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DEWAN TEXTILE MILLS LIMITED

COMPANY INFORMATION

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 Jafferi
Independent Director	:	Mr. Aziz-ul-Haque
Audit Committee	:	Mr. Aziz-ul-Haque - Chairman Mr. Muhammad Baqar Jafferi (Member) Mr. Ghazanfar Baber Siddiqi (Member)
Human Resources & Remuneration Committee	:	Dewan Muhammad Yousuf Farooqui - Chairman Mr. Mehmood-ul-Hassan (Member) Mr. Ishtiaq Ahmad - Member
Auditors	:	Faruq Ali & Co. C-88, Ground Floor, KDA Scheme No. 1, Main Karsaz Road, Opp. Maritime Museum Karachi.
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 Standard Chartered Bank Pakistan Limited Meezan Bank Limited United Bank Limited Bank Al-Falah Ltd Silk Bank Limited NIB Bank Limited Summit Bank Limited Faysal Bank Limited MCB 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	:	H/20 & H/26, S.I.T.E., Kotri, District Dadu, Sind, Pakistan
Website	:	www.yousufdewan.com



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 Nil as compared to Rs.203.359 million of relevant quarter of corresponding year. Company has suffered gross loss of Rs. 45.113 million as compared to the gross loss of Rs.154.211 million of comparative quarter, whereas operating expenses of the company have increased by Rs.115.388 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 December 2015.

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; Summa Ameen

LO-MY LORD IS INDEED HEARER OF PRAYER (HOLY QURAN)
By and under Authority of the Board of Directors

Ishtiaq Ahmed

Dated: October 26, 2016

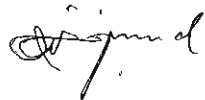
Chief Executive Officer

DEWAN TEXTILE MILLS LIMITED

**CONDENSED INTERIM BALANCE SHEET
AS AT 30TH SEPTEMBER, 2016**

	Sept 30, 2016 (Un-Audited)	June 30, 2016 (Audited)
<u>EQUITY AND LIABILITIES</u>	NOTES	Rupees
SHARE CAPITAL AND RESERVES		
Authorized capital (50,000,000 ordinary shares of Rs. 10/- each)	500,000,000	500,000,000
Issued, subscribed and paid up capital	460,646,090	460,646,090
Reserves and Accumulated Loss	(1,997,948,181)	(1,785,872,697)
	(1,537,302,091)	(1,325,226,607)
Surplus on revaluation of property plant and equipment	558,646,399	580,958,629
NON CURRENT LIABILITIES		
Long term financing - Secured	1,736,221,832	1,841,364,737
Deferred Taxation	174,790,826	166,787,471
CURRENT LIABILITIES		
Trade and Other payable	143,201,968	265,859,074
Markup accrued	425,851,360	379,793,193
Short term borrowings - Secured	573,921,603	634,624,527
Liability for staff Gratuity	51,866,376	51,866,376
Current and Overdue portion of long term financing	1,347,813,819	1,241,478,325
	2,542,855,126	2,573,621,495
CONTINGENCIES AND COMMITMENTS	6	--
	<u>3,475,012,092</u>	<u>3,837,505,725</u>
<u>ASSETS</u>		
NON CURRENT ASSETS		
Property, plant and equipment	1,651,976,987	1,690,905,513
Long term deposits	85,129,527	76,110,680
CURRENT ASSETS		
Stores and spares	61,814,578	61,820,409
Stock in trade	975,208,776	1,121,835,910
Trade debtors - Considered good	398,470,778	583,080,227
Advances - Considered good	10,164,671	10,709,685
Short term deposits and current account balance with statutory authorities	16,883,933	16,883,933
Taxes recoverable - Net	53,345,172	53,218,113
Cash and bank balances	6,139,910	7,063,495
	1,522,027,818	1,854,611,772
Non current assets held for sale	215,877,760	215,877,760
	<u>3,475,012,092</u>	<u>3,837,505,725</u>

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



Ishtiaq Ahmed
Chief Executive Officer

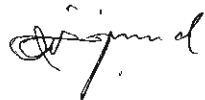


Aziz-ul-Haque
Director

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

	NOTES	July to Sept 2016	July to Sept 2015
		Rupees	
Sales - Net		-	203,359,314
Cost of sales		<u>(45,113,563)</u>	<u>(357,570,933)</u>
Gross (Loss)		<u>(45,113,563)</u>	<u>(154,211,619)</u>
Operating Expenses			
Selling & distribution expenses		-	(6,033,827)
Administrative expenses		<u>(129,360,750)</u>	<u>(7,939,094)</u>
		<u>(129,360,750)</u>	<u>(13,972,921)</u>
Operating (Loss)		<u>(174,474,313)</u>	<u>(168,184,540)</u>
Other Charges			
Finance cost	9	<u>(51,910,046)</u>	<u>(48,830,684)</u>
Other Charges		-	(750,000)
Other income		-	750,000
		<u>(51,910,046)</u>	<u>(48,830,684)</u>
(Loss) before taxation		<u>(226,384,359)</u>	<u>(217,015,224)</u>
Taxation			
-Current		-	(2,033,593)
-Deferred		<u>4,578,840</u>	<u>5,189,321</u>
		<u>4,578,840</u>	<u>3,155,728</u>
(Loss) after taxation		<u>(221,805,519)</u>	<u>(213,859,496)</u>
(Loss) per share - Basic and diluted	11	<u>(4.82)</u>	<u>(4.64)</u>

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



Ishtiaq Ahmed
Chief Executive Officer



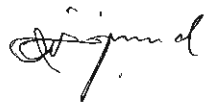
Aziz-ul-Haque
Director

DEWAN TEXTILE MILLS LIMITED

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

	July to Sept 2016	July to Sept 2015
Rupees		
(Loss) for the quarter	(221,805,519)	(213,859,496)
Transfer from surplus on revaluation of fixed assets in respect of		
Incremental depreciation	14,308,875	16,216,629
Related deferred tax	(4,578,840)	(5,189,321)
	9,730,035	11,027,308
Total comprehensive (Loss) for the quarter	(212,075,484)	(202,832,188)

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



Ishtiaq Ahmed
Chief Executive Officer

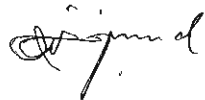


Aziz-ul-Haque
Director

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

	July to Sept 2016	July to Sept 2015
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) before taxation	(226,384,359)	(217,015,224)
Adjustment for :		
Depreciation	38,928,526	40,729,948
Provision for gratuity	--	3,855,116
Finance cost	51,910,046	48,830,684
Cash flow before working capital changes	(135,545,787)	(123,599,476)
Increase / (decrease) in current assets		
Stores & spares	5,828	(1,143,487)
Stock in trade	146,627,133	57,002,912
Trade debtors	184,609,452	108,894,624
Advances - Considered good	545,014	258,331
Short term deposit and current account balances with statutory authorities	--	508,940
Increase / (decrease) in current liabilities		
Trade creditors, payable & others borrowings	(183,360,030)	(44,382,527)
Short term borrowings	148,427,397	121,138,793
Taxes - Net	(127,059)	(810,503)
Deposit	(9,018,847)	(6,000,000)
Gratuity paid	--	(1,255,262)
	(9,145,906)	(8,065,765)
Net cash inflow from operating activities	3,735,704	(10,526,448)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditures	--	--
Net cash outflow from investing activities	--	--
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing	(1,249,104)	(196,953)
Financial cost paid	(3,410,185)	(10,925,598)
Net cash outflow from financing activities	(4,659,289)	(11,122,551)
Net decrease in cash and cash equivalents	(923,585)	(21,648,999)
Cash and cash equivalents at beginning of the quarter	7,063,495	33,277,725
Cash and cash equivalents at the end of quarter	6,139,910	11,628,726

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



Ishtiaq Ahmed
Chief Executive Officer



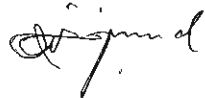
Aziz-ul-Haque
Director

DEWAN TEXTILE MILLS LIMITED

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

	Issued Subscribed and Paid up Capital	General reserve	Unrealized gain due to change in fair value of Investments	Accumulated loss	Total
	Rupees				
Balance as on 1st July, 2015	460,646,090	333,000,000	57,358,822	(1,381,821,538)	(510,816,626)
Total comprehensive for the quarter	-	-	-	(213,859,496)	(213,859,496)
Incremental depreciation - net of tax	-	-	-	11,027,308	11,027,308
Balance as on September 30, 2015	460,646,090	333,000,000	57,358,822	(1,564,453,726)	(713,448,814)
Balance as on 1st July, 2016	460,646,090	333,000,000	57,358,822	(2,176,231,519)	(1,325,228,607)
Total comprehensive profit/(loss) for the quarter	-	-	-	(221,805,519)	(221,805,519)
Incremental depreciation - net of tax	-	-	-	9,730,035	9,730,035
Balance as on September 30, 2016	460,646,090	333,000,000	57,358,822	(2,388,307,003)	(1,537,302,091)

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



Ishtiaq Ahmed
Chief Executive Officer



Aziz-ul-Haque
Director

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

1 THE COMPANY AND ITS OPERATIONS

The Company is a public limited company incorporated in Pakistan on 16 April 1970 under the Companies Act, 1913 (Now Companies Ordinance, 1984) and is listed on the Pakistan Stock Exchange. The principal activity of the Company is manufacturing and sale of yarn. The Company's registered office is located at 8th Floor, Block-A, Finance & Trade Centre, Shahrah-e-Faisal, Karachi.

- 2 The financial statements of the Company for the quarter ended 30 September 2016 reflect that the Company has sustained a net loss after taxation of Rs.221.805 million (30 June, 2016: Rs.852.664 million) and as of that date the Company's negative reserves and accumulated loss of Rs.1997.948 million (30 June, 2016: Rs.1,785.872 million) have resulted in negative equity of Rs.1,537.302 million (30 June, 2016: Rs.1,325.227 million). Further the Company's short term borrowing facilities having limit to the extent of Rs.315 million have expired and not been renewed. The Company is facing litigations with three of its lenders for repayment of liabilities through attachment and sale of Company's hypothecated / mortgaged properties and out of them two of the lenders had also filed winding up petition under section 305 of the Companies Ordinance, 1984. During the year under consideration, the Company defaulted in repayment of its restructured liabilities due to liquidity crunch faced by the Company following the adverse conditions of overall textile industry. Accordingly, the entire restructured liabilities alongwith markup eligible for waiver have become immediately repayable. Company, for the time being, has suspended its manufacturing operations. 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 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.

DEWAN TEXTILE MILLS LIMITED

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.

		September 30, 2016 (Un Audited)	June 30, 2016 (Audited)
	Note	Rupees	
7 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	1,641,671,598	1,680,600,124
Capital work in progress - At cost		10,305,389	10,305,389
		1,651,976,987	1,690,905,513
7.1 Operating fixed assets			
Opening Written down value		1,680,600,124	1,756,620,917
Additions during the period /year		-	88,033,789
Depreciation during the quarter /year		(38,928,526)	(164,054,582)
Closing written down value		1,641,671,598	1,680,600,124

8 NON CURRENT ASSETS HELD FOR SALE

Investment in Dewan Salman Fibre Limited 104,288,773 Fully paid ordinary shares of Rs. 10/- each	215,877,760	215,877,760
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9 FINANCE COST

Company has not made the provision of markup for the quarter amounting to Rs.8.258 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 and accrued markup would have been higher by Rs. 8.258 millions and shareholders' equity would have been lower by the same amount.

	Sept. 30, 2016	Sept. 30, 2015
	Rupees	
10 RELATED PARTY TRANSACTIONS		
Purchases - Raw Material/ Yarn	-	1,165,425
Sales - Yarn/ Waste/ Cotton	72,117,548	1,715,000
Provident fund	188,216	3,238,162

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

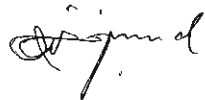
11 EARNING / (LOSS) PER SHARE - Basic and diluted

There is no dilutive effect on earnings per share of the company which is based on:

(Loss) after taxation (Rupees)	(221,805,519)	(213,859,496)
Weighted average number of shares (Nos)	46,064,609	46,064,609
(Loss) per share - Basic and diluted (Rupees)	(4.82)	(4.64)

12 DATE OF AUTHORIZATION TO ISSUE

These financial statements were authorized for issue on October 26, 2016 by the Board of Directors of the



Ishtiaq Ahmed
Chief Executive Officer



Aziz-ul-Haque
Director