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## COMPANY INFORMATION

### BOARD OF DIRECTORS

#### Executive Director

: Dewan Abdul Baqi Farooqui - Chief Executive Officer

#### Non-Executive Directors

: Dewan Muhammad Yousuf Farooqui - Chairman, Board of Directors

Dewan Abdul Rehman Farooqui

Mr. Haroon Iqbal

Mr. Mansur-ul-Haque

Mr. Ishtiaq Ahmed

#### Independent Director

: Mr. Aziz-ul-Haque

### AUDIT COMMITTEE

: Mr. Aziz-ul-Haque – Chairman

Dewan Abdul Rehman Farooqui - Member

Mr. Haroon Iqbal - Member

### HUMAN RESOURCES & REMUNERATION COMMITTEE

: Dewan Muhammad Yousuf Farooqui - Chairman

Dewan Abdul Baqi Farooqui - Member

Mr. Haroon Iqbal - Member

### AUDITORS

: Feroze Sharif Tariq & Co.

Chartered Accountants

4/N/H Block-6, P.E.C.H.S.,

Karachi 75400, Pakistan

### COMPANY SECRETARY

: Syed Muhammad Salahuddin

### CHIEF FINANCIAL OFFICER

: Mehmood ul Hassan Asghar

### LEGAL ADVISORS

: Abbass & Atif Law Associates

### TAX ADVISOR

: Sharif & Co. Advocates

### BANKERS

: United Bank Limited

Bank Islami Pakistan Limited

MCB Bank Limited

Silk Bank Limited

Askari Bank Limited

NIB Bank Limited

Allied Bank Limited

Soneri Bank Limited

Summit Bank Limited

### REGISTERED OFFICE

: Finance & Trade Centre

Block-A, 7th Floor,

Shahrah-e-Faisal,

Karachi.

### SHARES REGISTRAR & TRANSFER AGENT

: BMF Consultants Pakistan (Private) Ltd.

Anum Estate Building, Room No. 310 & 311,

3rd Floor, 49, Darul Aman Society,

Main Shahrah-e-Faisal, Adjacent Baloch Colony

Bridge, Karachi-75350, Pakistan

### FACTORY OFFICE

: 54 Km, Multan Road, Phool Nagar By Pass

District Kasur, Punjab, Pakistan.

### WEBSITE

: [www.yousufdewan.com](http://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 is pleased to present condensed Interim Financial Statements of the company for the nine month ended March 31, 2014, in compliance with requirements of section 245 of the Company's Ordinance 1984 and Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan.

The highlights for the company for the nine month ended March 31, 2014 are as follows: During the period under review the company has achieved net sales of Rs.1,276.975 million as compared to the Rs.913.690 million of the corresponding period of the last year .Company has earned the gross profit of Rs.83.259 million as compared to the gross profit of Rs.63.346 million of the corresponding period of last year .Operating expenses have been increased by Rs.1.564 million as compared to those of the corresponding period of last year.

The company has settled with its lenders through Compromise Agreement and its loans have been rescheduled in the form of long term loan which is being paid as per agreed terms and conditions. Certain banks have not yet accepted the restructuring proposal the management of the company is quite hopeful that these banks will also accept the restructuring proposal in near future.

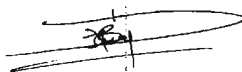
The 3rd quarter (January 14 to March-14) turned out to be the nightmare for the whole textile industry as it has resulted in operational losses due to sliding down of yarn rates .Due to pressure the company had to sell the yarn at lower rates made from expensive raw material. The management fears that the capacity utilization of the company will get affected in the coming summer due to energy shortfall. The increased energy tariff , high cost of freight, stores, spares and packing is adversely effecting the profitability of the company.

Revaluation of Pak rupees, increase in manufacturing cost, importing yarn from India are serious challenges faced by the industry. But with better fund management and good product mix your company is focused, and will bring about improved results in future also. It is matter of great satisfaction that company has honored its commitments relating to restructuring of loan.

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; Summa Ameen

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

*By and under Authority of the Board of Directors*



**Dewan Abdul Baqi Farooqui**

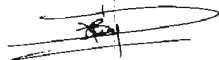
Chief Executive

Dated: April 28, 2014

## CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2014

	Notes	Un-Audited March 31, 2014	Audited June 30, 2013
Rupees			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	1,627,927,054	1,724,336,167
Long term deposits		26,747,245	26,747,245
<b>CURRENT ASSETS</b>			
Stores & Spares		34,954,357	35,262,768
Stock-in-trade		198,659,917	272,073,939
Trade Debts- Unsecured, Considered Good.		394,348,638	335,242,002
Loans & advances- Unsecured, Considered Good.		83,064,864	81,134,061
Trade deposits & other receivables- Considered Good.		56,029,642	68,555,914
Advance income tax		126,373,559	101,419,973
Cash and bank balances		1,451,013	25,197,103
		894,881,990	918,885,760
<b>TOTAL ASSETS</b>		<b>2,549,556,289</b>	<b>2,669,969,172</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
<b>Share capital</b>			
Authorised capital			
100,000,000 (June 30, 2013) & 100,000,000 ordinary shares of Rs.10/- each		1,000,000,000	1,000,000,000
Issued, Subscribed and Paid-up Capital			
97,750,726 (June 30, 2013) & 97,750,726 ordinary shares of Rs.10/- each		977,507,260	977,507,260
Un appropriated loss		(235,446,142)	(247,257,832)
		742,061,118	730,249,428
Surplus on revaluation of property, plant and equipment		598,310,851	624,667,068
<b>NON-CURRENT LIABILITIES</b>			
Syndicated Long Term Loan - Secured		515,585,224	628,684,739
Deferred liabilities for staff benefits		8,023,322	8,106,646
Deferred Taxation		201,947,183	192,407,212
<b>CURRENT LIABILITIES</b>			
Trade & other payables		118,247,923	130,552,046
Accrued mark-up		16,233,506	14,264,197
Short term borrowings- secured		38,161,893	25,482,873
Current portion of long term liabilities	5	228,140,056	245,573,785
Provision for taxation		82,845,213	69,981,178
		483,628,591	485,854,079
Contingencies and Commitments	6	-	-
		2,549,556,289	2,669,969,172

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



**Dewan Abdul Baqi Farooqui**  
Chief Executive



**Haroon Iqbal**  
Director

DEWAN FAROOQUE SPINNING MILLS LIMITED

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE NINE MONTH AND THIRD QUARTER ENDED MARCH 31, 2014**

Note	July-Mar. 2014	July-Mar. 2013	Jan-Mar. 2014	Jan-Mar. 2013
	(Rupees)			
<b>SALES - NET</b>	<b>1,276,975,454</b>	913,690,122	<b>410,225,769</b>	297,220,076
<b>COST OF SALES</b>	<b>(1,193,715,536)</b>	(850,343,473)	<b>(398,404,746)</b>	(268,616,553)
<b>GROSS PROFIT</b>	<b>83,259,918</b>	63,346,649	<b>11,821,023</b>	28,603,523
<b>OPERATING EXPENSES</b>				
Administrative expenses	(19,839,893)	(19,502,089)	(6,296,541)	(7,008,196)
Selling and distribution expenses	(14,890,837)	(13,664,289)	(3,930,799)	(4,283,209)
	<b>(34,730,730)</b>	(33,166,378)	<b>(10,227,340)</b>	(11,291,405)
<b>OPERATING PROFIT</b>	<b>48,529,188</b>	30,180,271	<b>1,593,683</b>	17,312,118
<b>OTHER INCOME</b>	<b>1,427,906</b>	37,940	<b>710,467</b>	37,940
	<b>49,957,094</b>	30,218,211	<b>2,304,150</b>	17,350,058
<b>OTHER CHARGES</b>				
Finance cost	(42,097,615)	(40,479,239)	(15,574,233)	(12,177,122)
Workers' profit participation fund	-	-	1,056,478	-
Workers' welfare fund	-	-	422,591	-
	<b>(42,097,615)</b>	(40,479,239)	<b>(14,095,164)</b>	(12,177,122)
<b>PROFIT / (LOSS) BEFORE TAXATION</b>	<b>7,859,479</b>	(10,261,028)	<b>(11,791,014)</b>	5,172,936
<b>TAXATION</b>				
Current year	(12,864,035)	(4,613,054)	(4,143,903)	(1,501,242)
Deferred	(9,539,971)	15,747,385	662,894	5,249,128
	<b>(22,404,006)</b>	11,134,331	<b>(3,481,009)</b>	3,747,886
<b>(LOSS) / PROFIT AFTER TAXATION</b>	<b>(14,544,527)</b>	873,303	<b>(15,272,023)</b>	8,920,822
<b>Basic earnings / (loss) per share (Rupees)</b>	<b>9</b>	(0.15)	0.01	(0.16)
				0.09

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



**Dewan Abdul Baqi Farooqui**  
Chief Executive



**Haroon Iqbal**  
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE NINE MONTH AND THIRD QUARTER ENDED MARCH 31, 2014**

	<b>Jul-Mar. 2014</b>	<b>Jul-Mar. 2013</b>	<b>Jan-Mar. 2014</b>	<b>Jan-Mar. 2013</b>
	<b>(Rupees)</b>			
PROFIT / (LOSS) AFTER TAXATION	<b>(14,544,527)</b>	873,303	<b>(15,272,023)</b>	8,920,822
OTHER COMPREHENSIVE INCOME	-	-	-	-
Transfer from surplus on revaluation of property plant and equipment in respect of:				
Incremental depreciation	<b>40,548,026</b>	44,992,527	<b>13,516,008</b>	29,995,019
Related deferred tax	<b>(14,191,809)</b>	(15,747,384)	<b>(5,000,923)</b>	(10,498,256)
	<b>26,356,217</b>	29,245,143	<b>8,515,085</b>	19,496,763
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>11,811,690</b>	30,118,446	<b>(6,756,938)</b>	28,417,585

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



**Dewan Abdul Baqi Farooqui**  
Chief Executive



**Haroon Iqbal**  
Director

DEWAN FAROOQUE SPINNING MILLS LIMITED

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2014**

Note	Jul-Mar. 2014	Jul-Mar. 2013
<u>Rupees</u>		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	7,859,479	(10,261,028)
Adjustments for non cash and other items:		
Depreciation	101,753,873	111,617,146
Financial charges	42,097,615	40,479,239
Cash flow before working capital changes	151,710,967	141,835,357
<b>Working Capital changes</b>		
<b>(Increase)/ Decrease in assets:</b>		
Stores & spares	308,411	(9,801,435)
Stock in trade	73,414,022	8,748,270
Trade debts	(59,106,636)	18,352,038
Loans & advances	(1,930,803)	7,952,423
Trade deposits & other receivables	12,526,272	(16,232,271)
Increase/ (Decrease) in liabilities:		
Trade creditors, other payables and borrowings	(29,737,853)	(12,828,471)
<b>Cash generated/(used) in operations</b>	<b>(4,526,587)</b>	<b>(3,809,446)</b>
Taxes paid	(24,953,586)	(12,556,971)
Gratuity paid	(83,324)	(84,100)
Financial charges paid	(40,128,306)	(33,971,569)
<b>Net cash generated/(used) in operating activities</b>	<b>(65,165,216)</b>	<b>(46,612,640)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(5,344,760)	(183,935)
<b>Net cash outflow from investing activities</b>	<b>(5,344,760)</b>	<b>(183,935)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Lease repayment	-	(3,093,944)
Syndicated Long Term Loan	(113,099,514)	(45,000,000)
Net cash Inflow/(out flow) from financing activities	(113,099,514)	(48,093,944)
<b>Net decrease in cash and cash equivalents</b>	<b>(36,425,110)</b>	<b>43,135,392</b>
Cash and Cash equivalents at the beginning of the year	(285,770)	(94,798,887)
<b>Cash and Cash equivalents at the end of the period</b> 8	<b>(36,710,880)</b>	<b>(51,663,495)</b>

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



**Dewan Abdul Baqi Farooqui**  
Chief Executive



**Haroon Iqbal**  
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
 FOR THE NINE MONTHS ENDED MARCH 31, 2014**

	Share Capital	Unappropriated Profit/ (loss) (Rupees)	Total
Balance as at July 01, 2012	977,507,260	(321,488,015)	656,019,245
Total comprehensive income/(loss) for the period	-	30,118,446	30,118,446
Balance as at March 31, 2013	<u>977,507,260</u>	<u>(291,369,569)</u>	<u>686,137,691</u>
Balance as at July 01, 2013	977,507,260	(247,257,832)	730,249,428
Total comprehensive income/(loss) for the period	-	11,811,690	11,811,690
Balance as at March 31, 2014	<u>977,507,260</u>	<u>(235,446,142)</u>	<u>742,061,118</u>

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



**Dewan Abdul Baqi Farooqui**  
 Chief Executive



**Haroon Iqbal**  
 Director



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTH AND THIRD QUARTER ENDED MARCH 31, 2014**

**1 THE COMPANY AND ITS OPERATIONS**

Dewan Farooque Spinning Mills Limited is incorporated in Pakistan on December 22, 2003 as public limited company, under the Companies Ordinance, 1984. The shares of the company are listed on the Karachi Stock Exchange. The registered office of the company is located at Finance & Trade Centre, Block "A" 7th floor, Shara-e-Faisal, Karachi, Pakistan; while its manufacturing facilities are located at 54 km Multan Road, 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** These condensed interim financial statements of the company for the period ended March 31, 2014 has been prepared in accordance with the requirements of International Accounting Standard 34 (IAS 34) "Interim Financial Reporting" and being submitted to the shareholders under section 245 of the Companies Ordinance 1984 and provision of the directive issued under the companies ordinance, 1984 and listing regulations of Karachi and Lahore Stock Exchanges. In case where the requirements differ, the provisions of or directives issued under the companies ordinance, 1984 have been followed.

**2.2** These condensed interim financial statements of the Company do not include all of the statements required for full annual financial statements and should be read in conjunction with the audited annual separate financial statements of the Company as at and for the year ended June 30, 2013.

**2.3** These condensed interim financial statements are presented in Pak Rupees which is also the Company's functional and presentation currency and all figures have been rounded off to the nearest rupee.

**2.4** These condensed interim financial statements comprise of condensed interim Balance Sheet as at March 31, 2014 and the condensed Interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and the condensed interim cash flow statement for the nine months period ended March 31, 2014. These condensed interim financial statements also include the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended March 31, 2014.

**2.5** The comparative balance sheet presented in these condensed interim financial statements has been extracted from the audited annual separate financial statements of the Company for the year ended June 30, 2013, whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity have been extracted from the unaudited condensed interim financial statements for the period ended March 31, 2013. The comparative condensed Interim profit and loss account and condensed interim comprehensive income for the quarter ended March 31, 2013 is also included in these condensed interim financial statements.

### 3 ACCOUNTING POLICIES

The accounting policies and methods of computations followed in the preparation of these financial statements are the same as those of the last published annual financial statements for the year ended June 30, 2013. Except as described below:

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendment that requires an entity to recognise actuarial gains and losses (renamed as remeasurements) immediately in other comprehensive income. Actuarial gains and losses will no longer be deferred using the corridor approach or recognised in profit or loss. Past service costs will be recognised in the period of a plan amendment and will no longer be spread over a future-service period.

Consequent to the application of amended IAS 19, the Company's policies for staff retirement benefits in respect of remeasurements and past service costs stand amended as 'past service costs and amounts arising as a result of remeasurements are recognized in balance sheet immediately with a charge or credit to other comprehensive income in the periods in which they occur.

Amendments to in above standard and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company except where changes affected, presentation and disclosures have been made in these condensed interim financial statements.

	(UnAudited)	(Audited)
	March 31,	June 30,
	2014	2013
	Rupees	
<b>4 PROPERTY, PLANT AND EQUIPMENT</b>		
Opening written down value	1,724,336,167	1,856,659,673
Additions during the period / year	5,344,760	16,515,799
Depreciation during the period / year	<u>(101,753,873)</u>	<u>(148,839,305)</u>
Closing written down value	<u><u>1,627,927,054</u></u>	<u><u>1,724,336,167</u></u>
<b>5 CURRENT PORTION OF LONG TERM LIABILITIES</b>		
Syndicated Long Term Loan - Secured	156,561,529	156,561,529
Liabilities against assets subject to finance lease	35,328,527	52,762,256
Redeemable capital - PPTFCs	<u>36,250,000</u>	<u>36,250,000</u>
	<u><u>228,140,056</u></u>	<u><u>245,573,785</u></u>

**DEWAN FAROOQUE SPINNING MILLS LIMITED**

**6 CONTINGENCIES AND COMMITMENTS**

There has been no significant change in the status of contingencies and commitments as reported in the annual financial statements for the year ended June 30, 2013.

**7 FINANCE COST**

Company has not made the provision of markup for the period amounting to Rs.3.14 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.3.14 million and shareholders' equity would have been lower by Rs.3.14 million.

	March 31, 2014	March 31, 2013
<b>8 CASH AND CASH EQUIVALENTS</b>	<b>Rupees</b>	
Cash and Bank Balances	1,451,013	6,522,887
Short term Borrowings	<u>(38,161,893)</u>	<u>(58,186,382)</u>
	<u><u>(36,710,880)</u></u>	<u><u>(51,663,495)</u></u>

**9 BASIC EARNINGS PER SHARE**

	Nine months		Quarter	
	Jul-Mar 2014	Jul-Mar 2013	Jan-Mar 2014	Jan-Mar 2013
Profit / (loss) after taxation (Rupees)	(14,544,527)	873,303	(15,272,023)	8,920,822
Weighted average number of ordinary shares (Nos)	97,750,726	97,750,726	97,750,726	97,750,726
Earning / (loss) per share (Rupees)	(0.15)	0.01	(0.16)	0.09

	March 31, 2014	March 31, 2013
<b>10 RELATED PARTY TRANSACTIONS</b>	<b>Rupees</b>	
Purchases - Raw Material/ Yarn	10,751,286	8,194,140
Sales - Yarn/ Waste/ Cotton	1,687,846	1,451,980
Provident Fund	2,059,626	2,969,131

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

- 11** These financial statements have been authorised for issue on April 28, 2014 by the Board of Directors of the company.
- 12** Figures have been rounded off to the nearest rupees.



**Dewan Abdul Baqi Farooqui**  
Chief Executive



**Haroon Iqbal**  
Director