

Signature

Name: \_\_\_\_\_

Address: \_\_\_\_\_



The background of the page is an abstract geometric design composed of various-sized triangles in shades of blue, grey, and white. The triangles are arranged in a way that creates a sense of depth and movement. The blue triangles are prominent, especially on the right side, while the grey triangles are more subtle, often acting as connectors or shadows between the blue shapes. The overall effect is a modern, minimalist aesthetic.

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