

DEWAN KHALID TEXTILE MILLS LIMITED

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COMPANY INFORMATION

BOARD OF DIRECTORS	:	
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 Jafferri
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
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 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	:	G/11, S.I.T.E., Kotri, Sindh, Pakistan.
Website	:	www.yousufdewan.com

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 nine months ended march 31, 2017 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.

Operating Performance:-

The financial highlights for the nine months ended march 31, 2017 are as follows:

Company has achieved net sales of Rs 36.120 million during the period under review as compared to the Rs 271.160 million of the corresponding period of last year. Company has suffered gross loss of Rs. 60.028 million as compared to the gross loss of Rs 147.626 million of comparable period of last year. Operating expenses of the company have been decreased by Rs 25.836 million as compared to those of relevant period of last year. The Company has suspended its manufacturing operation since August 2016.

Company approached its lenders for further restructuring of its liabilities, which is in advanced stage. Management is hopeful that such revision will be finalized soon. The interim condensed financial statements has been prepared on going concern assumption as the company approached its lenders for further restructuring of its liabilities, which is in advanced stage. As management is hopeful that such revision will be finalized soon; company has not made the provision of markup for the period in respect of borrowings from certain banks who have not yet accepted the restructuring proposal. The investment has been classified as held for sale upon management's intention to sell the same within next accounting cycle in the manner to be deemed appropriate, equitable, fit and beneficial to the interests of the company.

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

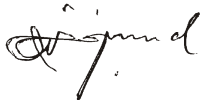
Chief Executive Officer

Dated: April 27, 2017

CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2017

EQUITY AND LIABILITIES CAPITAL & RESERVES	March 31, 2017 (Un-Audited)	June 30, 2016 (Audited)
	Notes	(Rupees in "000")
Authorized 15,000,000 (June' 30, 2016: 15,000,000) Ordinary Shares of Rs. 10/- each		150,000
Issued, Subscribed and Paid-up Capital		66,108
General Reserve		135,000
Advance against issue of share		30,000
Accumulated loss		(397,444)
		(166,336)
Surplus on revaluation of property plant and equipment		234,211
NON CURRENT LIABILITIES		
Long Term Loan - Secured	6	69,878
Deferred Liabilities		
Provision for Staff Gratuity		16,069
Deferred taxation		90,921
		106,990
CURRENT LIABILITIES		
Trade and Other Payables		199,056
Mark-up accrued on loans		45,714
Short Term Borrowings - Secured		292,773
Current portion of Syndicated Long Term Loan		74,291
Provision for Income Tax		12,812
		624,646
Contingencies and Commitments	7	--
		869,389
ASSETS		
NON-CURRENT ASSETS		
Property, Plant & Equipments	8	492,185
Available for sale investment - at fair value	9	69,402
Long Term Deposits		26,449
CURRENT ASSETS		
Stores, Spares and Loose Tools		19,075
Stock-in-Trade		155,716
Trade Debts - Considered Good		70,788
Loans and Advances - Unsecured, Considered good		6,763
Trade Deposits, Prepayments and Statutory Balances - Considered good		10,712
Income Tax Refunds and Advances		16,036
Cash and Bank Balances	11	2,263
		281,353
		856,854
		869,389

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



Ishtiaq Ahmed
Chief Executive Officer



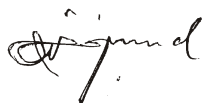
Haroon Iqbal
Director

DEWAN KHALID TEXTILE MILLS LIMITED

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS AND THIRD QUARTER ENDED MARCH 31, 2017**

	Notes	9 Months		3 Months	
		July to Mar 2017	July to Mar 2016	Jan to Mar 2017	Jan to Mar 2016
		(Rupees in "000")		(Rupees in "000")	
Sales - net		36,120	271,160	1,098	97,676
Cost of Sales		(96,148)	(418,786)	(21,969)	(138,647)
Gross Loss		(60,028)	(147,626)	(20,871)	(40,971)
Operating Expenses					
Distribution Cost and Selling Expenses		(2,351)	(5,233)	(201)	(1,196)
Administrative and General Expenses		(11,905)	(34,859)	(3,021)	(3,640)
		(14,256)	(40,092)	(3,222)	(4,836)
Operating Loss		(74,284)	(187,718)	(24,093)	(45,807)
Finance Cost	10	(11,554)	(10,572)	(4,014)	(3,468)
Loss before Taxation		(85,838)	(198,290)	(28,107)	(49,275)
Taxation - Current		(361)	--	(11)	--
- Deferred		6,446	10,046	2,148	5,129
		6,085	10,046	2,137	5,129
Loss after Taxation		(79,753)	(188,244)	(25,970)	(44,146)
Loss Per Share - Basic		(8.30)	(28.48)	(2.70)	(6.68)

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



Ishtiaq Ahmed
Chief Executive Officer

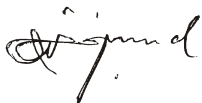


Haroon Iqbal
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS & THIRD QUARTER ENDED MARCH 31, 2017**

	9 Months		3 Months	
	July to Mar 2017	July to Mar 2016	Jan to Mar 2017	Jan to Mar 2016
	(Rupees in "000")		(Rupees in "000")	
(Loss) for the period	(79,752)	(188,244)	(25,969)	(44,146)
Other comprehensive Income:				
Transfer from surplus on revaluation of property plant and equipment in respect of:				
Incremental depreciation	20,795	23,758	6,932	7,920
Related deferred tax	(6,446)	(7,840)	(2,148)	(2,613)
	14,349	15,918	4,784	5,307
Changes in fair value of available for sale investment	89,415	(16,786)	(1,291)	1,291
Total comprehensive (Loss) for the period	<u>24,012</u>	<u>(189,112)</u>	<u>(22,476)</u>	<u>(37,548)</u>

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



Ishtiaq Ahmed
Chief Executive Officer



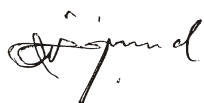
Haroon Iqbal
Director

DEWAN KHALID TEXTILE MILLS LIMITED

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2017**

	9 Months ended Mar'2017 (Rupees in "000")	9 Months ended Mar'2016
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before Taxation	(85,837)	(198,290)
Adjustment for Non-Cash and Other Items:		
Depreciation	35,143	38,462
Provision for Gratuity	842	3,950
Finance Cost	11,554	10,572
	<u>47,539</u>	<u>52,984</u>
Working Capital Charges	(38,298)	(145,306)
(Increase) / Decrease in Current Assets		
Stores, Spares and Loose Tools	574	(1,249)
Stock-in-Trade	18,645	57,733
Trade Debts	28,433	118,074
Loans and Advances	1,843	1,551
Trade deposits, Prepayments & Statutory balances	550	3,889
Other Receivables	--	--
Increase / (Decrease) in Current Liabilities		
Trade creditors, payables and other borrowings	(31,427)	2,610
	<u>18,617</u>	<u>182,608</u>
Taxes Paid	(68)	(2,510)
Gratuity Paid	--	(1,549)
	<u>(68)</u>	<u>(4,059)</u>
Net Cash Inflow/ (Outflow) from Operating Activities	(19,749)	33,243
CASH FLOW FROM INVESTING ACTIVITIES		
Long Term Deposits	16,746	(1,610)
Net Cash Inflow/ (Outflow) from Investing Activities	16,746	(1,610)
CASH FLOW FROM FINANCING ACTIVITIES		
Syndicated Long Term Loan	--	--
Finance Cost Paid	(1,674)	(16,540)
Net Cash Inflow/ (Outflow) from Financing Activities	(1,674)	(16,540)
Net Increase /(Decrease) in Cash and Cash Equivalents	(4,677)	15,093
Cash and Cash Equivalents at the Beginning of the period	(290,509)	(296,546)
Cash and Cash Equivalents at the End of the period	<u>(295,186)</u>	<u>(281,453)</u>

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



Ishtiaq Ahmed
Chief Executive Officer

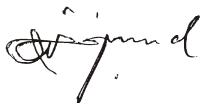


Haroon Iqbal
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2017**

	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 in "000")						
Balance as on July 01, 2015	66,108	135,000	--	35,831	(156,188)	80,751
Total comprehensive income/ (loss) for the period	--	--		(16,786)	(172,326)	(189,112)
Balance as on March 31, 2016	66,108	135,000		19,045	(328,514)	(108,361)
Balance as on July 01, 2016	66,107	135,000	30,000	20,336	(417,780)	(166,337)
Total comprehensive income/ (loss) for the period	30,000	--	(30,000)	89,416	(65,404)	24,012
Balance as on March 31, 2017	96,107	135,000	--	109,752	(483,184)	(142,325)

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2017

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 nine month ended March 31, 2017 reflect that company has sustained a net loss after taxation of Rs.79.753 million (June 30, 2016: Rs.282.643 million) and as of that date company's accumulated loss of Rs.373.433 million have resulted in negative equity of Rs.142.325 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, 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 Basis of Preparation

3.1 This condensed interim financial information of the Company for the nine months ended March 31, 2017 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.
- 3.4** These condensed interim financial statements comprise of condensed Interim Balance Sheet as at March 31, 2017 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, 2017 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 March 31, 2017.
- 3.5** 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 March 31, 2016. The comparative condensed Interim profit and loss account for the period ended March 31, 2017 is also included in these condensed interim financial statements, which has not been subjected to a review.
- 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.

DEWAN KHALID TEXTILE MILLS LIMITED

	Notes	March 31, 2017 (Un-Audited)	June 30, 2016 (Audited)
		(Rupees in "000")	
6 Long term loans			
Syndicated Long Term Loan - Secured		7,429	29,717
Sponsor loan		42,648	40,162
		<u>50,077</u>	<u>69,878</u>

7 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.

	Notes	March 31, 2017 (Un-Audited)	June 30, 2016 (Audited)
		(Rupees in "000")	
8 Property, Plant & Equipments			
Operating Fixed Assets	8.1	457,043	492,185
Capital Work in progress		--	--
		<u>457,043</u>	<u>492,185</u>

8.1 Operating Fixed Assets

Opening written down value	492,185	537,765
Additions during the period / year		5,825
Depreciation during the period / year	(35,142)	(51,405)
	<u>457,043</u>	<u>492,185</u>

**9 Available for sale investment - at fair value
In related party**

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)	65,000	65,000
(Deficit)/Surplus on revaluation of investment	93,817	4,402
	<u>158,817</u>	<u>69,402</u>
Percentage of Holding	8.81%	8.81%
Market value (Rupees per share)	4.92	2.15

10 Finance Cost

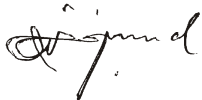
Company has not made the provision of markup for the period amounting to Rs. 17.765 million in respect of borrowings of certain banks who have not yet accepted the restructuring proposal. The management of the Company is quite hopeful that these banks will also accept restructuring proposal in near future. Had the provision been made the loss for the period would have been higher by Rs. 17.765 million.

	March 31, 2017 (Un-Audited)	March 31, 2016 (Un-Audited)
(Rupees in "000")		
11 Cash and Cash Equivalents		
Cash and Bank Balances	2,180	1,996
Short term Borrowings	<u>(297,366)</u>	<u>(283,449)</u>
	<u><u>(295,186)</u></u>	<u><u>(281,453)</u></u>
12 Related Party Transactions		
Sales	-	2,370
Purchases	315	2,318
Provident Fund	1,515	3,256

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

	July to March 2017	July to March 2016
(Rupees in "000")		
13 Loss Per Share -Basic and diluted		
Net (Loss) for the period	<u>(79,752)</u>	<u>(188,244)</u>
Number of ordinary shares	<u>9,611</u>	<u>6,610</u>
(Loss) Per Share - Basic (Rs)	<u><u>(8.30)</u></u>	<u><u>(28.48)</u></u>

14 Date of Authorization for issue
These Interim Condensed Financial Statements were authorized for issue on 27th April, 2017 by the Board of Directors of the Company.



Ishtiaq Ahmed
Chief Executive Officer



Haroon Iqbal
Director