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## COMPANY INFORMATION

<b>BOARD OF DIRECTORS</b>	
Executive Director	: Ishtiaq Ahmed - Chief Executive Officer Mr. Mehmood-ul-Hassan
Non-Executive Directors	: Dewan Muhammad Yousuf Farooqui - Chairman, Board of Directors Mr. Haroon Iqbal Mr. Muhammad Naeemuddin Malik Mr. Muhammad Baqar Jafferi
Independent Director	: Mr. Aziz-ul-Haque
Audit Committee	: Mr. Aziz-ul-Haque (Chairman) Mr. Muhammad Naeemuddin Malik (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/4 Block-6, P.E.C.H.S., Karachi 75400, Pakistan.
Company Secretary	: Muhammad Hanif German
Chief Financial Officer	: Mehmood-Ul-Hassan
Tax Advisor	: Sharif & Co. Advocates
Legal Advisor	: A. K. Brohi & Co. Advocates
Bankers	: Habib Bank Limited Bank Islami Pakistan Limited MCB Bank Limited Silk Bank Limited Bank Al Falah Limited Askari Commercial Bank Limited
Registered Office	: Finance & Trade Centre Block-A, 8 <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	: G/11, S.I.T.E., Kotri, Sindh, Pakistan.
Website	: <a href="http://www.yousufdewan.com">www.yousufdewan.com</a>

## DEWAN KHALID TEXTILE MILLS LIMITED

### 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 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 Performance:-

The financial highlights for the first quarter ended September 30, 2016 are as follows:

Company has achieved net sale of Rs. 35.022 million as compared to Rs. 81.668 million of relevant quarter of corresponding year. Company has suffered gross loss of Rs. 26.620 million as compared to the gross loss of Rs. 58.078 million comparative quarter, whereas operating expenses of the company have been decreased by Rs. 2.973 million as compared to those of relevant quarter of corresponding year. During the quarter under review, decrease in production volume was the result of adverse scenario faced by the industry, lesser market demand and under-utilization of plant capacity, which brought about lesser sales volumes.

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.

The Company, for the time being, has suspended its manufacturing operations since August 2016.

The condensed interim financial statement has been prepared on going concern assumption as the company approached its lenders for further restructuring of its liabilities, which is in process. Management is hopeful that such revision will be finalized soon.

#### 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. Management is endeavoring to resume the production of the company as soon as the situation in near future improves. 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 endeavor for the betterment of the company. 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**

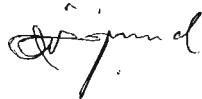
Chief Executive Officer

Dated: October 26, 2016

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

EQUITY AND LIABILITIES	September 30, 2016 (Un-Audited)	June 30, 2016 (Audited)
<b>CAPITAL &amp; RESERVES</b>		
<b>Authorized</b>	<b>Notes</b>	<b>(Rupees)</b>
15,000,000 (June 30, 2016: 15,000,000) Ordinary Shares of Rs. 10/- each	<b>150,000,000</b>	150,000,000
Issued, Subscribed and Paid-up Capital	<b>96,107,590</b>	66,107,590
General Reserve	<b>135,000,000</b>	135,000,000
Advance Against issue of shares	<b>--</b>	30,000,000
Accumulated loss	<b>(277,354,982)</b>	<b>(397,444,272)</b>
	<b>(46,247,391)</b>	<b>(166,336,682)</b>
Surplus on revaluation of property plant and equipment	<b>229,497,616</b>	234,211,128
<b>NON CURRENT LIABILITIES</b>		
Long Term Loan	<b>63,180,930</b>	69,878,316
<b>Deferred Liabilities</b>		
Provision for Staff Gratuity	<b>17,332,730</b>	16,069,913
Deferred taxation	<b>88,703,227</b>	90,921,350
	<b>106,035,957</b>	106,991,263
<b>CURRENT LIABILITIES</b>		
Trade and Other Payables	<b>194,270,348</b>	199,055,856
Mark-up accrued on loans	<b>48,462,254</b>	45,713,701
Short Term Borrowings - Secured Loan	<b>293,245,923</b>	292,772,515
	<b>81,720,291</b>	74,291,171
Provision for Income Tax	<b>13,161,974</b>	12,811,750
	<b>630,860,791</b>	624,644,993
<b>Contingencies and Commitments</b>	<b>6</b>	--
	<b>983,327,902</b>	869,389,018
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, Plant & Equipments	<b>7</b>	480,471,059
Available for sale investment - at fair value	<b>8</b>	221,116,966
Long Term Deposits		26,449,435
<b>CURRENT ASSETS</b>		
Stores, Spares and Loose Tools		18,173,701
Stock-in-Trade		143,900,756
Trade Debts - Considered Good		58,051,176
Loans and Advances - Unsecured, Considered good		6,754,868
Trade Deposits, Prepayments and Statutory Balances - Considered good		10,180,139
Income Tax Refunds and Advances		16,060,524
Cash and Bank Balances	<b>10</b>	2,169,278
		<b>255,290,442</b>
		<b>983,327,902</b>

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



**Ishtiaq Ahmed**  
Chief Executive Officer



**Haroon Iqbal**  
Director

**DEWAN KHALID TEXTILE MILLS LIMITED**

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

	Notes	July - Sept. 2016	July - Sept. 2015
		(Rupees)	
<b>Sales - net</b>		<b>35,022,437</b>	81,668,100
<b>Cost of Sales</b>		<b>(61,642,823)</b>	<b>(139,746,547)</b>
<b>Gross ( Loss)</b>		<b>(26,620,386)</b>	<b>(58,078,447)</b>
<b>Operating Expenses</b>			
Distribution Cost and Selling Expenses		<b>(1,130,939)</b>	<b>(3,032,872)</b>
Administrative and General Expenses		<b>(6,695,705)</b>	<b>(7,766,518)</b>
		<b>(7,826,644)</b>	<b>(10,799,390)</b>
<b>Operating Loss</b>		<b>(34,447,030)</b>	<b>(68,877,837)</b>
Finance Cost	9	<b>(3,760,382)</b>	<b>(3,560,701)</b>
<b>Loss before Taxation</b>		<b>(38,207,412)</b>	<b>(72,438,538)</b>
<b>Taxation</b>			
- Current		<b>(350,224)</b>	<b>(816,681)</b>
- Deferred		<b>2,218,123</b>	<b>4,855,986</b>
		<b>1,867,899</b>	<b>4,039,305</b>
<b>Loss after Taxation</b>		<b>(36,339,513)</b>	<b>(68,399,233)</b>
<b>Loss per share - Basic and diluted</b>	12	<b>(3.78)</b>	<b>(10.35)</b>

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



**Ishtiaq Ahmed**  
Chief Executive Officer



**Haroon Iqbal**  
Director

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

	July - Sept. 2016	July - Sept. 2015
	(Rupees)	
<b>(Loss) for the quarter</b>	<b>(36,339,513)</b>	(68,399,233)
Other comprehensive Income:		
Transfer from surplus on revaluation of property plant and equipment in respect of:		
Incremental depreciation	6,931,636	7,998,428
Related deferred tax	(2,218,123)	(2,613,348)
	4,713,513	5,385,080
Changes in fair value of available for sale investment	151,715,291	7,747,164
<b>Total comprehensive (Loss) for the quarter</b>	<b>120,089,291</b>	(55,266,989)

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



**Ishtiaq Ahmed**  
Chief Executive Officer



**Haroon Iqbal**  
Director

**DEWAN KHALID TEXTILE MILLS LIMITED**

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

	July - Sept. 2016	July - Sept. 2015
	(Un-Audited)	
Notes	(Rupees)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) before Taxation	(38,207,412)	(72,438,538)
<b>Adjustment for Non-Cash and Other Items:</b>		
Depreciation	11,714,245	12,820,798
Provision for Gratuity	1,262,817	1,316,686
Finance Cost	3,760,382	3,560,701
	16,737,443	17,698,185
<b>Working Capital Charges</b>	(21,469,969)	(54,740,353)
<b>(Increase) / Decrease in Current Assets</b>		
Stores, Spares and Loose Tools	901,293	1,348,862
Stock-in-Trade	11,815,619	21,832,486
Trade Debts	12,737,088	54,906,588
Loans and Advances	8,400	(1,452,125)
Trade deposits, Prepayments & Statutory balances	530,968	225,141
<b>Increase / (Decrease) in Current Liabilities</b>	(4,785,507)	(14,480,639)
Trade creditors, payables and other borrowings	21,207,861	62,380,313
	(24,968)	(1,500,000)
Taxes Paid	--	(1,550,000)
Gratuity Paid	(24,968)	(3,050,000)
	(287,076)	4,589,960
<b>Net Cash Inflow/ (Outflow) from Operating Activities</b>		
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Long Term Deposits	--	(2,000,000)
Fixed Capital Expenditure	--	-
<b>Net Cash Inflow/ (Outflow) from Investing Activities</b>	--	(2,000,000)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Finance Cost Paid	(280,096)	(2,568,548)
<b>Net Cash Inflow/ (Outflow) from Financing Activities</b>	(280,096)	(2,568,548)
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	(567,172)	21,412
Cash and Cash Equivalents at the Beginning of the quarter	(290,509,473)	(296,546,392)
Cash and Cash Equivalents at the End of the quarter	10 (291,076,645)	(296,524,980)

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



**Ishtiaq Ahmed**  
Chief Executive Officer



**Haroon Iqbal**  
Director

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

	Share Capital	General Reserve	Advance against issue of shares	Unrealized gain / (loss) due to change in fair value of investment	Unappropriated (Loss) / Profit	Total
(Rupees)						
Balance as on July 01, 2015	66,107,590	135,000,000		35,830,633	(156,187,923)	80,750,300
Total comprehensive income for the quarter	-	-		7,747,164	(63,014,153)	(55,266,989)
Balance as on September 30, 2015	66,107,590	135,000,000	-	43,577,797	(219,202,076)	25,483,311
Balance as on July 01, 2016	66,107,590	135,000,000	30,000,000	20,336,305	(417,780,577)	(166,336,682)
Share issued during the quarter	30,000,000	-	(30,000,000)	-	-	-
Total comprehensive income for the quarter	-	-		151,715,291	(31,626,000)	120,089,291
Balance as on September 30, 2016	96,107,590	135,000,000	-	172,051,596	(449,406,577)	(46,247,391)

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



**Ishtiaq Ahmed**  
Chief Executive Officer



**Haroon Iqbal**  
Director



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

**1 Corporate Information**

**Dewan Khalid Textile Mills Limited** (the Company) was incorporated in Pakistan, as a public limited company on April 03, 1978, under the Companies Act, 1913 (Now the Companies Ordinance, 1984) and its shares are listed in Pakistan Stock Exchange Limited (Formerly Karachi and Lahore Stock Exchanges in Pakistan). The registered office of the company is located at Finance & Trade Center, Block A, 8th Floor, Shahrah-e-Faisal, Karachi, Pakistan; while its manufacturing facilities are located at G-11, S.I.T.E., Kotri, Sind, Pakistan. The Principal activity of the Company is trading, manufacturing and sale of yarn.

**2 Going Concern Assumption**

The financial statements of the company for the quarter ended Sep 30, 2016 reflect that company has sustained a net loss after taxation of Rs.36.339 million (June 30, 2016: Rs.282.643 million) and as of that date company's accumulated loss of Rs.277.354 million have resulted in negative equity of Rs.46.247 million. Further the company's short term borrowing facilities having limit to the extent of Rs.140 million have expired and not been renewed. Company defaulted in repayment of its restructured liabilities due to liquidity crunch faced by the Company due to lesser market demand and adverse factors being faced by the overall textile industry in the country. As a result the Company, for the time being, has suspended its manufacturing operations since August 2016. Accordingly, the entire restructured liabilities along with markup eligible for waiver have become immediately repayable. These conditions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern, therefore the company may not be able to realize its assets and discharge its liabilities during the normal course of business.

The financial statements has been prepared on going concern assumption as the Company approached its lenders for further restructuring of its liabilities which is in process. Company is hopeful that such restructuring will be effective soon and will streamline the funding requirements of the Company which will ultimately help the management to resume the operations with optimum utilization of production capacity. As the conditions mentioned in the foregoing paragraph are temporary and would reverse therefore the preparation of financial statements using going concern assumption is justified.

**3**

3.1 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.

3.2 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.

3.3 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.

#### 4 Estimates, Judgements and Financial Risk Management

4.1 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.

4.2 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.

#### 5 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.

#### 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 (Un-Audited)	June 30, 2016 (Audited)
	Notes	(Rupees)	
<b>7 Property, Plant &amp; Equipments</b>			
Operating Fixed Assets	7.1	480,471,059	492,185,303
Capital Work in progress	7.2	-	--
		<u>480,471,059</u>	<u>492,185,303</u>
<b>7.1 Operating Fixed Assets</b>			
Opening written down value		492,185,303	537,764,850
Additions during the quarter		-	5,825,000
Depreciation during the quarter		(11,714,244)	(51,404,547)
<b>Closing written down value</b>		<u>480,471,059</u>	<u>492,185,303</u>
<b>7.2 Capital Work in Progress</b>			
Software Development		-	-

## DEWAN KHALID TEXTILE MILLS LIMITED

	<b>Sept. 30, 2016 (Un-Audited)</b>	<b>June 30, 2016 (Audited)</b>
<b>8 Available for sale investment - at fair value In related party</b>	<b>(Rupees)</b>	
Shares in Dewan Salman Fibre Limited (Public, quoted company) 32,279,849 (June 30, 2016: 32,279,849) fully paid up ordinary shares of Rs.10/- each. (including 25,779,849 bonus shares) (Deficit)/Surplus on revaluation of investment	<b>65,000,000</b> <b>156,116,966</b> <b>221,116,966</b>	65,000,000 4,401,675 <u>69,401,675</u>
Percentage of Holding	<b>8.81%</b>	8.81%
Market value (Rupees per share)	<b>6.85</b>	<u>2.15</u>

### 9 Finance Cost

Company has not made the provision of markup for the quarter amounting to Rs. 5.885 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 quarter would have been higher by Rs. 5.885 million.

	<b>July to Sep 2016</b>	<b>July to Sep 2015</b>
<b>10 Cash and Cash Equivalents</b>	<b>(Rupees)</b>	
Cash and Bank Balances	<b>2,169,278</b>	1,778,168
Short term Borrowings	<b>(293,245,923)</b>	(298,303,148)
	<b>(291,076,645)</b>	<u>(296,524,980)</u>
<b>11 Related Party Transactions</b>		
Sales	-	-
Purchases	<b>315,093</b>	1,200,000
Donation	-	750,000
Provident Fund	<b>1,090,096</b>	1,217,825

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

	Sept. 30, 2016	Sept. 30, 2015
<b>12 Loss Per Share -Basic and diiluted</b>	<b>(Rupees)</b>	
Net (Loss) for the quarter	<u><b>(36,339,513)</b></u>	<u><b>(68,399,233)</b></u>
Number of ordinary shares	<u><b>9,910,759</b></u>	<u><b>6,610,759</b></u>
(Loss) Per Share - Basic (Rs)	<u><b>(3.67)</b></u>	<u><b>(10.35)</b></u>

**13 Date of Authorization for issue**

These Interim Condensed Financial Statements were authorized for issue on October 26, 2016 by the Board of Directors of the Company.



**Ishtiaq Ahmed**  
Chief Executive Officer



**Haroon Iqbal**  
Director