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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

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 half year ended December 31, 2013, 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 half year ended December 31, 2013 are as follows:

During the period under review company has achieved the net sales of Rs.866.749 million as compared to the Rs.616.470 million of the corresponding period of last year. Company has earned gross profit of Rs.71.438 million as compared to the gross profit of Rs.34.743 million of corresponding period of last year. Operating expenses of the company have been increased by Rs.2.629 million as compared to those of the corresponding period of last year. Although the cotton lint prices increased along with the cost of stores, spares, and energy cost. The management by virtue of optimizing the plant capacity utilization succeeded to improve the results of the company.

The company has settled with its lenders through Compromise Agreement and its loan have been rescheduled in the form of long term loan which will be repaid in an extended period. 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.

It is matter of great satisfaction that company has honored its commitments relating to restructuring of loan.

The management foresees that with winter approaching the menace of load shedding will also affect the capacity utilization. The recent increase in fuel and energy costs will also increase the cost of freight stores, spares, and packing.

The challenges of law & order, power outages and other impact cost will remain big challenge for the industry. But with better fund management and good product mix your company is focused, and will bring about improved results in future also.

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)

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

Karachi: February 27, 2014

Independent Auditors' Report to the Members on Review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying Condensed balance sheet of Dewan Farooque Spinning Mills Limited ("the company") as at December 31, 2013 and the related Condensed profit and loss account, Condensed cash flow statement and Condensed statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the 'Condensed interim financial statements') for the six months period then ended. Management is responsible for the preparation and Presentation of this Condensed interim financial statements in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this Condensed interim financial statements based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2012 and December 31, 2013 have not been reviewed as we are required to review only the cumulative figures for the Six month ended December 31, 2013.

Scope of Review

We conducted our review in accordance with the International Standard on review engagements 2410, "Review of Condensed interim financial statements performed by the independent Auditor of the Entity". A review of Condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying Condensed interim financial statements as of and for the six months period ended December 31, 2013 are not prepared, in all material respects, in accordance with approved accounting standard as applicable in Pakistan.

Audit Engaging Partner: Mohammad Tariq
Dated: February 27, 2014
Place: Karachi



CHARTERED ACCOUNTANTS

**CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2013**

ASSETS		Un-Audited Dec. 31, 2013	Audited June 30, 2013
NON-CURRENT ASSETS	Note	Rupees	
Property, plant and equipment	4	1,660,019,421	1,724,336,167
Long term deposits		26,747,245	26,747,245
CURRENT ASSETS			
Stores & Spares		34,200,343	35,262,768
Stock-in-trade		240,861,647	272,073,939
Trade Debts- Unsecured, Considered Good.		311,216,232	335,242,002
Loans & advances- Unsecured, Considered Good.		88,974,198	81,134,061
Trade deposits & other receivables- Considered Good.		73,458,047	68,555,914
Advance income tax		118,899,195	101,419,973
Cash and bank balances		25,451,357	25,197,103
		893,061,019	918,885,760
TOTAL ASSETS		<u>2,579,827,685</u>	<u>2,669,969,172</u>
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital			
Authorised capital			
100,000,000 (June 30, 2013: 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, 2013: 97,750,726) ordinary shares of Rs.10/- each		977,507,260	977,507,260
Un appropriated loss		(208,283,474)	(247,257,832)
		<u>769,223,786</u>	<u>730,249,428</u>
Surplus on revaluation of property, plant and equipment		606,825,936	624,667,068
NON-CURRENT LIABILITIES			
Syndicated Long Term Loan - Secured		553,285,082	628,684,739
Deferred liabilities for staff benefits		8,078,722	8,106,646
Deferred Taxation		182,204,347	192,407,212
CURRENT LIABILITIES			
Trade & other payables		106,595,377	130,552,046
Accrued mark-up		15,186,232	14,264,197
Short term borrowings- secured		14,153,108	25,482,873
Current portion of long term liabilities	5	245,573,785	245,573,785
Provision for taxation		78,701,310	69,981,178
		460,209,812	485,854,079
Contingencies and Commitments	6	-	-
		<u>2,579,827,685</u>	<u>2,669,969,172</u>

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



Dewan Abdul Baqi Farooqui
Chief Executive



Haroon Iqbal
Director

CONDENSED INTERIM PROFIT & LOSS ACCOUNT (UN-AUDITED) FOR QUARTER AND HALF YEAR ENDED DECEMBER 31, 2013

Note	Half year ended		Quarter ended	
	July-Dec 2013	July-Dec 2012	Oct-Dec 2013	Oct-Dec 2012
(Rupees)				
SALES - NET	866,749,685	616,470,046	450,093,130	319,884,076
COST OF SALES	<u>(795,310,790)</u>	<u>(581,726,920)</u>	<u>(427,818,121)</u>	<u>(289,724,425)</u>
GROSS PROFIT	<u>71,438,895</u>	<u>34,743,126</u>	<u>22,275,009</u>	<u>30,159,651</u>
OPERATING EXPENSES				
Administrative expenses	<u>(13,543,352)</u>	<u>(12,493,893)</u>	<u>(7,033,346)</u>	<u>(5,934,498)</u>
Selling and distribution expenses	<u>(10,960,038)</u>	<u>(9,381,080)</u>	<u>(5,134,518)</u>	<u>(5,199,883)</u>
	<u>(24,503,390)</u>	<u>(21,874,973)</u>	<u>(12,167,864)</u>	<u>(11,134,381)</u>
OPERATING PROFIT	<u>46,935,505</u>	<u>12,868,153</u>	<u>10,107,145</u>	<u>19,025,270</u>
OTHER INCOME	<u>717,439</u>	<u>-</u>	<u>371,374</u>	<u>-</u>
	<u>47,652,944</u>	<u>12,868,153</u>	<u>10,478,519</u>	<u>19,025,270</u>
OTHER CHARGES				
Finance cost	<u>(26,523,382)</u>	<u>(28,302,117)</u>	<u>(13,701,634)</u>	<u>(13,624,231)</u>
Workers' profit participation fund	<u>(1,056,478)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Workers' welfare fund	<u>(422,591)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(28,002,451)</u>	<u>(28,302,117)</u>	<u>(13,701,634)</u>	<u>(13,624,231)</u>
PROFIT / (LOSS) BEFORE TAXATION	<u>19,650,493</u>	<u>(15,433,964)</u>	<u>(3,223,115)</u>	<u>5,401,039</u>
TAXATION				
Current year	<u>(8,720,132)</u>	<u>(3,111,812)</u>	<u>(4,525,342)</u>	<u>(1,615,422)</u>
Deferred	<u>10,202,865</u>	<u>10,498,257</u>	<u>1,689,419</u>	<u>5,249,129</u>
	<u>1,482,733</u>	<u>7,386,445</u>	<u>(2,835,923)</u>	<u>3,633,707</u>
PROFIT / (LOSS) AFTER TAXATION	<u>21,133,226</u>	<u>(8,047,519)</u>	<u>(6,059,038)</u>	<u>9,034,746</u>
Basic earnings / (loss) per share (Rupees)	<u>0.22</u>	<u>(0.08)</u>	<u>(0.06)</u>	<u>0.09</u>

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 QUARTER AND HALF YEAR ENDED DECEMBER 31, 2013

	July-Dec 2013	July-Dec 2012	Oct-Dec 2013	Oct-Dec 2012
	(Rupees)			
PROFIT /(LOSS)AFTER TAXATION	21,133,226	(8,047,519)	(6,059,038)	9,034,746
OTHER COMPREHENSIVE INCOME	-	-	-	-
Transfer from surplus on revaluation of property plant and equipment in respect of:				
Incremental depreciation	27,032,018	29,995,018	13,516,009	14,997,509
Related deferred tax	(9,190,886)	(10,498,256)	(4,460,283)	(5,249,128)
	17,841,132	19,496,762	9,055,726	9,748,381
 TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>38,974,358</u>	<u>11,449,243</u>	<u>2,996,688</u>	<u>18,783,127</u>

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



Dewan Abdul Baqi Farooqui
Chief Executive



Haroon Iqbal
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2013

	July-Dec 2013	July-Dec 2012
Note	(Rupees)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	19,650,493	(15,433,964)
Adjustments for non cash and other items:		
Depreciation	67,756,690	74,411,431
Financial charges	26,523,382	28,302,117
Cash flow before working capital changes	113,930,565	87,279,584
Working Capital changes		
(Increase)/ Decrease in assets:		
Stores & spares	1,062,425	(2,016,583)
Stock in trade	31,212,292	50,637,141
Trade debts	24,025,770	(16,956,592)
Loans & advances	(7,840,137)	9,797,137
Trade deposits & other receivables	(4,902,133)	(11,266,380)
Increase/ (Decrease) in liabilities:		
Trade creditors, other payables and borrowings	(23,956,669)	13,916,622
Cash generated/(used) in operations	19,601,548	44,111,345
Taxes paid	(17,479,222)	(6,670,495)
Gratuity paid	(27,924)	(50,100)
Financial charges paid	(25,601,347)	(20,294,767)
Net cash generated/(used) in operating activities	90,423,620	104,375,567
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(3,439,944)	(19,400)
Net cash outflow from investing activities	(3,439,944)	(19,400)
CASH FLOW FROM FINANCING ACTIVITIES		
Syndicated Long Term Loan	(75,399,657)	(30,000,000)
Net cash Inflow/(out flow) from financing activities	(75,399,657)	(30,000,000)
Net decrease in cash and cash equivalents	11,584,019	74,356,167
Cash and Cash equivalents at the beginning of the year	(285,770)	(94,798,887)
Cash and Cash equivalents at the end of the period 8	11,298,249	(20,442,720)

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 HALF YEAR ENDED DECEMBER 31, 2013

	Share Capital	Unappropriated Profit/ (loss)	Total
	Rupees		
Balance as at July 01, 2012	977,507,260	(321,488,015)	656,019,245
Total comprehensive income/(loss) for the period	-	11,449,243	11,449,243
Balance as at December 31, 2012	<u>977,507,260</u>	<u>(310,038,772)</u>	<u>667,468,488</u>
Balance as at July 01, 2013	977,507,260	(247,257,832)	730,249,428
Total comprehensive income/(loss) for the period	-	38,974,358	38,974,358
Balance as at December 31, 2013	<u>977,507,260</u>	<u>(208,283,474)</u>	<u>769,223,786</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 FOR THE HALF YEAR ENDED DECEMBER 31, 2013

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 six month period ended December 31, 2013 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 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 December 31, 2013 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 six months period ended December 31, 2013, which have been subjected to a review but not audited. These condensed interim financial statements also include the condensed interim profit and loss account for the quarter ended December 31, 2013.
- 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 cashflow statement and condensed interim statement of changes in equity have been extracted from the unaudited condensed interim financial statements for the period ended December 31, 2012. The comparative condensed Interim profit and loss account for the quarter ended December 31, 2012 is also included in these condensed interim financial statements, which has not been subject to a review.

3 SIGNIFICANT 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) Dec. 31, 2013	(Audited) 'June 30, 2013
4 PROPERTY, PLANT AND EQUIPMENT	Rupees	
Opening written down value	1,724,336,167	1,856,659,674
Additions during the period / year	3,439,944	16,515,799
Depreciation during the period / year	<u>(67,756,690)</u>	<u>(148,839,306)</u>
Closing written down value	<u><u>1,660,019,421</u></u>	<u><u>1,724,336,167</u></u>

5 CURRENT PORTION OF LONG TERM LIABILITIES

Syndicated Long Term Loan - Secured	156,561,529	156,561,529
Liabilities against assets subject to finance lease	52,762,256	52,762,256
Redeemable capital - PPTFCs	<u>36,250,000</u>	<u>36,250,000</u>
	<u><u>245,573,785</u></u>	<u><u>245,573,785</u></u>

On December 23, 2011 Company's short term and long term loans have been rescheduled in the form of long term loans which will be repaid in six and half years with progressive mark up ranging from 6% to 14% over the period on outstanding principal.

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.2.335 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.2.335 million and shareholders' equity would have been lower by Rs.31.535 million.

8 CASH AND CASH EQUIVALENTS	Dec. 31, 2013	Dec. 31, 2012
	Rupees	
Cash and Bank Balances	25,451,357	14,113,274
Short term Borrowings	(14,153,108)	(34,555,994)
	<u>11,298,249</u>	<u>(20,442,720)</u>

9 RELATED PARTY TRANSACTIONS

Purchases - Raw Material/ Yarn	10,751,286	8,194,140
Sales - Yarn/ Waste/ Cotton	-	1,451,980
Provident Fund	2,410,481	2,508,736

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

10 These financial statements have been authorised for issue on February 27, 2014 by the Board of Directors of the company.

11 Figures have been rounded off to the nearest rupees.



Dewan Abdul Baqi Farooqui
Chief Executive



Haroon Iqbal
Director