

DEWAN MUSHTAQ TEXTILE MILLS LIMITED

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COMPANY INFORMATION

BOARD OF DIRECTORS	
Executive Director	: Mr. Ishtiaq Ahmed - Chief Executive Officer
Non-Executive Directors	: Dewan Muhammad Yousuf Farooqui Chairman Board of Directors Mr. Haroon Iqbal Mr. Syed Muhammad Anwar Mr. Muhammad Baqar Jafferri Mr. Mehmood-UI-Hassan Asghar
Independent Director	: Mr. Aziz-ul-Haque
Audit Committee	: Mr. Aziz-ul-Haque (Chairman) Mr. Haroon Iqbal (Member) Mr. Mehmood-UI-Hassan Asghar (Member)
Human Resources & Remuneration Committee:	Dewan Muhammad Yousuf Farooqui (Chairman) Mr. Haroon Iqbal (Member) Mr. Ishtiaq Ahmed (Member)
Auditors	: Feroze Sharif Tariq & Co. 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 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	: A-30, S.I.T.E., Hyderabad, Sindh, Pakistan.
Website	: www.yousufdewan.com

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 half year ended December 31, 2015 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 most tumultuous and difficult situation. The cost of doing business in Pakistan has risen tremendously. The burden of Indirect taxes, sales tax withholding is all on the Corporate sector and together with non-refund of advance income tax and sales tax, is becoming unbearable. In addition to that there has been an increase of 30% in wage rate, multiple increase in Electricity tariffs, an increase in Gas Tariff, Surcharges and in infrastructure Cess, combined with the withholding taxes and service taxes imposed by the provincial government, the Industry is rendered totally uncompetitive. The Government's indifferent is leading to total collapse of the Textile Industry. Over and above, there seems to be a cotton failure in Pakistan because of inferior cotton seeds and untimely rains and there are various estimates of Cotton crop ranging from 10 million to 12 million bales, which has also rendered the quality of Cotton to be poor and yet Cotton price are on a higher side, in comparison to Yarn prices, both locally and internationally. Energy shortages have continued in the current period as well and with the Government rising power tariffs have put extra financial burden on the Textile Industry.

Operating Performance:-

The financial highlights for the first quarter ended December 31, 2015 are as follows:

Company has achieved net sales of Rs 441.930 million during the period under review as compared to the Rs. 391.911 million of the corresponding period of last year. Company has suffered gross loss of Rs 47.574 million as compared to the gross loss of Rs 52.242 million of comparable period of last year. Operating expenses of the company have been increased by Rs 0.393 million as compared to the period of last year.

During the period under review, decrease in production volume was the result of lesser market demand and 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 as the term sheet has been finalized and circulated by the agent Bank to syndicate of banks for their internal approvals. Management is hopeful that such revision will be finalized soon secondly the markup outstanding up to the date of restructuring is Rs.248.831 million, which the company would be liable to pay in the event of default of terms of agreement. Since the revision in restructuring is in advanced stage therefore management is confident that this amount will remain eligible for waiver, hence no provision of the same has been made in these condensed interim financial statements.

Outlook

The key challenges facing Pakistan's economy have continued to suppress economic activity and growth of the country. At present energy crisis, load shedding and law and order are affecting the economy badly; however, some initiatives which are being taken by the government will hopefully improve the situation in near future. 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: February 24, 2016

Chief Executive Officer

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

Introduction

We have reviewed the accompanying Condensed balance sheet of Dewan Mushtaq Textile Mills Limited ("the company") as at December 31, 2015 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, 2015 and December 31, 2014 have not been reviewed as we are required to review only the cumulative figures for the Six month ended December 31, 2015.

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.

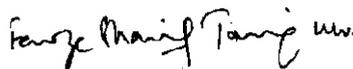
Basis of qualified Opinion

- a) During the period the company also defaulted in repayment of installments of restructured liabilities, hence as per clause 10.2 of the Compromise Agreement of the company, the entire outstanding restructured liabilities of Rs.176.359 million (note 5 to the Condensed interim financial Statements) along with markup of Rs. 248.831 million (eligible for waiver outstanding as of date of restructuring) become immediately payable, therefore provision for markup should be made in these Condensed interim financial statements and the long term financing of Rs. 75.582 million should be classified under current liabilities. Furthermore, the company has been unable to ensure timely repayments of restructured debts owing to financial institutions due to liquidity problems therefore the financial institution and not renewed the expired short term finance facilities of the company.
- b) Had the provisions for the mark up, as discussed in preceding paragraph (a), been made in these Condensed interim financial statements, the loss after taxation would have been higher by Rs. 248.831 million and markup payable would have been higher and shareholders' equity would have been lower by Rs. 248.83 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, 2015 are not prepared, in all material respects, in accordance with approved accounting standard as applicable in Pakistan.

Audit Engaging Partner: Mohammad Tariq
Karachi: February 24, 2016
Place: Karachi



CHARTERED ACCOUNTANTS

CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2015

EQUITY AND LIABILITIES	Notes	December 31,	June 30,
		2015	2015
		(Rupees in "000")	
CAPITAL & RESERVES		(Un-Audited)	(Audited)
Authorized			
10,000,000 (June 30, 2015: 10,000,000) Ordinary Shares of Rs. 10/- each		100,000	100,000
Issued, Subscribed and Paid-up Capital		65,610	65,610
General Reserve - (a Revenue Reserve)		45,000	45,000
Unappropriated Profit/(loss)		(32,199)	63,422
		78,411	174,033
Surplus on revaluation of property plant and equipment		297,859	307,404
NON-CURRENT LIABILITIES			
Long term loans	5	164,235	207,914
Deferred Liabilities			
Provision for Staff Gratuity		32,861	32,750
Deferred taxation		64,087	75,811
		96,948	108,561
CURRENT LIABILITIES			
Trade and Other Payables		78,485	93,554
Mark-up accrued on loans		21,868	16,327
Current Portion of Long Term Loan		123,541	75,582
Short Term Borrowings - Secured		74,354	37,499
Provision for Income Tax		62,976	62,976
		361,224	285,939
Contingencies and Commitments	6	--	--
		998,677	1,083,850
ASSETS			
NON-CURRENT ASSETS			
Property Plant and Equipment	7	544,108	567,130
Available for Sale Investment - at fair value	8	41,120	52,244
Long Term Deposits		27,552	27,552
CURRENT ASSETS			
Stores, Spares and Loose Tools		15,369	16,897
Stock-in-Trade		72,243	86,536
Trade Debts - Considered Good		202,872	247,698
Loans and Advances - Unsecured, Considered good		3,674	5,101
Trade Deposits, Prepayments and Statutory Balances - Considered good		11,322	13,955
Other Receivables - Unsecured, Considered good		12,225	12,225
Income Tax Refunds and Advances		64,597	48,254
Cash and Bank Balances	9	3,595	6,258
		385,897	436,924
		998,677	1,083,850

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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

	6 Months		3 Months	
	July - Dec 2015	July - Dec 2014	Oct to Dec 2015	Oct to Dec 2014
	(Rupees in "000")			
Sales - Net	441,930	391,911	212,155	193,190
Cost of Sales	(489,504)	(444,153)	(222,342)	(220,040)
Gross Loss	(47,574)	(52,242)	(10,187)	(26,850)
Administrative and General Expenses	(19,028)	(22,632)	(10,449)	(11,065)
Distribution Costs and Selling Expenses	(10,187)	(6,190)	(4,198)	(2,855)
	(29,215)	(28,822)	(14,647)	(13,920)
Operating Loss	(76,788)	(81,064)	(24,834)	(40,770)
Provision for doubtful debts	(15,203)	--	(15,203)	--
Finance Cost	(13,773)	(19,752)	(7,016)	(9,682)
Loss before taxation	(105,765)	(100,816)	(31,850)	(50,452)
Taxation				
Current	--	(3,919)	2,298	(1,932)
Deferred	11,724	18,549	6,289	1,730
	11,724	14,630	8,587	(202)
Loss after taxation	(94,041)	(86,186)	(23,263)	(50,654)
Loss Per Share - Basic	(14.33)	(25.10)	(3.55)	(14.75)

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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

	6 Months		3 Months	
	July - Dec 2015	July - Dec 2014	Oct to Dec 2015	Oct to Dec 2014
	(Rupees in "000")			
Loss for the period	(94,041)	(86,186)	(38,466)	(50,654)
Other comprehensive Income:				
Transfer from surplus on revaluation of property plant and equipment in respect of:				
Incremental depreciation	14,245	16,056	7,789	8,028
Related deferred tax	(4,701)	(5,459)	(2,635)	(2,729)
	9,544	10,597	5,154	5,299
Changes in fair value of available for sale investment	(11,124)	(3,178)	(15,892)	993
Total comprehensive (Loss) / Income for the period	(95,621)	(78,767)	(49,204)	(44,362)

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

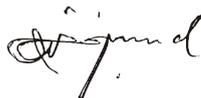
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015**

	6 Months ended	
	December '31 2015	December '31 2014
	(Rupees in "000")	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before Taxation	(105,765)	(100,816)
Adjustment for Non-Cash and Other Items:		
Depreciation	23,022	25,848
Provision for Gratuity	3,391	3,391
Finance Cost	13,773	19,752
	40,186	48,991
Working Capital Changes	(65,579)	(51,825)
<i>(Increase) / Decrease in Current Assets</i>		
Stores, Spares and Loose Tools	1,528	2,066
Stock-in-Trade	14,293	(47,729)
Trade Debts	44,826	206,622
Loans and Advances	1,427	(3,238)
Trade deposits, Prepayments & Statutory balances	2,633	(1,164)
Other Receivables	-	(5,301)
<i>Increase / (Decrease) in Current Liabilities</i>		
Trade Creditors, Payable & others borrowings	(15,069)	(42,025)
	49,638	109,231
Taxes Paid	(16,343)	(7,645)
Gratuity Paid	(3,280)	(2,632)
	(19,623)	(10,277)
Net Cash Inflow/ (Outflow) from Operating Activities	(35,564)	47,129
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed Capital Expenditure	--	--
Net Cash Inflow / (Outflow) from Investing Activities	--	--
CASH FLOW FROM FINANCING ACTIVITIES		
Syndicated Long Term Loan	-	(24,004)
Finance Cost Paid	(3,954)	(11,928)
Net Cash Inflow/ (Outflow) from Financing Activities	(3,954)	(35,932)
Net (decrease) / Increase in Cash and Cash Equivalents	(39,518)	11,197
Cash and Cash Equivalents at the Beginning	(31,241)	(108,324)
Cash and Cash Equivalents at the End	(70,759)	(97,127)

Notes

9

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 HALF YEAR ENDED DECEMBER 31, 2015**

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, 2014	34,340	45,000	10,926	108,584	198,850
comprehensive income for the period	--	--	(3,178)	(75,589)	(78,767)
Balance as on December 31, 2014	<u>34,340</u>	<u>45,000</u>	<u>7,748</u>	<u>32,995</u>	<u>120,083</u>
Balance as on July 01, 2015	65,610	45,000	22,050	41,373	174,033
comprehensive income for the period	--	--	(11,124)	(84,497)	(95,621)
Balance as on December 31, 2015	<u>65,610</u>	<u>45,000</u>	<u>10,926</u>	<u>(43,124)</u>	<u>78,411</u>

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 HALF YEAR ENDED DECEMBER 31, 2015

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.

2 Basis of Preparation

- 2.1 This condensed interim financial information of the Company for the period ended December 31, 2015 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, 2015.
- 2.4 These condensed interim financial statements comprise of condensed Interim Balance Sheet as at December 31, 2015 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, 2015 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, 2015.
- 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 2015, 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, 2014. The comparative condensed Interim profit and loss account for the quarter ended December 31, 2014 is also included in these condensed interim financial statements, which has not been subjected to a review.

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, 2015.

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, 2015. 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

Syndicated Long term Loan-Secured
Sponsor Loan-Un secured

	December 31, 2015 (Un-audited)	June 30, 2015 (Audited)
	(Rupees in "000")	
	75,582	100,777
	88,652	107,138
	164,235	207,914

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, 2015.

7 PROPERTY, PLANT AND EQUIPMENT

Opening written down value
Additions during the period / year
Surplus on revaluation of Fixed Assets
Written down value of disposals
Depreciation during the period / year
Closing written down value

	December 31, 2015 (Un-audited)	June 30, 2015 (Audited)
	(Rupees in "000")	
	562,430	614,126
	--	--
	--	--
	--	--
	(23,022)	(51,696)
	539,408	562,430
Capital work in progress	4,700	4,700
	544,108	567,130

DEWAN MUSHTAQ TEXTILE MILLS LIMITED

8 AVAILABLE FOR SALE INVESTMENT - At fair value

In related party

Shares in Dewan Salman Fibre Ltd. (Public, quoted company)
19,864,518 (June 30, 2015: 19,864,518) Fully paid up

	Dec 31, 2015	Dec 31, 2014
	(Rupees in '000)	
ordinary shares of Rs. 10/- each.	40,000	40,000
Surplus / (deficit) due to change in fair value	1,120	12,244
	41,120	52,244
Aggregate Market value (Rupees per share)	2.07	2.63
Percentage of equity held	5.42%	5.42%

9 Cash and Cash Equivalents

Cash and Bank Balances
Short term Borrowings

	Dec 31, 2015	Dec 31, 2014
	(Rupees in '000)	
Cash and Bank Balances	3,595	6,533
Short term Borrowings	(74,354)	(103,660)
	(70,759)	(97,127)

10 RELATED PARTY TRANSACTIONS

Donation to Dewan Farooq Trust
Provident Fund

	July - Dec 2015	July - Dec 2014
	(Rupees in '000)	
Donation to Dewan Farooq Trust	1,500	1,500
Provident Fund	3,145	2,369

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

11 Earnings Per Share - Basic

Loss after Taxation (Rupees in '000)
Weighted Average Number of Ordinary
Shares issued during the period (Nos'000)
Loss Per Share - Basic (Rupees)

	6 Months		3 Months	
	July - Dec 2015	July - Dec 2014	Oct to Dec 2015	Oct to Dec 2014
Loss after Taxation (Rupees in '000)	(94,041)	(86,186)	(23,263)	(50,654)
Weighted Average Number of Ordinary Shares issued during the period (Nos'000)	6,561	3,434	6,561	3,434
Loss Per Share - Basic (Rupees)	(14.33)	(25.10)	(3.55)	(14.75)

12 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 24, 2016 by the Board of Directors of the Company.



Ishtiaq Ahmed
Chief Executive Officer



Haroon Iqbal
Director