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## COMPANY INFORMATION

<b>BOARD OF DIRECTORS</b>	
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 <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>

## 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, 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.

### The Economy

During this period, the Textile Industry continued to face the difficult situation. The cost of doing business has risen in Pakistan.

### Operating Performance:-

The financial highlights for the period ended December 31, 2016 are as follows:

Company has achieved net sales of Rs 296.220 million during the period under review as compared to the Rs. 442.469 million of the corresponding period of last year. Company has suffered gross loss of Rs 79.956 million as compared to the gross loss of Rs 60.943 million of comparable period of last year. Operating expenses of the company have been decreased by Rs. 5.237 million as compared to those of relevant period of last year.

During the period under review, decrease in production volume was the result of lesser market demand at sustainable prices and resultant 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 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.

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

The company has approached its lenders for further restructuring of its liabilities, which is in advanced stage. Management is hopeful that such revision will be finalized soon, hence no provision has been made in these condensed interim financial statements.

### Outlook

The key challenges facing Pakistan's economy especially the textile industry, have continued to suppress economic activity and growth of the country. In a backdrop of current scenario, a decline in cotton production has been forecasted which might result in higher cotton prices in future.

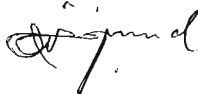
### Conclusion

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; Summa Ameen

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: February 25, 2017

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

FEROZE SHARIF TARIQ & CO.  
Chartered Accountants  
4-N/4, BLOCK 6, P.E.C.H.S.,  
KARACHI 75400

### **AUDITORS' REVIEW REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

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#### **Introduction**

We have reviewed the accompanying Condensed interim balance sheet of Dewan Farooque Spinning Mills Limited ("the company") as at December 31, 2016 and the related Condensed interim profit and loss account, Condensed interim cash flow statement and Condensed interim 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, 2016 and December 31, 2015 have not been reviewed as we are required to review only the cumulative figures for the Six month ended December 31, 2016.

#### **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.

#### **Basis of qualified Opinion**

- a) The 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 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. 49.687 million should be classified under current liabilities. The company is facing litigations from its lenders; the aggregate suit amount is Rs. 69.60 million on the which the company has also not provided markup on the same amount as fully disclosed in note 9 to the Condensed interim Financial Statements.
- b) In addition to above, since the proposal, has not been accepted so far and the lenders, instead of the accepting the restructuring Proposal, one of the lender Preferred to filed suit against the company, therefore the provision of mark up should be made in the Condensed interim financial statements. Had the provisions for the mark up, as discussed in preceding paragraphs, been made in these financial statements, the loss after taxation would have been higher by Rs. 1.709 million and markup payable would have been higher and shareholders' equity would have been lower by Rs. 414.129 million.

#### **Qualified Conclusion**

Based on our review, except for the matter discussed in the preceding paragraph (a) and (b) and its effects, 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, 2016 are not prepared, in all material respects, in accordance with approved accounting standard as applicable in Pakistan.

Audit Engaging Partner: Mohammad Tariq  
Dated: February 25, 2017  
Place: Karachi

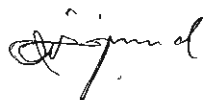


CHARTERED ACCOUNTANTS

**CONDENSED INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2016**

EQUITY AND LIABILITIES		Un-Audited Dec. 31, 2016	Audited June 30, 2016
SHAREHOLDERS' EQUITY	Note	Rupees	
<b>Share capital</b>			
<b>Authorised capital</b>		<u>1,000,000,000</u>	<u>1,000,000,000</u>
100,000,000 (June 30, 2016: 100,000,000) ordinary shares of Rs.10/- each			
<b>Issued, Subscribed and Paid-up Capital</b>		<u>977,507,260</u>	<u>977,507,260</u>
97,750,726 (June 30, 2016: 97,750,726) ordinary shares of Rs.10/- each		<u>(550,318,200)</u>	<u>(419,950,106)</u>
<b>Un appropriated loss</b>		<u>427,189,060</u>	<u>557,557,154</u>
Surplus on revaluation of property, plant and equipment		<u>512,813,199</u>	<u>526,472,006</u>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Loans	5	<u>209,894,980</u>	<u>254,102,425</u>
Deferred liabilities for staff benefits		<u>7,924,822</u>	<u>7,924,822</u>
Deferred Taxation		<u>124,161,418</u>	<u>130,495,937</u>
<b>CURRENT LIABILITIES</b>			
Trade & other payables		<u>63,082,119</u>	<u>61,014,006</u>
Accrued mark-up		<u>95,956,702</u>	<u>79,006,996</u>
Short term borrowings- secured		<u>288,387,510</u>	<u>265,981,609</u>
Current and over due portion of long term liabilities		<u>428,479,065</u>	<u>378,791,419</u>
Provision for taxation		<u>15,715,812</u>	<u>12,753,612</u>
		<u>891,621,208</u>	<u>797,547,642</u>
Contingencies and Commitments	6	-	-
		<u>2,173,604,686</u>	<u>2,274,099,985</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	<u>1,389,169,450</u>	<u>1,440,666,551</u>
Long term deposits		<u>26,747,245</u>	<u>26,711,345</u>
<b>CURRENT ASSETS</b>			
Stores & Spares		<u>23,325,988</u>	<u>25,099,918</u>
Stock-in-trade		<u>140,511,389</u>	<u>118,636,669</u>
Trade Debts- Unsecured, Considered Good.		<u>322,298,765</u>	<u>399,343,880</u>
Loans & advances- Unsecured, Considered Good.		<u>87,848,927</u>	<u>92,296,766</u>
Trade deposits & other receivables- Considered Good.		<u>91,071,844</u>	<u>79,997,970</u>
Advance income tax		<u>90,419,746</u>	<u>80,170,490</u>
Cash and bank balances	8	<u>2,211,332</u>	<u>11,176,396</u>
		<u>757,687,991</u>	<u>806,722,089</u>
		<u>2,173,604,686</u>	<u>2,274,099,985</u>

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



**Ishtlaq Ahmed**  
Chief Executive Officer



**Aziz-ul-Haque**  
Director



A YOUSUF DEWAN COMPANY

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	July-Dec 2016	July-Dec 2015	Oct-Dec 2016	Oct-Dec 2015
Note	----- (Rupees) -----			
<b>SALES - NET</b>	<b>296,220,005</b>	442,469,411	<b>136,862,238</b>	239,620,303
<b>COST OF SALES</b>	<b>(376,176,535)</b>	(503,413,058)	<b>(170,416,719)</b>	(230,472,617)
<b>GROSS (LOSS) / PROFIT</b>	<b>(79,956,530)</b>	(60,943,647)	<b>(33,554,481)</b>	9,147,686
<b>OPERATING EXPENSES</b>				
Administrative expenses	(29,860,793)	(32,518,316)	(24,780,669)	(26,657,607)
Selling and distribution expenses	(6,428,574)	(9,008,726)	(2,349,225)	(4,714,259)
	<b>(36,289,367)</b>	(41,527,042)	<b>(27,129,894)</b>	(31,371,866)
<b>OPERATING LOSS</b>	<b>(116,245,897)</b>	(102,470,689)	<b>(60,684,375)</b>	(22,224,180)
Finance cost	(31,438,573)	(26,282,124)	(15,585,728)	(15,085,193)
Other Income	285,250	-	-	(744)
<b>LOSS BEFORE TAXATION</b>	<b>(147,399,220)</b>	(128,752,813)	<b>(76,270,103)</b>	(37,310,117)
<b>TAXATION</b>				
Current	(2,962,200)	-	(1,368,622)	2,028,491
Deferred	6,334,519	6,639,596	3,167,259	(1,755,912)
	<b>3,372,319</b>	6,639,596	<b>1,798,637</b>	272,579
<b>LOSS AFTER TAXATION</b>	<b>(144,026,901)</b>	(122,113,217)	<b>(74,471,466)</b>	(37,037,538)
<b>Loss per share (Rupees)</b>	<b>(1.47)</b>	(1.25)	<b>(0.76)</b>	(0.38)

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

**Ishtlaq Ahmed**  
Chief Executive Officer

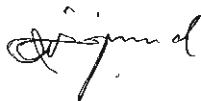
**Aziz-ul-Haque**  
Director

DEWAN FAROOQUE SPINNING MILLS LIMITED

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	<b>July-Dec 2016</b>	<b>July-Dec 2015</b>	<b>Oct-Dec 2016</b>	<b>Oct-Dec 2015</b>
	----- (Rupees) -----			
(Loss) after Taxation	<b>(144,026,901)</b>	(122,113,217)	<b>(74,471,466)</b>	(37,037,538)
Transfer from surplus on revaluation of property plant and equipment in respect of:				
Incremental depreciation	<b>19,795,373</b>	21,960,087	<b>9,897,686</b>	10,980,044
Related deferred tax	<b>(6,136,566)</b>	(7,246,829)	<b>(2,969,306)</b>	(3,733,215)
	<b>13,658,807</b>	14,713,258	<b>6,928,380</b>	7,246,829
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD ENDING</b>	<b><u>(130,368,094)</u></b>	<u>(107,399,959)</u>	<b><u>(67,543,086)</u></b>	<u>(29,790,709)</u>

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



**Ishtiaq Ahmed**  
Chief Executive Officer

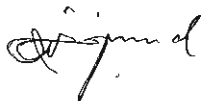


**Aziz-ul-Haque**  
Director

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Note	July-Dec 2016	July-Dec 2015
		(Rupees)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(147,399,220)	(128,752,813)
Depreciation		51,497,101	55,095,282
Financial charges		31,438,573	26,282,124
Cash flow before working capital changes		(64,463,546)	(47,375,407)
<b>Working Capital changes</b>			
<b>(Increase)/ Decrease In assets:</b>			
Stores & spares		1,773,930	1,714,597
Stock in trade		(21,874,720)	(28,309,462)
Trade debts		77,045,115	(28,393,552)
Loans & advances		4,447,839	(30,026,071)
Trade deposits & other receivables		(11,073,874)	4,011,408
<b>(Increase) / (Decrease) in liabilities:</b>			
Trade creditors, other payables and borrowings		7,548,314	1,255,475
Cash generated/(used) in operations		57,866,604	(79,747,605)
Taxes paid		(10,249,256)	(30,193,184)
Net cash generated/(used) in operating activities		(16,846,198)	(157,316,196)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Long term deposits		(35,900)	-
Net cash outflow from investing activities		(35,900)	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Financial charges paid		(14,488,867)	(13,927,235)
Long term loans		-	-
Net cash Inflow/(out flow) from financing activities		(14,488,867)	(13,927,235)
Net decrease in cash and cash equivalents		(31,370,965)	(171,243,431)
Cash and Cash equivalents at the beginning of the period		(254,805,213)	(24,093,714)
Cash and Cash equivalents at the end of the period	8	(286,176,178)	(195,337,145)

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



**Ishtlaq Ahmed**  
Chief Executive Officer



**Aziz-ul-Haque**  
Director

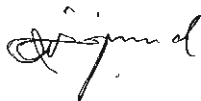


DEWAN FAROOQUE SPINNING MILLS LIMITED

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 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 period	-	(107,399,959)	(107,399,959)
Balance as at December 31, 2015	<u>977,507,260</u>	<u>(319,228,274)</u>	<u>658,278,986</u>
Balance as at July 01, 2016	977,507,260	(419,950,106)	557,557,154
Total comprehensive income/(loss) for the period	-	(130,368,094)	(130,368,094)
Balance as at December 31, 2016	<u>977,507,260</u>	<u>(550,318,200)</u>	<u>427,189,060</u>

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



**Ishtlaq Ahmed**  
Chief Executive Officer



**Aziz-ul-Haque**  
Director

## **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 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** These condensed Interim financial statements of the company for the period ended December 31, 2016 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** 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** 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, 2016.

These condensed interim financial statements are presented in Pak Rupees which is also the Company's functional & pre-nation currency and all figures have been rounded off to the nearest thousand.

**2.4** These condensed interim financial statements comprise of condensed Interim Balance Sheet as at December 31, 2016 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, 2016 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, 2016.

**DEWAN FAROQUE SPINNING MILLS LIMITED**

**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 30 June 2016, 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 are extracted from the unaudited condensed interim financial statements for the period ended December 31, 2016. The comparative condensed Interim profit and loss account for the quarter ended December 31, 2015 is also included in these condensed interim financial statements, which has not been subject to a review.

**3 Estimates and Judgements**

**3.1** The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

**3.2** Estimates and judgements made by management in the preparation of these condensed interim financial statements are the same as those were applied to the audited annual separate financial statements of the Company 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.

**5 Long term loans**

	<b>Un-Audited Dec. 31, 2016</b>	<b>Audited Jun. 30, 2016</b>
Syndicated Long Term Loans - Secured	<b>49,686,863</b>	99,374,509
Sponsor Loan unsecured	<b>160,208,116</b>	154,727,916
	<b><u>209,894,980</u></b>	<b><u>254,102,425</u></b>

**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.

**7 PROPERTY, PLANT AND EQUIPMENT**

Opening written down value	<b>1,403,926,386</b>	1,472,816,333
Additions during the period / year	-	57,225,445
Depreciation during the period / year	<b>(51,497,101)</b>	(126,115,392)
	<b><u>1,352,429,285</u></b>	<b><u>1,403,926,386</u></b>
Add: Capital work in progress	<b>36,740,165</b>	36,740,165
Closing written down value	<b><u>1,389,169,450</u></b>	<b><u>1,440,666,551</u></b>

	Un-Audited Dec. 31, 2016	Dec. 31, 2015
	Rupees	
<b>8 CASH AND CASH EQUIVALENTS</b>		
Cash and Bank Balances	2,211,332	1,981,248
Short term Borrowings	<u>(288,387,510)</u>	<u>(197,318,393)</u>
	<u>(286,176,178)</u>	<u>(195,337,145)</u>

**9 FINANCE COST**

Company has not made the provision of markup for the period amounting to Rs. 1.71 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. 1.71 million and shareholders' equity would have been lower by Rs. 42.53 million.

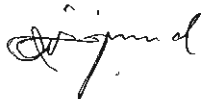
	July-Dec 2016	July-Dec 2015	Oct-Dec 2016	Oct-Dec 2015
	(Rupees)			
<b>10 BASIC EARNINGS PER SHARE</b>				
Loss after taxation	(144,026,901)	(122,113,217)	(74,471,466)	(37,037,538)
Weighted average number of ordinary shares	97,750,726	97,750,726	97,750,726	97,750,726
Loss per share	(1.47)	(1.25)	(0.76)	(0.38)

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.

	Un-Audited Dec. 31, 2016	Dec. 31, 2015
	Rupees	
<b>11 RELATED PARTY TRANSACTIONS</b>		
Purchases - Raw Material/ Yarn	82,809,700	-
Sales - Yarn/ Waste/ Cotton	-	385,102
Provident Fund	3,986,066	3,820,850

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

**12** These financial statements have been authorised for issue on February 25, 2017 by the Board of Directors of the company.



**Ishtiaq Ahmed**  
Chief Executive Officer



**Aziz-ul-Haque**  
Director