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DEWAN FAROOQUE SPINNING MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS	
Executive Directors	: Ishtiaq Ahmed - Chief Executive Officer Mr. Mehmood-ul-Hassan
Non-Executive Director	: Dewan Muhammad Yousuf Farooqui - Chairman, Board of Directors Syed Muhammad Anwar Mr. Ghazanfar Baber Siddiqi Mr. Muhammad Baqar Jafferri
Independent Director	: Mr. Aziz -ul-Haque
Audit Committee	: Mr. Aziz -ul-Haque - Chairman Syed Muhammad Anwar (Member) Mr. Ghazanfar Baber Siddiqi
Human Resources & Remuneration Committee	: Dewan Muhammad Yousuf Farooqui - Chairman Mr. Mehmood-ul-Hassan Mr. Ishtiaq Ahmed- Member
Auditors	: Feroze Sharif Tariq & Company Chartered Accountants 4/N/4 Block-6, P.E.C.H.S., Karachi 75400, Pakistan
Company Secretary	: Muhammad Hanif German
Chief Financial Officer	: Mehmood ul Hassan
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 th 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	: www.yousufdewan.com



DIRECTORS' REPORT

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

The Board of Directors, of your Company are pleased to present condensed interim financial statements of the company for the first quarter ended September 30, 2016 in compliance with requirements of section 245 of the company's ordinance 1984 and code of corporate governance issued by Securities and Exchange Commission of Pakistan.

Overview

Largest manufacturing sector in Pakistan is Textile which contributes to Foreign Exchange earnings but ongoing adverse scenario and Government's apathy have been the cause of hampering the operations of several units.

Operating results and performance:

The financial highlights for the first quarter ended September 30, 2016 are as follows:
Company has achieved net sale of Rs. 159.357 million as compared to Rs. 202.849 million of the corresponding period of last year. Company has suffered gross loss of Rs. 46.402 million as compared to the gross loss of Rs. 70.091 million of comparable period of last year, whereas operating expenses of the company have been decreased by Rs. 0.995 million.

Pakistan has become the most expensive country in terms of labor as compared to the regional countries, i.e. Vietnam, Sri Lanka, Bangladesh and India, as the minimum wage per month in Pakistan is US\$.135 as compared to US\$.90 in Vietnam, US\$.66 in Sri Lanka, US\$. 68 in Bangladesh, and US\$. 90 in India.

Pakistan is also having the highest tariff for power as compared to the regional countries. The electricity tariff for textile industry in Pakistan is around 11 cents/kilowatt hour as compared to 7 cents in Vietnam, 9 cents in Sri Lanka, 7.3 cents in Bangladesh, 8.5 cents in China and 9 cents in India. The gas tariff, is \$8/MMBTU in Pakistan against \$ 4.5 in Vietnam, \$ 3 in Bangladesh, \$ 6 in China and \$ 4.2 in India. Moreover, textile sector is suffering costs on account of government levies, such as Sales Tax, SRB on Services, Custom Duties, Cotton Cess, Textile Cess, Social Security, Income Tax, EOBI, Education Cess and Revenue Stamps.

We support APTMA's appeal to the Government for urgent remedial measures for survival of the Textile Industry, including followings:

- Anomalies with regard to Zero Rating should be resolved on priority.
- Removal of Cess collection by the Provisional Government on Textile Raw Material.
- Removal of 5% Sales Tax on import of Cotton.
- Removal of 4% Custom Duty.
- Removal of Gas Infrastructure Development Cess (GIDC) and reduction in Gas Tariff in line with Regional Competing Countries.
- Removal of all surcharges on Electricity Tariff.
- Turnover Tax be abolished for the next 5 years.

Future Outlook

It is difficult to compete the international market, at present, due to higher cost of production. However, some initiatives from the government are direly needed in order to make the textile industry sustainable. In current season, a decline in cotton production has been forecasted which might result in higher cotton prices in future.

Conclusion

With grace of Allah Almighty, the management of the company will put its best endeavors to bring better results in forthcoming quarters. 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 Muslim Ummah; Ameen: SummaAmeen

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

By and under Authority of the Board of Directors

Ishtiaq Ahmed

Chief Executive Officer

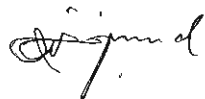
Dated: October 26, 2016

04 ■ 1ST QUARTER REPORT

**CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2016**

EQUITY AND LIABILITIES		Un-Audited Sept 30, 2016	Audited June 30, 2016
SHAREHOLDERS' EQUITY			
Share capital	Notes	Rupees	
Authorised capital			
100,000,000 (June 30, 2016: 100,000,000) ordinary shares of Rs.10/- each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, Subscribed and Paid-up Capital			
97,750,726 (June 30, 2016: 97,750,726) ordinary shares of Rs.10/- each		<u>977,507,260</u>	<u>977,507,260</u>
Un appropriated loss		<u>(482,775,114)</u>	<u>(418,950,106)</u>
		494,732,146	557,557,154
Surplus on revaluation of property, plant and equipment		519,741,579	526,472,006
NON-CURRENT LIABILITIES			
Long term loans	5	232,015,042	254,102,425
Deferred liabilities for staff benefits		7,924,822	7,924,822
Deferred Taxation		127,328,677	130,495,937
		135,253,499	138,420,759
CURRENT LIABILITIES			
Trade & other payables		61,834,399	61,014,006
Accrued mark-up		87,086,680	79,006,996
Short term borrowings- secured		282,624,421	265,981,609
Current and over due portion of long term liabilities		403,635,242	378,791,419
Provision for taxation		14,347,190	12,753,612
		849,527,932	797,547,642
Contingencies and Commitments	6	-	-
		<u>2,231,270,198</u>	<u>2,274,099,985</u>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,414,921,907	1,440,666,551
Long term deposits		26,747,245	26,711,345
CURRENT ASSETS			
Stores & Spares		24,068,667	25,099,918
Stock-in-trade		116,247,504	118,636,669
Trade Debts- Unsecured, Considered Good.		387,563,134	399,343,880
Loans & advances- Unsecured, Considered Good.		92,736,623	92,296,766
Trade deposits & other receivables- Considered Good.		80,747,365	79,997,970
Advance Income tax		83,438,579	80,170,490
Cash and bank balances	8	4,799,173	11,176,396
		789,601,045	806,722,089
		<u>2,231,270,198</u>	<u>2,274,099,985</u>

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



Ishtiaq Ahmed
Chief Executive Officer

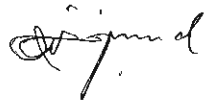


Aziz-ul-Haque
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE FIRST QUARTER ENDED 30TH SEPTEMBER 2016**

	Notes	July-Sept. 2016	July-Sept. 2015
		(Rupees)	
SALES - NET		159,357,767	202,849,108
COST OF SALES		<u>(205,759,816)</u>	<u>(272,940,441)</u>
GROSS LOSS		<u>(46,402,049)</u>	<u>(70,091,333)</u>
OPERATING EXPENSES			
Administrative expenses		<u>(5,080,124)</u>	<u>(5,860,709)</u>
Selling and distribution expenses		<u>(4,079,349)</u>	<u>(4,294,467)</u>
		<u>(9,159,473)</u>	<u>(10,155,176)</u>
OPERATING LOSS		<u>(55,561,522)</u>	<u>(80,246,509)</u>
OTHER CHARGES			
Finance cost	9	<u>(15,852,845)</u>	<u>(11,196,931)</u>
Other Income		<u>285,250</u>	<u>744</u>
		<u>(15,567,595)</u>	<u>(11,196,187)</u>
LOSS BEFORE TAXATION		<u>(71,129,117)</u>	<u>(91,442,696)</u>
TAXATION			
Current		<u>(1,593,578)</u>	<u>(2,028,491)</u>
Deferred		<u>3,167,260</u>	<u>8,395,508</u>
		<u>1,573,682</u>	<u>6,367,017</u>
LOSS AFTER TAXATION		<u>(69,555,435)</u>	<u>(85,075,679)</u>
Loss per share - Basic and diluted	11	<u>(0.71)</u>	<u>(0.87)</u>

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



Ishtiaq Ahmed
Chief Executive Officer



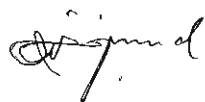
Aziz-ul-Haque
Director

DEWAN FAROOQUE SPINNING MILLS LIMITED

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE FIRST QUARTER ENDED 30TH SEPTEMBER 2016**

	July-Sept. 2016	July-Sept. 2015
(Rupees)		
PROFIT / (LOSS) AFTER TAXATION	(69,555,435)	(85,075,679)
OTHER COMPREHENSIVE INCOME	-	-
Transfer from surplus on revaluation of property plant and equipment in respect of:		
Incremental depreciation	9,897,687	10,980,043
Related deferred tax	(3,167,260)	(3,513,614)
	6,730,427	7,466,429
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE QUARTER	(62,825,008)	(77,609,250)

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



Ishtiaq Ahmed
Chief Executive Officer

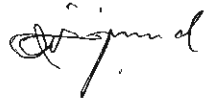


Aziz-ul-Haque
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE FIRST QUARTER ENDED 30TH SEPTEMBER 2016

	July-Sept. 2016	July-Sept. 2015
Note	(Rupees)	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) before taxation	(71,129,117)	(91,442,696)
Adjustments for non cash and other items:		
Depreciation	25,744,644	27,547,641
Financial charges	15,852,845	11,196,931
Cash flow before working capital changes	(29,531,628)	(52,698,124)
Working Capital changes		
(Increase)/ Decrease in assets:		
Stores & spares	1,031,251	(3,891,628)
Stock in trade	2,389,165	17,860,537
Trade debts	11,780,746	9,308,709
Loans & advances	(439,857)	7,898,492
Trade deposits & other receivables	(749,395)	6,078,543
Increase/ (Decrease) in liabilities:	-	
Trade creditors, other payables and borrowings	582,344	4,568,982
Cash generated/(used) in operations	14,594,254	41,823,635
Taxes paid	(3,268,089)	(2,802,514)
Financial charges paid	(4,778,672)	(3,704,383)
Net cash generated/(used) in operating activities	(22,984,135)	(17,381,386)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	-	-
Long term deposits	(35,900)	-
Net cash outflow from investing activities	(35,900)	-
CASH FLOW FROM FINANCING ACTIVITIES		
Syndicated Long Term Loan	-	-
Net cash Inflow/(out flow) from financing activities	-	-
Net decrease in cash and cash equivalents	(23,020,035)	(17,381,386)
Cash and Cash equivalents at the beginning of the quarter	8 (254,805,213)	(24,093,714)
Cash and Cash equivalents at the end of the quarter	(277,825,248)	(41,475,100)

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



Ishtiaq Ahmed
Chief Executive Officer



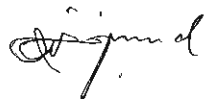
Aziz-ul-Haque
Director

DEWAN FAROOQUE SPINNING MILLS LIMITED

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE FIRST QUARTER ENDED 30TH SEPTEMBER 2016**

	Share Capital	Unappropriated Profit/ (loss)	Total
	(Rupees)		
Balance as at July 01, 2015	977,507,260	(211,828,315)	765,678,945
Total comprehensive income / (loss) for the quarter	-	(77,609,250)	(77,609,250)
Balance as at September 30, 2015	<u>977,507,260</u>	<u>(289,437,565)</u>	<u>688,069,695</u>
Balance as at July 01, 2016	977,507,260	(419,950,106)	557,557,154
Total comprehensive income / (loss) for the quarter	-	(62,825,008)	(62,825,008)
Balance as at September 30, 2016	<u>977,507,260</u>	<u>(482,775,114)</u>	<u>494,732,146</u>

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



Ishtiaq Ahmed
Chief Executive Officer



Aziz-ul-Haque
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE FIRST QUARTER ENDED 30TH SEPTEMBER 2016

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 Pakistan Stock Exchange (Formerly The Karachi Stock Exchange Gurantee Limited). 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, near the 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 Basis of Preparation

2.1 This condensed interim financial information of the Company for the quarter ended September 30, 2016 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 This condensed interim financial information is presented in Pakistani Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest rupee except otherwise stated.

2.3 This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2016.

3 Estimates, Judgements and Financial Risk Management

3.1 In preparing of this condensed interim financial information, management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, incomes and expenses. Actual results may differ from these estimates.

3.2 The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual financial statements as at and for the year ended June 30, 2016.

4 Significant Accounting Policies

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of annual financial statements of the Company as at and for the year ended June 30, 2016. Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any significant impact on the accounting policies of the Company.

DEWAN FAROOQUE SPINNING MILLS LIMITED

	Sept. 30, 2016	June 30, 2016
	Rupees	
5 Long term loans		
Syndicated Long Term Loans - Secured	74,530,686	99,374,509
Sponsor Loan unsecured	157,484,356	154,727,916
	<u>232,015,042</u>	<u>254,102,425</u>

- 6 Contingencies and Commitments**
There is no material change in the contingencies and commitments since the last audited financial statements for the year ended June 30, 2016.

	Sept. 30, 2016	June 30, 2016
	Rupees	
7 PROPERTY, PLANT AND EQUIPMENT		
Opening written down value	1,403,926,386	1,472,816,333
Additions during the quarter / year	-	57,225,445
Written down value of disposals	-	-
Depreciation during the quarter / year	(25,744,644)	(126,115,392)
Closing written down value	1,378,181,742	1,403,926,386
Add: Capital work in progress	36,740,165	36,740,165
	<u>1,414,921,907</u>	<u>1,440,666,551</u>

	Sept. 30, 2016	June 30, 2015
	Rupees	
8 CASH AND CASH EQUIVALENTS		
Cash and Bank Balances	4,799,173	2,010,497
Short term Borrowings	(282,624,421)	(43,485,599)
	<u>(277,825,248)</u>	<u>(41,475,102)</u>

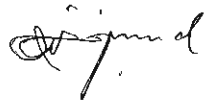
- 9 FINANCE COST**
Company has not made the provision of markup for the period amounting to Rs.1.21 million in respect of borrowings of certain banks who have not yet accepted the restructuring proposal. The management of the Company is quite hopeful that these banks will also accept restructuring proposal in near future. Had the provision been made the loss for the period and accrued markup would have been higher by Rs.1.21 million and shareholders' equity would have been lower by Rs.42.03 million.

	Sept. 30, 2016	Sept. 30, 2015
	Rupees	
10 RELATED PARTY TRANSACTIONS		
Purchases - Raw Material/ Yam	72,790,136	-
Provident Fund	2,027,260	1,776,218

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

	Sept. 30, 2016	Sept. 30, 2015
	Rupees	
11 EARNING PER SHARE		
Net loss for the period	(69,555,435)	(85,075,679)
Number of shares	97,750,726	97,750,726
Loss per share - Basic and Diluted	(0.71)	(0.87)

12 These financial statements have been authorised for issue on October 26, 2016 by the Board of Directors of the company.



Ishtiaq Ahmed
Chief Executive Officer



Aziz-ul-Haque
Director