

DEWAN TEXTILE MILLS LIMITED

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COMPANY INFORMATION

BOARD OF DIRECTORS

Executive Director	:	Ishtiaq Ahmed - Chief Executive Officer
Non-Executive Directors	:	Dewan Muhammad Yousuf Farooqui Chairman, Board of Directors Dewan Abdul Rehman Farooqui Mr. Mehmood ul Hassan Asghar Mr. Syed Mohammad Anwar Mr. Ghazanfar Babar Siddiqui
Independent Director	:	Mr. Aziz-ul-Haque
Audit Committee	:	Mr. Aziz-ul-Haque (Chairman) Dewan Abdul Rehman Farooqui (Member) Mr. Mehmood ul Hassan Asghar (Member)
Human Resources & Remuneration Committee	:	Dewan Muhammad Yousuf Farooqui (Chairman) Mr. Mehmood ul Hassan Asghar (Member) Mr. Ishtiaq Ahmed (Member)
Auditors	:	Faruq Ali & Co. Chartered Accountants 222-A, K.M.C.H.S. Justice Inamullah Road, Near Hill Park, Karachi
Company Secretary	:	Mr. Mohammad Hanif German
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

DEWAN 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, 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.

The Economy

During the period, the Textile Industry continued to face the difficult situation. The cost of doing business in Pakistan has risen over the period. 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. The textile industry as a whole is continuously under stress both locally and internationally.

Operating Performance:-

The financial highlights for the nine months ended March 31, 2016 are as follows:

Company has achieved net sales of Rs 333.620 million during the period under review as compared to the Rs.1,476.056 million of the corresponding period of last year. Company has suffered gross loss of Rs 321.316 million as compared to the gross loss of Rs 159.889 million of comparable period of last year. Operating expenses of the company have been decreased by Rs.17.240 million as compared to those of relevant period of last year.

During the period under review, decrease in production volume was the result of 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 lower 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 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.

The company could not continue its operations during quarter ended March 31, 2016, due to working capital constraints, high cost of production and negative cash flows.

Outlook

The key challenges facing Pakistan's economy have continued to suppress economic activity and growth of the country's economy. At present energy crisis is affecting the economy; 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

Chief Executive Officer

Dated: April 25, 2016



CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2016

		Un - Audited March 31, 2016	Audited June 30, 2015
	Note	Rupees in '000'	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital (June 2015: 50,000,000 ordinary shares of Rs.10/- each)		500,000	500,000
Issued, subscribed and paid up capital		460,646	460,646
Reserves and surplus	4	(1,473,180)	(971,263)
		(1,012,534)	(510,617)
Surplus on revaluation of property plant and equipment		620,766	662,814
NON CURRENT LIABILITIES			
Long term financing - Secured		1,946,624	2,258,550
Deferred Liabilities			
Deferred liability for staff gratuity		45,935	39,990
Deferred Tax		143,197	149,798
CURRENT LIABILITIES			
Trade and other payables		303,726	290,429
Markup accrued		333,470	209,842
Short term borrowings - Secured		621,486	734,271
Current and overdue portion of long term financing		1,135,074	818,944
		2,393,756	2,053,486
CONTINGENCIES AND COMMITMENTS			
	5	4,137,744	4,654,022
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	1,694,426	1,816,272
Available for sale investment - At fair value		-	--
Long term deposits		76,111	68,111
CURRENT ASSETS			
Stores and spares		69,794	68,346
Stock in trade	7	1,287,737	1,378,330
Trade debtors - Considered good		699,999	981,558
Advances - Considered good		20,857	22,627
Short term deposits and current		--	--
account balances with statutory authorities		19,147	20,747
Taxes recoverable - Net		52,699	48,875
Cash and bank balances		1,096	33,278
		2,151,329	2,553,761
Non current assets held for sale	8	215,878	215,878
		4,137,744	4,654,022

The annexed notes form an integral part of the interim condensed financial information.

Ishtiaq Ahmed
Chief Executive Officer

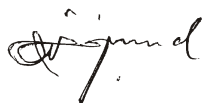
Dewan Abdul Rehman Farooqui
Director

DEWAN TEXTILE MILLS LIMITED

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2016**

	Note	9 months		3 months	
		July - Mar 2016	July - Mar 2015	Jan-Mar 2016	Jan-Mar 2015
		Rupees in '000'		Rupees in '000'	
Sales - Net		333,620	1,476,056	(0)	514,158
Cost of sales		(654,936)	(1,635,945)	(69,851)	(589,230)
Gross Loss		(321,316)	(159,889)	(69,851)	(75,072)
OPERATING EXPENSES					
Distribution cost		(8,257)	(19,302)	(0)	(4,788)
Administrative expenses		(21,322)	(27,517)	(4,863)	(10,310)
		(29,579)	(46,819)	(4,863)	(15,098)
OPERATING LOSS		(350,895)	(206,708)	(74,714)	(90,170)
OTHER CHARGES / INCOME					
Finance cost	9	(149,151)	(166,756)	(50,678)	(53,995)
Other Charges		(1,555)	(2,610)	--	(765)
Provision of doubtful debts		(50,465)			
Other income		1,500	277	--	--
		(199,671)	(169,089)	(50,678)	(54,760)
Loss before taxation		(550,566)	(375,797)	(125,392)	(144,930)
Taxation - Current		--	(16,330)	--	(5,523)
Deferred		16,054	18,258	5,351	5,717
		16,054	1,928	5,351	194
Loss after taxation		(534,512)	(373,868)	(120,041)	(144,736)
Loss per share - basic and diluted		(11.60)	(27.68)	(2.61)	(10.68)

The annexed notes form an integral part of the interim condensed financial information.



Ishtiaq Ahmed
Chief Executive Officer

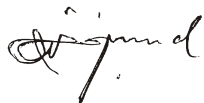


Dewan Abdul Rehman Farooqui
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER & NINE MONTHS ENDED MARCH 31, 2016**

	9 months		3 months	
	July - Mar 2016	July - Mar 2015	Jan - Mar 2016	Jan - Mar 2015
	Rupees in '000'			
(Loss) / for the period	(534,512)	(373,868)	(120,041)	(144,756)
Other comprehensive income:				
Available for sale financial assets:				
- Changes in fair value	-	(37,260)	-	(18,630)
Transfer from surplus on revaluation of fixed assets in respect of				
Incremental depreciation	48,650	55,327	16,217	18,442
Related deferred tax	(16,054)	(18,258)	(5,351)	(6,086)
	32,595	37,069	10,866	12,356
Total comprehensive Loss for the period	(501,917)	(374,059)	(109,175)	(151,030)

The annexed notes form an integral part of the interim condensed financial information.



Ishtiaq Ahmed
Chief Executive Officer



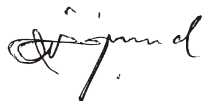
Dewan Abdul Rehman Farooqui
Director

DEWAN TEXTILE MILLS LIMITED

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2016**

	July to March 2016	July to March 2015
	Rupees in '000'	
Cash Flow from Operating Activities		
(loss)/ profit before taxation	(550,566)	(375,797)
Adjustment for non-cash and other items		
Depreciation	122,213	127,390
Provision for gratuity	11,565	11,565
Finance cost	149,151	166,756
	282,929	305,712
	(267,637)	(70,084)
Changes in Operating Assets and Liabilities		
(Increase) / Decrease in Current Assets		
Stores and spares	(1,448)	9,112
Stock in trade	90,593	6,210
Trade debtors - Considered good	281,559	234,718
Advances - Considered good	1,770	440
Short term deposits and current account balances with statutory authorities	1,600	1,260
Increase / (Decrease) in Current Liabilities		
Trade creditors, payable & others borrowings	(99,488)	(375,173)
	274,586	(123,433)
Payments for		
Income tax - net	(3,823)	(9,278)
Long Term Deposit	(8,000)	--
Financail Charges Paid	--	--
Gratuity	(5,621)	(9,512)
	(17,444)	(18,790)
Net cash inflow from operating activities	(10,495)	(212,307)
Cash Flow from Investing Activities		
Fixed capital expenditures	(367)	(6,896)
Net cash outflow from investing activities	(367)	(6,896)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing	4,205	(38,700)
short term borrowings	-	279,300
Financial cost paid	(25,524)	(25,518)
Net cash outflow from financing activities	(21,319)	215,082
Net decrease in cash and cash equivalents	(32,181)	(4,121)
Cash and cash equivalents at beginning of the period	33,278	14,829
Cash and cash equivalents at the end of period	1,096	10,708

The annexed notes form an integral part of the interim condensed financial information.



Ishtiaq Ahmed
Chief Executive Officer

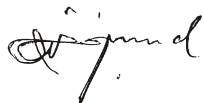


Dewan Abdul Rehman Farooqui
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2016**

	Issued Subscribed and Paid up Capital	General Reserve	Unrealized gain / (loss) due to change in fair value of investment	Accumulated (Loss)	Total
Rupees in '000'					
Balance as on 1st July, 2014	135,046	333,000	57,359	(985,635)	(460,231)
Total comprehensive income for the period	-	-	-	(373,868)	(373,868)
Changes in fair values of available for sale investments	-	-	(49,016)	-	(49,016)
Transfer from surplus on revaluation of property, plant and equipment in respect incremental depreciation - net of tax	-	-	-	37,069	37,069
Balance as at Mar 31, 2015	<u>135,046</u>	<u>333,000</u>	<u>8,343</u>	<u>(1,322,435)</u>	<u>(846,045)</u>
Balance as on 1st July, 2015	460,646	333,000	57,359	(1,361,622)	(510,617)
Total comprehensive (loss) for the period (Loss) for the period	-	-	-	(534,512)	(534,512)
Transfer from surplus on revaluation of property, plant and equipment in respect incremental depreciation - net of tax	-	-	-	32,595	32,595
	-	-	-	(501,917)	(501,917)
Balance as on 31st Mar, 2016	<u>460,646</u>	<u>333,000</u>	<u>57,359</u>	<u>(1,863,539)</u>	<u>(1,012,534)</u>

The annexed notes form an integral part of the interim condensed financial information.



Ishtiaq Ahmed
Chief Executive Officer



Dewan Abdul Rehman Farooqui
Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2016**

1 THE COMPANY AND ITS OPERATIONS

The Company is a public limited company incorporated in Pakistan on April, 16, 1970 under the Companies Act 1913 (Now Companies Ordinance, 1984) and is listed on the Karachi and Lahore Stock Exchanges. 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 GOING CONCERN ASSUMPTION

The interim condensed financial information for the nine months ended March 31, 2016 reflects that company's negative reserves of Rs. 1473.180 million (June 2015: Rs.971.262 million) have resulted in negative equity of Rs. 1012.534 million (June 2015: Rs.510.616 million). Further the company's short term borrowing facilities having limits to the extent of Rs.315 million have expired and not been renewed. 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. These conditions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

The interim condensed financial information has been prepared on going concern assumption because the Company has executed Compromise Agreement dated December 23, 2011 with majority of its lenders and, in this regard, consent decrees have been granted by the Honorable High Court of Sindh, Karachi. Company's liabilities in respect of short term borrowings, long term loans, leases and overdue letters of credit have been rescheduled in the form of a syndicated long term loan of Rs.3.930 billion repayable in nine and half years with progressive mark up rates ranging from 2% to 13% over the period on outstanding principal. Moreover banks / financial institutions have allowed further working capital to the Company upto the limit to Rs.916.800 million. Company defaulted in the repayments of its restructured liabilities due to liquidity crunch faced by the company following the adverse conditions of over all industry. 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. As the conditions mentioned in the foregoing paragraph are temporary and has started to be reversed, so , accordingly the preparation of financial information using going concern assumption is justified.

3 BASIS OF PREPARATION

These condensed Interim financial statements of the company for the nine months period ended March' 31, 2016 has been prepared in accordance with the requirements of International Accounting Standard 34 (IAS 34) "Interim Financial Reporting" and being submitted to the shareholders under section 245 of the Companies Ordinance 1984 and provision of the directive issued under the companies ordinance, 1984 and listing regulations of Karachi and Lahore Stock Exchanges.. In case where the requirements differ, the provisions of or directives issued under the companies ordinance, 1984 have been followed.

- 3.1 These condensed interim financial statements of the Company do not include all of the statements required for full annual financial statements and should be read in conjunction with the audited annual separate financial statements of the Company as at and for the year ended June 30, 2015.
- 3.2 These condensed interim financial statements are presented in Pak Rupees which is also the Company's functional & pre-station currency and all figures have been rounded off to the nearest thousand.
- 3.3 These condensed interim financial statements comprise of condensed Interim Balance Sheet as at March 31, 2016 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, 2016 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, 2016.
- 3.4 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 March 31, 2015.
- 3.5 **ACCOUNTING POLICIES**
The accounting policies, significant accounting estimates and judgments adopted and applied in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the company's annual financial statements for the year ended June 30, 2015.

4 RESERVES AND SURPLUS	March 31,	June 30,
	2016	(Restated)
	Rupees in '000'	
Revenue reserves	Note	
General reserve	333,000	333,000
Accumulated loss - restated	(1,863,539)	(1,361,622)
Capital reserves		
Un-realized gain due to change in fair value of investment	57,359	57,359
	<u>(1,473,180)</u>	<u>(971,263)</u>
5 CONTINGENCIES AND COMMITMENTS		
There has been no significant change in the status of contingencies and commitments as reported in the annual financial statements for the year ended June 30, 2015		
6 PROPERTY, PLANT AND EQUIPMENT	March 31,	June 30,
	2016	2015
	Rupees in '000'	
Operating fixed assets	1,634,775	1,756,621
Capital work in progress - At cost	6.2 59,651	59,651
	<u>1,694,426</u>	<u>1,816,272</u>

DEWAN TEXTILE MILLS LIMITED

6.1 Additions and disposals during the period (Operating fixed assets)	March 31, 2016	June 30, 2015
Addition in Owned Assets	Rupees in '000'	
Non Fty Building	--	13,250
Factory building on lease hold land	--	14,000
Plant, machinery and equipments	--	70,114
Electric installation	--	--
Vehicles	88	1,480
Furniture and fixture	--	--
Office equipments	249	2,283
	<u>337</u>	<u>101,127</u>
6.2 Addition during the period (Capital work in progress)		
Civil works	56,018	56,018
advance for computer software	3,633	3,633
	<u>59,651</u>	<u>59,651</u>

7 STOCK IN TRADE

Raw material stocks valuing Rs. 265.021 million (June 2015: Rs.265.042 million) were pledged with the banks against the finance facilities obtained by the Company.

Finished goods stocks valuing Rs. 104.433 million (June 2015: Rs.104.433 million) were pledged with the banks against the finance facilities obtained by the Company.

8 NON CURRENT ASSETS HELD FOR SALE

Investment in Dewan Salman Fibre Limited

104,288,773 Fully paid ordinary shares of Rs. 10/- each	<u>215,878</u>	<u>215,878</u>
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The above 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. The approval of shareholders is being obtained in upcoming annual general meeting of the company. As required by IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' the investment has been carried at lower of carrying amount and fair value less cost to sell. The fair value of investments as of reporting date based on quoted prices was Rs. 236.736 million.

9 FINANCE COST AND MARKUP ACCRUED

Company has not made the provision of markup for the period amounting to Rs.27.486 million (upto June 30, 2015: Rs.294.943 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 profit for the period would have been lower by Rs. 27.486 millions and accrued markup would have been higher and shareholders' equity would have been lower by Rs. 322.429 million. The said non provisioning is departure from the requirements of IAS-23 'Borrowing Costs'.

10 TRANSACTIONS WITH RELATED PARTIES

During the period aggregate transactions made by the company with the associated companies were purchases of Rs.2.280 (Mar, 2015: Rs.8.847) and sales of Rs. 4.088 million (March, 2015: Rs.118.870million).

11 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 "Interim Financial Reporting", balance sheet has been compared with the balances of annual financial statements, whereas profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity have been compared with the balances of comparable period of immediately preceding financial year.

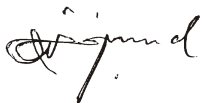
12 DATE OF AUTHORIZATION FOR ISSUE

The interim condensed financial information was authorized for issue on 25th April, 2016 by the Board of Directors of the Company.

13 Earning Per Share -Basic	July to Mar 2016	July to Mar 2015
Net(Loss) / Profit for the period	(534,512)	(373,868)
Number of ordinary shares	46,065	13,505
(Loss) / Earning Per Share - Basic (Rs)	(11.60)	(27.68)

14 GENERAL

Figures have been rounded off to the nearest thousand of rupee.



Ishtiaq Ahmed
Chief Executive Officer



Dewan Abdul Rehman Farooqui
Director