



DEWAN MUSHTAQ TEXTILE MILLS LIMITED

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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 Mr. Haroon Iqbal Syed Muhammad Anwar Mr. Muhammad Baqar Jafferri
Independent Director	: Mr. Aziz -ul-Haque
Audit Committee	: Mr. Aziz -ul-Haque - Chairman Syed Muhammad Anwar (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	: Mr. 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
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	: A-30, S.I.T.E., Hyderabad, Sindh, Pakistan.
Website	: <a href="http://www.yousufdewan.com">www.yousufdewan.com</a>

## DEWAN MUSHTAQ 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 month 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 month ended march 31, 2017 are as follows:

Company has achieved net sales of Rs 14.010 million during the period under review as compared to the Rs. 609.174 million of the corresponding period of last year. Company has suffered gross loss of Rs 74.523 million as compared to the gross loss of Rs 70.562 million of comparable period of last year. Operating expenses of the company have been decreased by Rs 19.265 million as compared to the period of last year. The Company has suspended its manufacturing operation since July 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

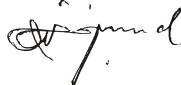
The key challenges facing Pakistan's economy especially the textile industry, have continued to suppress economic activity and growth of the country. In a backdrop of current scenario, a decline in cotton production has been forecasted which might result in higher cotton prices in future.

#### 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**

Dated: April 27, 2017

Chief Executive Officer



## CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2017

<u>EQUITY AND LIABILITIES</u>		March 31, 2017	June 30, 2016
<u>CAPITAL &amp; RESERVES</u>	Notes	(Rupees in "000")	
<u>Authorized</u>		(Un-Audited)	(Audited)
10,000,000 (June 30, 2016: 10,000,000) Ordinary Shares of Rs. 10/- each		<b>100,000</b>	100,000
Issued, Subscribed and Paid-up Capital		<b>65,610</b>	65,610
General Reserve - (a Revenue Reserve)		<b>45,000</b>	45,000
Unappropriated Profit		<b>(175,187)</b>	(119,846)
		<b>(64,577)</b>	(9,236)
<b>Surplus on revaluation of property plant and equipment</b>		<b>278,072</b>	289,842
<b><u>NON-CURRENT LIABILITIES</u></b>			
Long term loans	5	135,420	166,051
<b><u>Deferred Liabilities</u></b>			
Provision for Staff Gratuity		<b>44,969</b>	43,511
Deferred taxation		<b>73,033</b>	78,321
		<b>118,002</b>	121,832
<b><u>CURRENT LIABILITIES</u></b>			
Trade and Other Payables		<b>81,076</b>	102,730
Mark-up accrued on loans		<b>41,302</b>	28,668
Current Portion of Long Term Loan		<b>163,762</b>	125,971
Short Term Borrowings - Secured		<b>77,050</b>	57,168
Provision for Income Tax		<b>15,201</b>	15,060
		<b>378,391</b>	329,597
Contingencies and Commitments	6	--	--
		<b>845,308</b>	898,087
<b><u>ASSETS</u></b>			
<b><u>NON-CURRENT ASSETS</u></b>			
Property Plant and Equipment	7	489,244	520,988
Available for Sale Investment - at fair value	8	97,733	42,709
Long Term Deposits		2,330	27,618
<b><u>CURRENT ASSETS</u></b>			
Stores, Spares and Loose Tools		<b>16,524</b>	16,661
Stock-in-Trade		<b>42,486</b>	55,570
Trade Debts - Considered Good		<b>143,185</b>	180,680
Loans and Advances - Unsecured, Considered good		<b>3,876</b>	3,845
Trade Deposits, Prepayments and Statutory Balances - Considered good		<b>15,815</b>	15,349
Other Receivables - Unsecured, Considered good		<b>12,229</b>	12,232
Income Tax Refunds and Advances		<b>16,987</b>	16,954
Cash and Bank Balances	9	<b>4,899</b>	5,480
		<b>256,001</b>	306,772
		<b>845,308</b>	898,087

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

**Ishtiaq Ahmed**  
Chief Executive Officer

**Haroon Iqbal**  
Director

DEWAN MUSHTAQ TEXTILE MILLS LIMITED

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

	9 Months		3 Months	
	July - Mar 2017	July - Mar 2016	Jan to Mar 2017	Jan to Mar 2016
	(Rupees in "000")			
<b>Sales - Net</b>	<b>14,010</b>	609,174	--	167,244
<b>Cost of Sales</b>	<b>(88,533)</b>	(679,736)	<b>(15,516)</b>	(190,232)
<b>Gross Loss</b>	<b>(74,523)</b>	(70,562)	<b>(15,516)</b>	(22,988)
Administrative and General Expenses	(27,583)	(34,983)	(5,548)	(752)
Distribution Costs and Selling Expenses	(3,624)	(15,489)	(905)	(5,302)
	<b>(31,207)</b>	(50,472)	<b>(6,453)</b>	(6,054)
<b>Operating Loss</b>	<b>(105,730)</b>	(121,034)	<b>(21,969)</b>	(29,042)
Finance Cost	(21,554)	(20,011)	(7,654)	(6,238)
<b>Loss before taxation</b>	<b>(127,284)</b>	(141,045)	<b>(29,623)</b>	(35,280)
<b>Taxation</b>				
Current	(140)	--	--	--
Deferred	5,288	10,838	1,763	(886)
	<b>5,148</b>	10,838	<b>1,763</b>	(886)
<b>Loss after taxation</b>	<b>(122,136)</b>	(130,207)	<b>(27,860)</b>	(36,166)
<b>Loss Per Share - Basic</b>	<b>(18.62)</b>	(19.85)	<b>(4.25)</b>	(5.51)

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



**Ishtiaq Ahmed**  
Chief Executive Officer

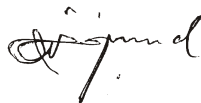


**Haroon Iqbal**  
Director

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

	9 Months		3 Months	
	July - Mar 2017	July - Mar 2016	Jan to Mar 2017	Jan to Mar 2016
	<b>(Rupees in "000")</b>			
<b>Loss Profit for the period</b>	<b>(122,135)</b>	(130,207)	<b>(27,860)</b>	(36,166)
<b>Other comprehensive Income:</b>				
Incremental depreciation	17,058	21,368	5,686	7,123
Related deferred tax	(5,288)	(7,051)	(1,763)	(2,350)
	11,770	14,317	3,923	4,773
Changes in fair value of available for sale investment	55,025	(10,330)	(795)	795
<b>Total comprehensive (Loss) / Income for the period</b>	<b>(55,340)</b>	(126,220)	<b>(24,732)</b>	(30,598)

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



**Ishtiaq Ahmed**  
Chief Executive Officer



**Haroon Iqbal**  
Director

**DEWAN MUSHTAQ TEXTILE MILLS LIMITED**

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

	9 Months ended	
	March '31 2017	March '31 2016
Notes	(Rupees in "000")	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss Profit before Taxation	(127,283)	(141,045)
Adjustment for Non-Cash and Other Items:		
Depreciation	31,744	34,533
Provision for Gratuity	2,446	5,086
Finance Cost	21,554	20,011
	<u>55,744</u>	<u>59,630</u>
	(71,539)	(81,415)
<b>Working Capital Changes</b>		
<i>(Increase) / Decrease in Current Assets</i>		
Stores, Spares and Loose Tools	137	2,512
Stock-in-Trade	13,084	43,141
Trade Debts	37,495	44,617
Loans and Advances	(31)	(2,015)
Trade deposits, Prepayments & Statutory balances	(465)	996
Other Receivables	3	996
<i>Increase / (Decrease) in Current Liabilities</i>	--	--
Trade Creditors, Payable & others borrowings	(22,018)	(1,204)
	<u>--</u>	<u>--</u>
	28,205	89,043
Taxes Paid	(33)	(17,569)
Gratuity Paid	(988)	(942)
	<u>(1,021)</u>	<u>(18,511)</u>
<b>Net Cash Inflow/ (Outflow) from Operating Activities</b>	<u>(44,355)</u>	<u>(10,883)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed Capital Expenditure	--	--
Long Term Deposits	25,288	(182)
<b>Net Cash Inflow / (Outflow) from Investing Activities</b>	<u>25,288</u>	<u>(182)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Syndicated Long Term Loan	--	--
Share Capital	--	--
Finance Cost Paid	(1,395)	(15,709)
<b>Net Cash Inflow/ (Outflow) from Financing Activities</b>	<u>(1,395)</u>	<u>(15,709)</u>
Net (decrease) / Increase in Cash and Cash Equivalents	(20,462)	(26,774)
Cash and Cash Equivalents at the Beginning	(51,688)	(31,241)
Cash and Cash Equivalents at the End	<u>9</u> <u>(72,150)</u>	<u>(58,014)</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**

Particulars	Share Capital	General Reserve	Unrealized gain / (loss) due to change in fair value of investment	Unappropriated Profit / (Loss)	Total
------(Rupees in "000")-----					
Balance as on July 01, 2015	65,610	45,000	22,050	41,373	174,033
comprehensive income for the period	--	--	(10,330)	(115,890)	(126,220)
Balance as on March 31, 2016	<u>65,610</u>	<u>45,000</u>	<u>11,720</u>	<u>(74,517)</u>	<u>47,813</u>
<b>Balance as on July 01, 2016</b>	<b>65,610</b>	<b>45,000</b>	<b>12,515</b>	<b>(132,361)</b>	<b>(9,236)</b>
comprehensive income for the period	--	--	55,025	(110,365)	(55,341)
<b>Balance as on March 31, 2017</b>	<b><u>65,610</u></b>	<b><u>45,000</u></b>	<b><u>67,540</u></b>	<b><u>(242,726)</u></b>	<b><u>(64,577)</u></b>

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



**Ishtiaq Ahmed**  
Chief Executive Officer



**Haroon Iqbal**  
Director

## DEWAN MUSHTAQ TEXTILE MILLS LIMITED

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS & THIRD QUARTER ENDED MARCH 31, 2017

#### **1 The Company And Its Operations**

Dewan Mushtaq Textile Mills Limited (the Company) was incorporated in Pakistan, as a public limited company on November 04, 1970, under the Companies Act, 1913 (Now the Companies Ordinance, 1984) and its shares are listed on the Pakistan Stock Exchange (Formerly Karachi stock Exchange) in Pakistan. The registered office of the company is located at Finance & Trade Centre, Block-A 8th Floor, Shahrah-e-faisal, Karachi, Pakistan; while its manufacturing facilities are located at A-30, S.I.T.E., Hyderabad, Sindh, Pakistan. The Principal activity of the Company is trading, manufacturing and sale of yarn.

#### **1.1 Going Concern Assumption**

The financial statements of the company for the period ended March 31, 2017 reflect that company has sustained a net loss after taxation of Rs.122.136 million (June 30, 2016: Rs.187.735 million) and as of that date company's accumulated loss of Rs.175.187 million have resulted in n equity of Rs.64.577 million. Further the company's short term borrowing facilities having limit to the extent of Rs.100 million have expired and not been renewed. Company defaulted in repayment of its restructured liabilities due to liquidity crunch caused by the overall lesser market demand and adverse factors being faced by the textile industry in the country. Due to the aforementioned scenario, the Company, for the time being, has also suspended its manufacturing operations since July 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.

#### **2 Basis of Preparation**

**2.1** This condensed interim financial information of the Company for the period 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.

**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** 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.
- 2.4** 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.
- 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 March 31, 2016. The comparative condensed Interim profit and loss account for the quarter ended March 31, 2016 is also included in these condensed interim financial statements

### **3 Estimates, Judgements and Financial Risk Management**

- 3.1** 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.
- 3.2** 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.

### **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.

	<b>March 31, 2017 (Un-audited)</b>	June 30, 2016 (Audited)
	(Rupees in "000")	
<b>5 Long term loans</b>		
Syndicated Long term Loan	12,597	50,388
Sponsor Loan-Un secured	122,823	115,663
	<b>135,420</b>	<b>166,051</b>

**DEWAN MUSHTAQ TEXTILE MILLS LIMITED**

**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.

	<b>March 31, 2017 (Un-audited)</b>	June 30, 2016 (Audited)
(Rupees in "000")		
<b>7 Property, Plant And Equipment</b>		
Opening written down value	520,988	567,130
Depreciation during the period / year	(31,744)	(46,142)
Closing written down value	<u>489,244</u>	<u>520,988</u>
<b>8 Available For Sale Investment - At Fair Value In related party</b>		
Shares in Dewan Salman Fibre Ltd. (Public, quoted company) 19,864,518 (June 30, 2016: 19,864,518) Fully paid up		
Ordinary shares of Rs. 10/- each.	<b>40,000</b>	40,000
Surplus / (deficit) due to change in fair value	<b>57,733</b>	2,709
	<u>97,733</u>	<u>42,709</u>
Aggregate Market value (Rupees per share)	<u>4.92</u>	<u>2.15</u>
Percentage of equity held	<u>5.42%</u>	<u>5.42%</u>
	<b>March 31, 2017 (Un-audited)</b>	March 31, 2016 (Un-Audited)
(Rupees in "000")		
<b>9 Cash and Cash Equivalents</b>		
Cash and Bank Balances	<b>4,899</b>	2,960
Short term Borrowings	<u>(77,050)</u>	<u>(60,974)</u>
	<u>(72,150)</u>	<u>(58,014)</u>

**10 Related Party Transactions**


During the period provident fund contribution of Rs.3.525 million (March 2016: Rs.4.179 million), Sales for the period of Rs.0.576 million comparative to (March 2016: Nil) and Purchases Rs.Nil comparative to ( March 16, 1.169 million ) were recorded against the Related parties. All transactions have been carried out at commercial terms and conditions and valued at arm's length price.

**11 Earning Per Share - Basic**

	<u>July - Mar 2017</u>	<u>July - Mar 2016</u>	<u>Jan - Mar 2017</u>	<u>Jan - Mar 2016</u>
Loss after Taxation (Rupees in "000")	(122,136)	(130,207)	(27,860)	(36,166)
Weighted Average Number of Ordinary Shares Issued during the period (Nos'000)	6,561	6,561	6,561	6,561
Loss Per Share - Basic (Rupees)	(18.62)	(19.85)	(4.25)	(5.51)

**12 Date Of Authorization For Issue**

These financial statements were authorized for issue on April 27, 2017 by the Board of Directors of the Company.



**Ishtiaq Ahmed**  
Chief Executive Officer



**Haroon Iqbal**  
Director