Mission Statement

The Mission of Dewan Textile Mills Limited is to be the finest Organisation, and to conduct business responsibly and in a straight forward way.

Our basic aim is to benefit the customers, employees and shareholders and to fulfill our commitments to the society. Our hallmark is honesty, innovation, teamwork of our people and our ability to respond effectively to change in all aspects of life including technology, culture and environment.

We will create a work environment, which motivates, recognizes and rewards achievements at all levels of the Organisation because

In Allah We Believe & In People We Trust

We will always conduct ourselves with integrity and strive to be the best.

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COMPANY INFORMATION

Executive Directors	:	Dewan Abdul Baqi Farooqui - Chief Executive Officer
Non-Exective Director	:	Dewan Muhammad Yousuf Farooqui - Chairman Board of Directors Dewan Abdul Rehman Farooqui Mr. Haroon Iqbal Mr. Ishtiaq Ahmed Mr. Ghazanfar Babar Siddiqui
Independent Director	:	Mr. Aziz-ul-Haque
Audit Committee	:	Mr. Aziz-ul-Haque - Chairman Dewan Abdul Rehman Farooqui - Member Mr. Haroon Iqbal - Member
Human Resources & Remuneration Committee	:	Dewan Muhammad Yousuf Farooqui - Chairman Dewan Abdul Baqi Farooqui - Member Mr. Haroon Iqbal - Member
Auditors	:	Faruq Ali & Co. Chartered Accountants 222-A, K.M.C.H.S. Justice Inamullah Road, Near Hill Park, Karachi
Company Secretary	:	Syed Muhammad Salahuddin
Chief Financial Officer	:	Mehmood ul Hassan Asghar
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, 8th Floor, Shahrah-e-Faisal, Karachi.
Shares Registrar & Transfer Agent	:	BMF Consultants Pakistan (Private) Ltd. Anum Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, Adjacent 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

NOTICE OF 45th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty Fifth Annual General Meeting of **Dewan Textile Mills Limited** ("***DTML***" or "***the Company***") will be held on **Thursday, October 30, 2014, at 10:30 a.m.** at Dewan Cement Limited Factory Site, at Deh Dhando, Dhabeji, District Malir, Karachi, Pakistan; to transact the following businesses upon recitation from Holy Qur'aan and other religious recitals:

1. To confirm the minutes of the preceding Annual General Meeting of the Company held on Wednesday, October 30, 2013;

2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2014, together with the Directors' and Auditors' Reports thereon;

3. To appoint the Statutory Auditors' of the Company for the ensuing year, and to fix their remuneration;

4. To consider any other business with the permission of the Chair

By Order of the Board

Date : September 26, 2014
Place : Karachi

Syed Muhammad Salahuddin
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from October 23, 2014 to October 30, 2014 (both days inclusive).

2. Members are requested to immediately notify change in their addresses, if any, at our Shares Registrar Transfer Agent BMF Consultants Pakistan (Private) Limited, located at Anum Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, adjacent to Baloch Colony Bridge, Karachi, Pakistan.

3. A member of the Company entitled to attend and vote at this meeting, may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company at the above-said address, not less than 48 hours before the meeting.

4. CDC Account holders will further have to observe the following guidelines, as laid down in Circular 01 dated January 20, 2000, issued by the Securities and Exchange Commission of Pakistan:

a) For Attending Meeting:

i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original National Identity Card (CNIC), or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney, along with the specimen signature of the nominee, shall be produced (unless it has been provided earlier) at the time of meeting.

b) For Appointing Proxies:

i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements.

ii) Two persons, whose names, addresses, and CNIC numbers shall be mentioned on the form, shall witness the proxy.

iii) Attested copies of CNIC or passport of the beneficial owners and proxy shall be furnished along with the proxy form.

iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney, along with the specimen signature of the nominee, shall be produced (unless it has been provided earlier) along with the proxy form to the Company.

DIRECTORS' REPORT

IN THE NAME OF ALLAH; THE MOST GRACIOUS AND MERCIFUL

IF YE GIVE THANKS, I WILL GIVE YOU MORE **(HOLY QURAN)**

Dear Shareholder(s),

Assalam-o-Alykum!

The Board of Directors, other members of the management of your Company are pleased to present the Annual Audited Financial Statements of the Company for the year ended June 30, 2014 together with the Auditors' Report thereon.

Overview

The textile spinning industry faced many challenges during the year under review. Textile spinning industry has been facing distressed and unfortunate set of circumstances which hampered the smooth operations of several units. The market has been undergoing through its bad time both domestically and internationally. Extensive load shedding and limited gas supply have adversely affected the production capacities of the industry. Moreover sluggish economic growth, deteriorating law & order situation coupled with increased cost of gas have made yarn prices uncompetitive in the market. In effect, many units in the sector are facing financial difficulties but have managed to remain in production to keep them afloat.

Operating results and performance:

The operating results for the year under review are as follows:

	"Rupees"
SALES (NET)	3,414,366,635
COST OF SALES	(3,387,383,884)
GROSS PROFIT	**26,982,751**
OPERATING EXPENSES	(126,907,729)
OPERATING LOSS	**(99,924,978)**
OTHER CHARGES	(170,142,988)
LOSS BEFORE TAXATION	**(270,067,966)**
TAXATION	(4,843,346)
LOSS AFTER TAXATION	**(274,911,312)**

During the year, Company has achieved net sale of Rs.3.414 billion as compared to Rs.3.928 billion of last year. Company has earned gross profit of Rs. 26.982 million as compared to the gross profit of Rs. 325.667 million of previous year, whereas operating expenses of the company have decreased by Rs. 36.263 million.

Decrease in production volume, during the year, was the result of the said under utilization of plant capacity, which brought about lesser sales volumes. The decrease in gross margins was also resulted due to the increase in cost of various inputs. During the entire period raw material prices remained volatile which affected the cost of purchases, furthermore, the increase in gas prices and minimum wages have also pushed the cost of goods manufactured towards the higher side. Increased raw material prices did not reciprocate by the increase in yarn market prices which has also shrunk the gross margins.

In 2011-12, Company had settled with its lenders through Compromise Agreement against which consent decrees had been granted by the Honorable High Court of Sindh, Karachi. Company's short term and long term loans had been rescheduled in the form of long term loans, however certain banks having suits of Rs. 419.065 million, did not accept the restructuring proposal at that time. Out of total suits amount two of the banks having suits to the extent of Rs. 359.439 million have also filed winding up petition u/s 305 of the Companies Ordinance, 1984. The management has disputed the claim and is strongly contesting the case. The management is hopeful that the decision will be in favour of the company.

The Auditors have qualified the report due to the significance of the matter of non-provisioning of markup in respect of borrowings from certain banks which have not accepted restructuring proposal as referred in para (a) of the Auditors report. The management is fully confident that the company will have favorable decisions from the concerned courts in respect of suits of these banks.

Future Outlook

The key challenges facing Pakistan's economy regarding long standing financial issues have continued to suppress economic activity and growth of the country. The macroeconomic outlook is largely dependent on government's ability to control fiscal deficit while addressing energy shortage to revitalize large scale manufacturing industry. At present energy crisis and load shedding are affecting the economy badly; however, some initiatives which are being taken by the government will hopefully improve the situation in near future. Business environment needs political stability along with improvement in law and order situation in the country.

In a backdrop of recent floods, a decline in cotton production has been forecasted which might result in higher cotton prices in future. Since the input costs of man-made fiber as compared to cotton cost is relatively cheaper for the last few years, therefore the usage of man-made fiber might be increased in the times to come due to its cost effectiveness and availability, but in effect it is therefore the demand supply phenomenon that may put pressure on the prices of man-made fiber in future.

Corporate Social Responsibilities

We are also committed to Corporate social responsibility (CSR) and integrating sound social practices in our day to day business activities.CSR is an important part of who we are and how we operate. We measure our success not only in terms of financial criteria but also in building customer satisfaction and supporting the communities we serve. Company has donated a sum of Rs. 3.797 million for social and charitable cause.

Health, Safety and Environment

The management of the company is aware of its responsibility to provide a safe and healthy working environment to our associates and give it the highest priority. Our safety culture is founded on the premise that all injuries are preventable if due care is taken. Continual efforts for provision of safe, healthy and comfortable working conditions for the employees are made. We follow up and investigate on all incidents and injuries to address their root causes. We believe that safety and health is a journey of continuous improvement and eternal diligence. We will continue to take steps to improve the safety and health of all of our associates.

Human Resource

The management of the Company is committed to excellence and has a clear vision that human resources and strong leadership practices are important enablers of high productivity and sustainable competitive advantage of our Company. Therefore, management of the Company gives much importance to the optimal use of human resources by way of training proper guidance, motivation and incentive schemes for the employees.

Post Balance Sheet Events

There has been no event subsequent to the balance sheet date that would require an appropriate disclosure or adjustment to the financial statements referred herein.

Compliance with Code of Corporate Governance

Security and Exchange Commission of Pakistan framed a code of corporate governance, which was incorporated through the listing regulations of all stock exchanges of the country. The directors of your Company have ensured implementation of all provisions of code of corporate governance applicable for the year ended June 30, 2014.

Review report on statement of Compliance with code of corporate governance of Auditors is annexed with this report.

Directors of the Company are pleased to confirm that there is no material departure from the best practices as detailed in the listing regulations.

1. The financial Statements presented by the management of the Company give a fair account of the state of affairs, the results of its operations, cash flow and changes in equity.

2. Proper books of accounts have been maintained as required under the Companies Ordinance, 1984.

3. Accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

4. International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from, if any, has been adequately disclosed.

5. The system of internal controls, which is in place, is sound in design and has been effectively implemented and monitored.

6. There has been no material departure from the best practices of the corporate governance.

7. The Company has constituted an Audit Committee from amongst the non-executive members of its Board.

8. The Board has prepared and circulated a Statement of Ethics and Business Practices amongst its members and the company's employees.

9. There are no doubts upon the company's Going Concern except as disclosed in note 2 to the financial statement.

10. Information regarding the outstanding taxes and Levis is given in the notes to the financial statements.

11. The value of investment made by the Provident fund as per its respective accounts is Rs21.158 million (2013:13.699 million)

12. As required under the Code of Corporate Governance, the following information has been presented in this report:
    i) Pattern of Shareholding;
    ii) Shares held by associated undertaking and related persons;

Board

The Board of Directors comprises of individuals with diversified knowledge who endeavor to contribute towards the aim of the Company with the best of their abilities. During the year six meetings of the Board were held. The attendance of directors was as follows:

Names	No. of Meetings attended
Dewan Muhammad Yousuf Farooqui	4
Dewan Abdul Baqi Farooqui	6
Dewan Abdul Rehman Farooqui	6
Mr. Haroon Iqbal	6
Mr.Aziz -ul- Haque	6
Mr.Muhammad Baqir Jafferi	4
Mr. Ishtiaq Ahmed	6

Leave of absence was granted to directors who could not attend these meetings.

Audit Committee

Audit committee was established by the Board to assist the Directors in discharging their responsibilities for Corporate Governance, Financial Reporting and Corporate Control. The committee consists of three members. Majority of members including the chairman of the committee are non-executive directors.

During the year, four Audit Committee meetings were held and attendance was as follows.

Names	No. of Meetings attended
Mr. Aziz-Ul Haque	4
Dewan Abdul Rehman Farooqui	4
Mr. Haroon Iqbal	4

Human Resource and Remuneration Committee

Human Resource and Remuneration Committee was established by the Board to assist the Directors in discharging their responsibilities with regard to devising and periodic reviews of human resource policies. It also assists Board in selection, evaluation, compensation and succession planning of key management personnel.

The committee consists of three members. During the year two Human Resource and Remuneration committee meetings were held. and attendance was as follows.

Names	No. of Meetings attended
Mouhammad Yousuf Farooqui	2
Dewan Abdul Baqi Farooqui	2
Mr. Haroon Iqbal	2

Earnings per Share

(Loss)/ Earnings per share during the period under report worked out to Rs.(20.36) (2013: Rs. 4.65)

Appointment of Auditors

The present auditors, M/s. Faruq Ali & Co., Chartered Accountants, Karachi, retire and being eligible for reappointment under the Companies Ordinance, 1984, and the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan, have offered themselves for the same. The Board of Directors of your company, based on the recommendations of the Audit Committee of the board, propose M/s. Faruq Ali & Co., Chartered Accountants, for reappointment as auditors of the company for the ensuing year.

Pattern of Shareholding

The prescribed shareholding information, both under the Companies Ordinance, 1984, and the Listing Regulations, vis-à-vis, Code of Corporate Governance, is attached at the end of this report.

Key operating and financial data

Key operating and financial data for preceding six years is annexed.

Vote of Thanks & Conclusion

On the behalf of the Board, I appreciate the valuable, loyal, and commendable services rendered to the Company by its executives, members of the staff and workers

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 the Muslim Ummah; Ameen; Summa Ameen.

LO-MY LORD IS INDEED HEARER OF PRAYER **(HOLY QURAN)**

By and under Authority of the Board of Directors

Date: September 26, 2014
Place: Karachi.

Dewan Abdul Baqi Farooqui
Chief Executive

FINANCIAL HIGHLIGHTS

(Rupees in Million)

	2009	2010	2011	2012	2013	2014
SALES (Net)	3,114	3,442	4,699	3,157	3,928	3,414
Gross Profit / (Loss)	(225)	176	9	(97)	326	27
(Loss) / Profit before Tax	(659)	67	(66)	(318)	58	(270)
(Loss) / Profit After Tax	(675)	49	(117)	(337)	63	(275)
Assets Employed	3,900	3,671	4,513	5,387	5,613	5,001
Current Assets	2,420	2,308	3,131	3,092	3,400	2,904
Shareholder's Equity	(58)	18	15	(401)	(206)	(460)
Long Term & Deferred Liabilities	802	527	246	3,963	3,458	3,011
Current Liabilities	3,156	3,125	4,252	1,005	1,591	1,724
Gross Profit / (Loss) Ratio (%)	(7.24%)	5%	0.2%	(3.08%)	8.3%	0.8%
Net Profit / (Loss) Ratio (%)	(21.67%)	1.42%	(2.49%)	(10.67%)	1.60%	(8.05%)
Earning / (Loss) Per Share (Rs.)	(49.98)	3.62	(8.66)	(24.96)	4.65	(20.36)
Dividend (%)						
Cash	-	-	-	-	-	-
Stock	-	-	-	-	-	-
Production						
Actual Production at Actual Average Count (kg)	18,928,395	16,645,826	16,544,940	16,052,642	19,057,026	15,566,921
Actual Production Converted to 20 Count (kg)	16,793,330	17,265,858	17,866,664	14,236,118	16,954,602	14,900,574

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD ENDED JUNE 30, 2014

The statement is being presented to comply with the Code of Corporate Governance ("CCG") contained in Regulation No 35 of listing regulation of Karachi and Lahore Stock Exchanges, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non executive directors and directors representing minority interests on its Board of Directors. At present the board includes One Independent Director, five Non-Executive Directors and one Executive Directors of the Company.

2. The condition of maximum number of seven directorships to be held by a director in listed companies as per clause ii of the CCG will be applicable after election of next Board of Directors of the Company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurring on the Board on June 27, 2014 was filled up by the Board of Directors within six days.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by the director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In accordance with the criteria specified on clause (xi) of CCG, some directors are exempted from the requirement of directors' training program and rest of the Directors to be trained within specified time.

10. There was no change in the position of CFO, Company Secretary and Head of Internal Audit during the year. The Directors report for this have been prepared in compliance with the requirement of the CCG and fully describes the salient matters required to be disclosed.

11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

12. The director, CEO and executives do not hold any interest in the shares of the company other than the disclosed in the pattern of shareholding.

13. The company has complied with all the corporate and financial reporting requirements of CCG.

14. The board has formed an Audit Committee. It comprises three members who are non-executive directors including the chairman of the committee. The condition of clause 1(b) of the CCG in relation to the independent director will be applicable on election of the next Board of Directors of the Company.

15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

16. The board has formed an HR and Remuneration Committee. It comprises of three members of whom two are non-executive directors and the chairman of the committee is a non-executive director.

17. The board has set up an effective internal audit function. The staffs are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. The closed period, prior to the announcement of interim/final results, and business decisions, which may materially effect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

21. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).

22. We confirm that all the other material principles enshrined in the CCG have been complied with.

Date : September 26, 2014
Place : Karachi

Dewan Abdul Baqi Farooqui
Chief Executive

FARUQ ALI & CO
CHARTERED ACCOUNTANTS

222-A, Karachi Memon Cooperative Housing Society Justice Inaumullah Road, Near Hill Park, Karachi-74800.
E-mail: faac@cyber.net.pk

Telephone : (021) 4301966
: (021) 4301967
: (021) 4301968
: (021) 4301969
Fax : (021) 4301965

AUDITORS' REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Dewan Textile Mills Limited** ('the Company') for the year ended June 30, 2014 to comply with the requirements of Listing Regulations No. 35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Following instance of non-compliance with the requirements of the Code were observed which is not stated in the Statement of Compliance:

- The board includes one independent director, whereas in our view he does not meet the criteria of independence on account of his cross directorships as well as he holds position of Chief Executive in an associated company, consequently the requirement of chairman of audit committee to be an independent director has not been complied with.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

Furthermore, we highlight that training programs were not arranged for directors as reflected in the note 9 in the Statement of Compliance.

Faruq Ali & Co.

Date : September 26, 2014
Place : Karachi

Engagement Partner: Fasih us Zaman

FARUQ ALI & Co.
CHARTERED ACCOUNTANTS

FARUQ ALI & CO
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **DEWAN TEXTILE MILLS LIMITED** as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) The company has not made provision of markup for the year amounting to Rs. 48.249 million (up to year ended June 30, 2013: Rs.210.046 million) (refer note 26.1). Non-provisioning of markup is based on management's hope that the restructuring proposal will be accepted by lenders in the proposed manner. In our opinion, since the proposal has not been accepted by the lenders so far and the lenders, instead of accepting the restructuring proposal, have preferred filing suits against the company, therefore the provision of markup should be made in these financial statements. Had the provision of markup been made in the financial statements, the loss after taxation would have been higher by Rs.48.249 million and markup payable would have been higher and shareholders' equity would have been lower by Rs.258.295 million.

b) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

c) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as mentioned in note 3.3 with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

FARUQ ALI & CO
CHARTERED ACCOUNTANTS

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d) in our opinion and to the best of our information and according to the explanations given to us, except for the matters discussed in paragraph (a) above, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2014 and of the loss, its cash flows and changes in equity for the year then ended; and

e) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without further qualifying our opinion we draw attention of the members:

· to note 2 to the financial statements which indicates that the company incurred net loss after taxation of Rs.274.911 million during the year ended June 30, 2014 and as of that date company's negative reserves of Rs.595.277 million have resulted in negative equity of Rs.460.231 million. Furthermore company is facing litigations with three of its lenders for repayment of liabilities through attachment and sale of company's hypothecated / mortgaged properties and two of them have also filed winding up petitions. These conditions, along with other matters as set forth in note 2, indicate the existence of material uncertainty which may cast significant doubt about company's ability to continue as going concern. The amount of current liabilities reported in said note do not include the effect of matters discussed in para (a) above.

· to note 12.3 to the financial statements which states that company would be liable to pay a sum of Rs.1.632 billion in the event of default in terms of settlement reached with the lenders.

Faruq Ali & Co.

Date : September 26, 2014
Place : Karachi

Engagement Partner: Fasih us Zaman

FARUQ ALI & Co.
CHARTERED ACCOUNTANTS

BALANCE SHEET
AS AT JUNE 30, 2014

	NOTES	2014	2013 (Restated)	2012 (Restated)
			RUPEES	
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized capital				
30,000,000 Ordinary shares of Rs. 10/- each		300,000,000	300,000,000	300,000,000
Issued, subscribed and paid up capital	4	135,046,090	135,046,090	135,046,090
Reserves and surplus	5	(595,276,601)	(341,967,349)	(538,527,859)
		(460,230,511)	(206,921,259)	(403,481,769)
Surplus on revaluation of property, plant and equipments	6	726,047,730	768,368,710	819,906,627
NON CURRENT LIABILITIES				
Long term financing - Secured	7	2,811,360,801	3,230,941,957	3,687,994,219
Deferred liability for staff gratuity	8	39,505,095	27,034,206	29,706,443
Deferred taxation	9	160,334,152	202,239,489	247,300,334
CURRENT LIABILITIES				
Trade and other payables	10	411,244,595	345,066,506	364,534,623
Markup accrued		34,367,015	23,772,596	44,616,553
Short term borrowings - Secured	11	816,006,986	720,727,477	474,927,661
Current portion of long term financing	7	462,188,138	460,104,990	80,000,000
Overdue portion of lease liability		--	41,185,703	41,185,703
		1,723,806,734	1,590,857,272	1,005,264,540
CONTINGENCIES AND COMMITMENTS	12	--	--	--
		5,000,824,001	5,612,520,375	5,386,690,394
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipments	13	1,827,262,420	1,916,934,073	2,075,450,024
Investments	14	--	--	171,033,591
Long term deposits	15	54,110,685	53,921,685	47,852,685
CURRENT ASSETS				
Stores and spares	16	63,292,340	46,161,624	46,133,752
Stock in trade	17	1,494,281,700	1,615,174,605	1,367,943,006
Trade debtors - Considered good		1,231,646,377	1,579,944,210	1,574,630,006
Advances - Considered good	18	29,226,191	42,848,823	30,731,317
Short term deposits and current account balances with statutory authorities	19	19,436,060	40,232,252	27,963,111
Taxes recoverable - Net		50,861,059	34,945,912	13,217,968
Cash and bank balances	20	14,829,409	40,407,233	31,734,934
		2,903,573,136	3,399,714,659	3,092,354,094
Non current assets held for sale	21	215,877,760	241,949,958	--
		5,000,824,001	5,612,520,375	5,386,690,394

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

Dewan Abdul Baqi Farooqui
Chief Executive

Haroon Iqbal
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	NOTES	2014	2013 (Restated)
		RUPEES	
Sales - Net	22	3,414,366,635	3,928,180,032
Cost of sales	23	3,387,383,884	3,602,512,529
Gross profit		26,982,751	325,667,503
Operating expenses			
Distribution cost and selling expenses	24	83,899,857	123,423,096
Administrative and general expenses	25	43,007,872	39,748,197
		126,907,729	163,171,293
Operating (loss) / profit		(99,924,978)	162,496,210
Finance cost	26	182,673,363	109,699,830
Other charges	27	3,797,500	8,310,354
Other income	28	(16,327,875)	(14,066,130)
		170,142,988	103,944,054
(Loss) / profit before taxation		(270,067,966)	58,552,156
Taxation			
- Current	29	29,402,812	29,506,774
- Deferred		(24,559,466)	(33,809,566)
		4,843,346	(4,302,792)
(Loss) / profit after taxation		(274,911,312)	62,854,948
(Loss) / earnings per share - Basic and diluted	30	(20.36)	4.65

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

Dewan Abdul Baqi Farooqui
Chief Executive

Haroon Iqbal
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013 (Restated)
	RUPEES	
(Loss) / profit for the year	(274,911,312)	62,854,948
Other comprehensive income:		
Available for sale financial assets:		
- Changes in fair value	(26,072,198)	70,916,367
Transfer from surplus on revaluation of property, plant and equipments in respect of		
Incremental depreciation	84,226,319	96,598,761
Related deferred tax	(28,636,948)	(33,809,566)
	55,589,371	62,789,195
Remeasurement of net defined benefit liability	(11,992,595)	--
Related deferred tax	4,077,482	--
	(7,915,113)	--
Total comprehensive (loss) / income for the year	(253,309,252)	196,560,510

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

Dewan Abdul Baqi Farooqui
Chief Executive

Haroon Iqbal
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	RUPEES	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / profit before taxation	(270,067,966)	58,552,156
Adjustment for :		
Depreciation	184,907,249	199,363,871
Provision for gratuity	11,602,125	9,856,532
Finance cost	182,673,363	109,699,830
(Gain) on disposal of fixed assets	(1,095,868)	--
Workers' profit participation fund	--	3,138,662
Workers' welfare fund	--	1,192,692
Cash flow before working capital changes	108,018,903	381,803,743
(Increase) / decrease in current assets		
Stores & spares	(17,130,716)	(27,872)
Stock in trade	120,892,905	(247,231,599)
Trade debtors	348,297,833	(5,314,204)
Advances - Considered good	13,622,632	(12,117,506)
Short term deposit and current account balances with statutory authorities	20,796,192	(12,269,141)
Increase / (decrease) in current liabilities		
Trade and other payables	66,178,089	(23,799,472)
Short term borrowings	95,279,509	245,799,816
	647,936,444	(54,959,978)
Taxes - Net	(45,317,959)	(51,234,718)
Deposit	(189,000)	(6,069,000)
Gratuity paid	(11,123,831)	(12,528,769)
	(56,630,790)	(69,832,487)
Net cash inflow from operating activities	699,324,557	257,011,278
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(95,370,456)	(40,847,920)
Sale proceed of fixed assets	1,230,730	--
Net cash outflow from investing activities	(94,139,726)	(40,847,920)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing paid	(458,683,711)	(76,947,272)
Financial charges paid	(172,078,944)	(130,543,787)
Net cash outflow from financing activities	(630,762,655)	(207,491,059)
Net (decrease) / increase in cash and cash equivalents	(25,577,824)	8,672,299
Cash and cash equivalents at beginning of the year	40,407,233	31,734,934
Cash and cash equivalents at the end of year	14,829,409	40,407,233

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

Dewan Abdul Baqi Farooqui
Chief Executive

Haroon Iqbal
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Issued Subscribed and Paid up Capital	General reserve	Unrealized gain due to change in fair value of Investment	Accumulated loss	Total
			RUPEES		
Balance as on July 01, 2012 - As reported	135,046,090	333,000,000	12,514,653	(881,802,406)	(401,241,663)
Effect of change in accounting policy (Note 3.3)	--	--	--	(2,240,106)	(2,240,106)
Balance as on July 01, 2012 - As restated	135,046,090	333,000,000	12,514,653	(884,042,512)	(403,481,769)
Total comprehensive income for the year:					
Income for the year	--	--	--	62,854,948	62,854,948
Changes in fair values of available for sale investments	--	--	70,916,367	--	70,916,367
Transfer from surplus on revaluation of property, plant and equipments in respect of incremental depreciation - Net of tax	--	--	--	62,789,195	62,789,195
	--	--	70,916,367	125,644,143	196,560,510
Balance as on June 30, 2013 - Restated	135,046,090	333,000,000	83,431,020	(758,398,369)	(206,921,259)
Total comprehensive (loss) for the year					
Loss for the year	--	--	--	(274,911,312)	(274,911,312)
Changes in fair values of available for sale investments	--	--	(26,072,198)	--	(26,072,198)
Transfer from surplus on revaluation of property, plant and equipments in respect of incremental depreciation - Net of tax	--	--	--	55,589,371	55,589,371
Remeasurement of net defined benefit liability - Net of tax	--	--	--	(7,915,113)	(7,915,113)
	--	--	(26,072,198)	(227,237,054)	(253,309,252)
Balance as on June 30, 2014	135,046,090	333,000,000	57,358,822	(985,635,423)	(460,230,511)

The annexed notes form an integral part of these financial statement.

Dewan Abdul Baqi Farooqui
Chief Executive

Haroon Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 financial statements of the company for the year ended June 30, 2014 reflect that company has sustained a net loss after taxation of Rs.274.911 million and as of that date company's negative reserves of Rs. 595.277 million (2013: Rs.341.967 million) have resulted in negative equity of Rs.460.231 million (2013: Rs.206.921 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. 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 during the financial year ended june 30, 2012. Company's liabilities were 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. Despite of incurring loss for the year, the operating cash flows remained positive, enabling the Company to make timely repayments of restructured liabilities without any default. In addition to above, a restructuring with a leasing company has also been finalized during the year under consideration. Moreover banks / financial institutions have allowed further working capital to the Company upto the limit to Rs.916.800 million. This will streamline the funding requirements of the Company which will ultimately help the management to run the operations smoothly 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 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention modified by the absorption of borrowing cost as referred to in note 3.16 and investments classifed as avaiable for sale are carried at fair value.

3.2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan with the exception of departure of IFRS as mentioned in 26.1 to the financial statements, for which the management concludes that provisioning of markup (note 26.1) would conflict with the objective of financial statements. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 provision of and directives issued under the Companies Ordinance, 1984. In case requirement differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

3.2.1 Standards, amendments or interpretations which became effective during the year:

During the year certain amendments to standards or new interpretations became effective; however, the amendments or interpretation did not have any material effect on the financial statements of the Company except for the amendments as explained below:

- **IAS 19 'Employees Benefits', details of which are stated below:**

Change in accounting policy

Employee benefits
With effect from 1 January 2013, the revised IAS 19 'Employee Benefits' became effective. The revised IAS 19 requires actuarial gains and losses to be recognized immediately in other comprehensive income. Previously, actuarial gains and losses over and above the corridor limit were amortized over the expected average remaining working lives of employees. Further, any past service cost is now recognized immediately in the profit and loss account as soon as the change in the benefit plans are made and previously, only vested past service cost was recognized immediately in profit and loss account and non-vested cost was amortised to profit and loss account over the vesting period. The Standard also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year. Refer note 3.3 for revised accounting policy.

The effects of change has been accounted for retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', resulting in restatement of financial statements of prior periods. Resultantly, the cumulative effect of adjustments that arose as at 1 July 2012 has been presented and disclosed as part of the statement of changes in equity, while the corresponding period adjustment through other comprehensive income is restated and disclosed as part of the Statement of Comprehensive Income respectively. The Balance Sheet also presents the prior year numbers as restated, due to the said change.

	- - - - 2013 - - - -			- - - - 2012 - - - -		
	As previously reported	Impact due to change in policy	As Restated	As previously reported	Impact due to change in policy	As Restated
			RUPEES			
Effect on balance sheet						
Staff retirement benefit	24,904,372	2,129,834	27,034,206	27,466,337	2,240,106	29,706,443
Accunulated loss	(756,268,535)	(2,129,834)	(758,398,369)	(881,802,406)	(2,240,106)	(884,042,512)

	2014 RUPEES
Effect on other comprehensive income	
Remeasurement of defined benefit liability	(11,992,595)
Tax thereon	4,077,482
	(7,915,113)

This change in accounting policy has no impact on the statement of cash flows and on earnings per share.

- Amendments to IAS 1, 'Financial statement presentation' regarding other comprehensive income, emphasises on the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The application of the amendment has not affected the result or net assets of the Company as it is only concerned with presentation and disclosures.

3.2.2 Standards, amendments or interpretations not yet effective
The following new standards, amendments to existing standards and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2014 and the Company does not expect to have any material / significant changes in its accounting policy except for disclosures, where applicable:

- IFRIC 21- Levies 'an Interpretation on the Accounting for Levies Imposed by Governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The Amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Amendment to IAS 36 'Impairment of Assets' Recoverable Amount Disclosures for Non-Financial Assets' (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets' address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' - Continuing Hedge Accounting after Derivative Novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing begning relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 'Employee Benefits' Employee contributions – a Practical Approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets are inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 'Agriculture'. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further, IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision-maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

i) Provision for taxes
ii) Estimation of residual values and useful lives of property, plant and equipment.
iii) Staff retirement benefits

3.3 Staff retirement benefits

Defined benefit plan
The Company operates an unfunded Gratuity Scheme for its non management staff. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method, as required by International Accounting Standards (IAS-19). Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income.

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognized in profit and loss account. The latest Actuarial valuation was conducted at the balance sheet date by a qualified professional firm of actuaries.

3.4 Defined contribution plan:

The company upto June 30, 2010 was operating an unfunded gratuity scheme for its management employee. Provision was made accordingly in the financial statements to cover obligation under the scheme. The company has fully provided for the liability under the gratuity scheme as of June 30, 2010. Effective from 01 July, 2010, the company has, in place of gratuity scheme, established a recognized provident fund for its permanent management staff. Equal contributions are being made in respect thereof by the company and the employee in accordance with terms of the fund.

3.5 Taxation

Current

Provision for current taxation is based on current rates of tax after taking into account available tax credits and rebates available, if any.

Deferred

Deferred tax is recognized on all timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.6 Property, plant and equipment

Owned

The property, plant and equipments are stated at cost or revalued amounts less accumulated depreciation except lease hold land and capital work-in-progress which are stated at cost.

Depreciation is charged to income using the reducing balance method at the rates specified in note 13.1, whereby the cost of an asset is written off over its estimated useful life.

Depreciation on additions is charged from the month of acquisition or transfer of assets from capital work in progress on proportionate basis, and on disposals up to the month the asset was in use.

Any surplus arising on revaluation of property plant and equipment is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred tax) is transferred to unappropriated profit through statement of comprehensive income.

Leased

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligations under the lease are accounted for as liabilities. Assets acquired under finance lease are depreciated over the useful life of the assets and depreciation is computed commencing from the month in which the assets are first put to use.

Cost in relation to certain plant and machinery signifies historic cost, markup, interest, profit and other charges on counter liabilities up to the date of commissioning of the respective plant and machinery acquired against such liabilities. All other markup, interest, profit, and other charges are charged to income.

Major repairs and renewals are capitalized. Gains or losses on disposals of property, plant and equipments are included in income currently.

3.7 Stores and spares

These are valued at average cost except for those in transit, which are valued at cost.

3.8 Stock in trade

These are valued at lower of average cost and net realizable values, the cost is determined as follows:

Raw material	-	Average cost
Packing material	-	Average cost
Work in process	-	Average cost
Waste	-	Selling price
Finished goods	-	Average cost

Cost of finished goods comprise of prime cost and appropriate portion of production overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make the sale.

3.9 Foreign currency translation

Transactions in foreign currencies are recorded using the rates of exchange ruling at the date of transaction.

Assets and liabilities in foreign currencies, if any, are translated into rupees at the exchange rates prevailing on the balance sheet date except where forward exchange contracts have been entered into in which case the rates contracted for are used.

3.10 Available for sale Investments

Investments classified as available for sale and are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair values (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost. Gains and losses on remeasurement to fair value recognized directly in equity through the statement of changes in equity.

3.11 Revenue recognition

Revenue from sale is recognized on dispatch of goods to customers.

Dividend income is recognized on the basis of declaration by the investee company.

3.12 Trade debts

Trade debts originated by the company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts, if any. An estimate for doubtful debts is made when collection of full amount is no longer probable. Bad debts are written off as incurred.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise of cash and bank balances.

3.14 Transactions with related parties

All dealings with associated companies are carried out at arm's length using the Comparable Uncontrolled Price method.

3.15 Provision

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.16 Borrowing costs
Borrowings costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of the relevant asset.

3.17 Financial instruments
All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Gain or loss on derecognition of the financial assets and liabilities are taken to profit and loss account for the year in which the same arises.

3.18 Non current assets held for sale
Non current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less cost to sell.

3.19 Impairment
The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment loss. Any impairment loss arising is recognized as expense in the profit and loss account.

3.20 Off setting of financial assets and liabilities
A financial asset and a financial liability may be offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014 (No. of Shares)	2013 (No. of Shares)		2014 RUPEES	2013 RUPEES
1,500,000	1,500,000	Ordinary shares of Rs. 10/- each issued as fully paid in cash	15,000,000	15,000,000
225,000	225,000	Ordinary shares of Rs. 10/- each issued for consideration other than cash	2,250,000	2,250,000
11,779,609	11,779,609	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	117,796,090	117,796,090
13,504,609	13,504,609		135,046,090	135,046,090

5 RESERVES AND SURPLUS

	2014 RUPEES	2013 RUPEES
Revenue reserves		
General reserve	333,000,000	333,000,000
Accumulated loss	(985,635,423)	(758,398,369)
Capital reserves		
Un-realized gain due to change in fair value of investment	57,358,822	83,431,020
	(595,276,601)	(341,967,349)

	2014	2013
	RUPEES	

6 SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENTS

	2014	2013
Opening balance	970,608,200	1,067,206,961
Transferred to unappropriated profit in respect of incremental depreciation for the year - Net of tax	(84,226,319)	(96,598,761)
	886,381,881	970,608,200
Related deferred tax liability		
Opening balance	202,239,490	247,300,334
Incremental depreciation	(28,636,948)	(33,809,566)
Effect of portion of company's income being assessed under Final Tax Regime	(13,268,391)	(11,251,278)
	160,334,151	202,239,490
Balance as at June 30	726,047,730	768,368,710

The following property, plant and equipments owned by the company were revalued on March 21, 2012 . The revaluation of property, plant and equipments was carried out by independent valuer M/s Iqbal A Nanjee & company (Private) limited, using prevailing market value being the basis of revaluation. The surplus arising from revaluation is Rs. 1,100.857 million. The closing balance of surplus on revaluation of property, plant and equipments is not available for distribution to shareholders.

Operating fixed assets - At cost less accumulated depreciation

PARTICULARS	W.D.V. of assets before revaluation	Revalued Amount	Revaluation Surplus
	RUPEES		
Lease hold land	778,000	210,500,000	209,722,000
Factory building on lease hold land	215,517,102	414,400,624	198,883,522
Non - factory building	4,896,471	33,795,399	28,898,928
Labour quarters	2,782,573	81,693,592	78,911,019
Plant, machinery & equipments	699,921,066	1,284,362,610	584,441,544
	923,895,212	2,024,752,225	1,100,857,013

7 LONG TERM FINANCING - Secured

Financier	Installments payable	Tenure	Mark-up rate	Note	2014	2013
					RUPEES	
From Banks and financial institutions - Secured						
Restructured long term financing	Quarterly	2011-2021	2 % to 13%	7.1	3,691,046,947	3,767,994,219
Restructured lease liability	Quarterly	2014-2023	2 % to 10.04%	7.2	42,215,040	--
Less: Payments during the year					(459,713,048)	(76,947,272)
					3,273,548,939	3,691,046,947
Less: Current portion - Shown under current liabilities					462,188,138	460,104,990
					2,811,360,801	3,230,941,957

7.1 Compromise Agreement dated December 23, 2011 was executed between the Company and majority of its lenders, consequent to which consent decrees were 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 were rescheduled in the form of a syndicated long term financing 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. As per the agreement, markup outstanding as on December 21, 2011 is Rs.1.621 billion, which the company would be liable to pay in the event of default of terms of agreement. Moreover banks / financial institutions have also agreed to provide further working capital to the Company amounting to Rs.916.800 million.

The loan is secured against first pari passu hypothecation charge over stock, book debts, present and future property, plant and equipments of the company and personal guarantees of directors.

7.2 Settlement agreement dated January 21, 2014 has been executed between the Company and a leasing company, consequent to which consent decrees have been granted by the Honourable High Court of Sindh, Karachi. Company's liabilities in respect of overdue lease liability has been rescheduled thereby the liability of Rs. 42.215 million is now repayable in 10 years with progressive mark up rates ranging from 2% to 13% over the period on outstanding principal. As per agreement, mark up relating to prior periods amounting of Rs. 11.005 million will be waived subject to the payment of restructured liability as per terms of agreement.

	Note	2014	2013
		RUPEES	
8 DEFERRED LIABILITY FOR STAFF GRATUITY			
Opening balance		27,034,206	29,706,443
Remeasurements recognized in other comprehensive income		11,992,595	--
Less : Paid during the year		(11,123,831)	(12,528,769)
		27,902,970	17,177,674
Provision for the year	8.1	11,602,125	9,856,532
	8.2	39,505,095	27,034,206
8.1 Provision for the year			
Current service cost		10,477,193	7,661,160
Interest cost		1,124,932	2,195,372
		11,602,125	9,856,532
8.2 The amount recognised in balance sheet			
Present value of defined benefit obligation	8.3	32,520,007	14,215,240
Add: payables		6,985,088	12,818,966
Balance sheet liability		39,505,095	27,034,206
8.3 Changes in Present Value of Defined Benefit Obligations			
Present value of defined benefit obligation		14,215,240	16,887,477
Current service cost		10,477,193	7,661,160
Interest cost on defined benefit obligation		1,124,932	2,195,372
Benefits paid		(5,289,953)	(12,528,769)
Experience adjustments		11,992,595	--
Present value of defined benefit obligation		32,520,007	14,215,240

	Note	2014	2013
		RUPEES	
8.4 Changes in Net Liability			
Balance Sheet Liability	8	27,034,206	29,706,443
Expense chargeable to P&L	8.1	11,602,125	9,856,532
Remeasurements chargeable in other comprehensive income	8.2	11,992,595	--
Benefits paid	8.3	(11,123,831)	(12,528,769)
Balance Sheet Liability		39,505,095	27,034,206

	2014	2013
8.5 Significant Actuarial Assumptions		
Discount rate used for Interest Cost in P&L Charge	13.00%	13.00%
Discount rate used for year end obligation	13.25%	13.00%
Salary increase used for year end obligation	N/A	12.00%
Net salary is increased at	1-Jul-14	1-Jan-14
Mortality Rates	SLIC 2001-2005 Setback 1 Year	EFU 61-66
Withdrawal Rates	Age-Based (Per appendix)	Age-Based (Per appendix)
Retirement Assumption	Age 60	Age 60

	Note	2014	2013
9 DEFERRED TAXATION			
Credit balance arising due to:			
- accelerated tax depreciation		113,739,126	123,827,541
- revaluation - net of related depreciation		160,334,152	202,239,489
Debit balance arising due to			
- finance lease transactions		7,576,867	10,963,923
- staff gratuity		(9,360,708)	(6,619,449)
- carried over losses		(343,942,268)	(374,650,059)
		(71,652,831)	(44,238,555)
Deferred tax asset not recognized		231,986,983	246,478,044
		160,334,152	202,239,489
10 TRADE AND OTHER PAYABLES			
Creditors for goods and services	10.1	218,549,987	163,818,635
Accrued expenses		172,711,224	159,633,171
Sales tax payable		525,613	2,593,406
Withholding income tax payable		129,350	92,425
Workers' profit participation fund	10.2	3,538,214	3,138,662
Workers welfare fund		15,536,001	15,536,001
Unclaimed dividend		254,206	254,206
		411,244,595	345,066,506

10.1 This includes amount of Rs.100.064 (2013: Rs.94.382) million being amount payable to the banks in respect of outstanding letter of credits.

	Note	2014	2013
		RUPEES	
10.2 Workers' profits participation fund			
Opening balance		3,138,662	--
Interest provided for the year		399,552	--
Add: Contribution during the year		--	3,138,662
		3,538,214	3,138,662
Less: Paid during the year		--	--
		3,538,214	3,138,662

	Note	2014	2013
11 SHORT TERM BORROWINGS - Secured			
From banks and financial institutions:			
Short term running finances	11.1	183,818,932	183,818,932
Short term loans	11.2	475,452,396	536,805,757
Temporary book overdraft		156,735,658	102,788
		816,006,986	720,727,477

11.1 The facilities for running finance under mark up arrangement obtained from various commercial banks against available limits of Rs. 215 million at markup rate ranging from 2% to 3% per annum over three months KIBOR payable quarterly in arrears. The facilities are secured by way of hypothecation of stock in trade, book debts and other current assets of the company and personal guarantees of directors. These facilities have expired and not been renewed by the banks.

11.2 The facilities for short term loans under mark up arrangement obtained from various commercial banks against available limits of Rs. 1.017 billion at markup rate ranging from 0% to 3.25% per annum over one / three months KIBOR payable quarterly in arrears. The facilities are secured by way of hypothecation of stock in trade, book debts, property, plant and equipments and other current assets and effective pledge on raw material and finished goods of the company and personal guarantees of directors. Finance facility having limit to the extent of Rs.100 million has expired and not been renewed by bank.

11.3 Certain banks have filed recovery suits as more fully explained in note 12.2 to the financial statements.

12 CONTINGENCIES AND COMMITMENTS

Contingencies

	2014	2013
12.1 Guarantees issued by bank on behalf of the company	12,025,130	12,025,130

12.2 In respect of liabilities towards banks / financial institutions disclosed in note 10.1 and 11 to the financial statements, certain banks / financial institutions have filed suits in Honorable High Court of Sindh at Karachi for recovery of their liabilities through attachment and sale of Company's hypothecated / mortgaged properties. The aggregate suits' amount is Rs. 419.065 Million, out of total suits amount two of the banks having suits to the extent of Rs.359.439 million have also filed winding up petition u/s 305 of the Companies Ordinance, 1984. Since the company is in dispute with banks / financial institutions therefore the estimated financial effect of litigations is not being disclosed, as it may have adverse affect on company's position in the suits.

The management has disputed the claims and is strongly contesting the cases. The management has filed counter claims alleging that the banks claims are highly exaggerated as they have charged markup on markup and other levies higher than the rate of markup agreed and other charges in violation of State Bank of Pakistan rules and all other applicable laws of Pakistan. The management is hopeful that the decision will be in favor of the company and the base less suits shall be rejected by the concerned courts. Since all the cases are pending before Honorable Courts therefore the ultimate outcome cannot be established at this stage.

12.3 As per terms of restructuring (refer to note 7.1 & 7.2) the markup outstanding up to the date of restructuring is Rs.1.632 billion, which the company would be liable to pay in the event of default of terms of agreement. The company expects no default in the payments.

12.4 Commitments

Commitments in respect of outstanding documentary credits amounting to Rs.178.616 (2013: Rs.320.625) million.

	Note	2014	2013
		RUPEES	
13 PROPERTY, PLANT AND EQUIPMENTS			
Operating fixed assets	13.2	1,827,262,420	1,911,479,209
Capital work in progress - At cost	13.4	--	5,454,864
		1,827,262,420	1,916,934,073

13.1 Operating fixed assets

PARTICULARS	COST / REVALUATION				DEPRECIATION				Written Down Value	Rate %
	---------- 2014 ----------									
	Opening Balance	Additions	(Deletion)	Closing Balance	Opening Balance	On Disposal	For the Year	Closing Balance		
	RUPEES									
Owned assets:										
Lease hold land	210,500,000	--	--	210,500,000	--	--	--	--	210,500,000	--
Factory building on lease hold land	639,761,318	--	--	639,761,318	274,241,128	--	36,552,019	310,793,147	328,968,171	10
Non - factory building	59,112,130	--	--	59,112,130	12,143,447	--	4,696,868	16,840,315	42,271,815	10
Labour quarters	129,538,529	--	--	129,538,529	73,408,967	--	14,032,391	87,441,358	42,097,171	25
Plant, machinery and equipments	2,533,599,965	88,835,240	--	2,622,435,205	1,399,055,365	--	118,043,180	1,517,098,545	1,105,336,660	10
Electric installation	15,280,016	5,502,864	--	20,782,880	14,459,637	--	196,043	14,655,680	6,127,200	15
Vehicles	62,266,146	4,380,004	(1,169,000)	65,477,150	52,417,032	(1,034,138)	2,403,704	53,786,598	11,690,552	20
Furniture and fixture	8,892,701	1,268,005	--	10,160,706	6,503,849	--	308,524	6,812,373	3,348,333	10
Office equipments	11,553,095	839,209	--	12,392,304	9,230,566	--	430,990	9,661,556	2,730,748	15
Sub total	3,670,503,900	100,825,322	(1,169,000)	3,770,160,222	1,841,459,991	(1,034,138)	176,663,719	2,017,089,572	1,753,070,650	
Leased assets:										
Plant and machinery	128,705,731	--	--	128,705,731	46,270,431	--	8,243,530	54,513,961	74,191,770	10
Sub total	128,705,731	--	--	128,705,731	46,270,431	--	8,243,530	54,513,961	74,191,770	
30th June 2014	3,799,209,631	100,825,322	(1,169,000)	3,898,865,953	1,887,730,422	(1,034,138)	184,907,249	2,071,603,533	1,827,262,420	

PARTICULARS	COST / REVALUATION			DEPRECIATION			Written Down Value	Rate %
	---------- 2013 ----------							
	Opening Balance	Additions	Closing Balance	Opening Balance	For the Year	Closing Balance		
	RUPEES							
Owned assets:								
Lease hold land	210,500,000	--	210,500,000	--	--	--	210,500,000	--
Factory building on lease hold land	634,262,022	5,499,296	639,761,318	234,187,888	40,053,240	274,241,128	365,520,190	10
Non - factory building	59,112,130	--	59,112,130	6,924,704	5,218,743	12,143,447	46,968,683	10
Labour quarters	129,538,529	--	129,538,529	54,699,113	18,709,854	73,408,967	56,129,562	25
Plant, machinery and equipments	2,501,509,072	32,090,893	2,533,599,965	1,275,910,319	123,145,046	1,399,055,365	1,134,544,600	10
Electric installation	15,280,016	--	15,280,016	14,314,864	144,773	14,459,637	820,379	15
Vehicles	60,237,921	2,028,225	62,266,146	50,316,327	2,100,705	52,417,032	9,849,114	20
Furniture and fixture	8,701,801	190,900	8,892,701	6,252,835	251,014	6,503,849	2,388,852	10
Office equipments	11,342,375	210,720	11,553,095	8,649,548	581,018	9,230,566	2,322,529	15
Sub total	3,630,483,866	40,020,034	3,670,503,900	1,651,255,598	190,204,393	1,841,459,991	1,829,043,909	
Leased assets:								
Plant and machinery	128,705,731	--	128,705,731	37,110,953	9,159,478	46,270,431	82,435,300	10
Sub total	128,705,731	--	128,705,731	37,110,953	9,159,478	46,270,431	82,435,300	
30th June 2013	3,759,189,597	40,020,034	3,799,209,631	1,688,366,551	199,363,871	1,887,730,422	1,911,479,209	

		2014	2013
		RUPEES	
13.2	Depreciation charge for the year has been allocated as follows:		
	Cost of sales	183,335,640	197,897,502
	Administrative and general expenses	1,571,609	1,466,369
		184,907,249	199,363,871
13.3	Had there been no revaluation the carrying amounts of revalued assets would have been as follows:		
	Lease hold land	778,000	778,000
	Factory building on lease hold land	173,242,373	192,491,526
	Non - factory building	19,643,955	21,826,616
	Labour quarters	1,408,677	1,878,236
	Plant, machinery and equipments	647,718,931	626,080,457
		842,791,936	843,054,835
13.4	**Capital work in progress - At cost**		
	Electric installation :		
	Opening balance	5,454,864	4,626,978
	Additions during the year	--	6,327,182
		5,454,864	10,954,160
	Transfer during the year	(5,454,864)	(5,499,296)
	Closing balance	--	5,454,864

13.5 Detail of assets disposed of during the year:

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds / disposal value	Gain / (loss)	Mode of Disposal	Particulars of Buyer Name	Particulars of Buyer Status
	RUPEES							
Motor vehicles:								
Shehzore model 2003	580,000	503,181	76,819	630,730	553,911	Negotiation	Akhter Kiyani	Outsider
Shehzore model 2003	589,000	530,957	58,043	600,000	541,957	Negotiation	Akhter Kiyani	Outsider
June 30, 2014	**1,169,000**	**1,034,138**	**134,862**	**1,230,730**	**1,095,868**			
June 30, 2013	--	--	--	--	--			

14 INVESTMENTS

	Note	2014	2013
In related party (associated company):			
Shares in Dewan Salman Fibre Limited (Public, quoted company)			
104,288,773 (2013: 104,288,773) Fully paid ordinary shares of Rs. 10/- each. (28.47% holding)		210,000,000	210,000,000
Unrealized gain due to change in fair value of investment / accumulated impairment		5,877,760	31,949,958
		215,877,760	241,949,958
Less: Transferred to non-current assets held for sale	21	(215,877,760)	(241,949,958)
		--	--
Market value (Rupees per share)		2.07	2.52

		Note	2014	2013
			RUPEES	
15	**LONG TERM DEPOSITS**			
	Security deposits		54,110,685	53,921,685
16	**STORES AND SPARES**			
	Stores and spares		50,651,745	37,675,276
	Packing material		12,640,595	8,486,348
			63,292,340	46,161,624
17	**STOCK IN TRADE**			
	Raw materials	17.1	1,130,187,136	969,644,225
	Work in process		20,479,861	39,124,783
	Finished goods	17.2	233,366,710	272,150,962
	Stock in transit		110,247,993	334,254,635
			1,494,281,700	1,615,174,605

17.1 Raw materials stocks valuing Rs.112.216 million (2013: Rs.68.122 million) were pledged with the banks against the finance facilities obtained by the Company.

17.2 Finished goods stocks valuing Rs. 119.737 million (2013: Rs.120.271 million) were pledged with the banks against the finance facilities obtained by the Company.

		2014	2013
18	**ADVANCES - Considered good**		
	Employees	8,133,232	5,367,656
	Suppliers	8,027,227	9,120,953
	Against import	210,073	12,170,759
	Advance payment against un-restructured loans	5,345,005	6,062,342
	Others	7,510,654	10,127,113
		29,226,191	42,848,823
19	**SHORT TERM DEPOSITS AND CURRENT ACCOUNT BALANCES WITH STATUTORY AUTHORITIES**		
	Short term deposits and margin	1,757,296	6,846,351
	Sales tax receivable	17,678,764	33,385,901
		19,436,060	40,232,252
20	**CASH AND BANK BALANCES**		
	Cash in hand	93,308	326,745
	Cash at banks - Current accounts	14,736,101	40,080,488
		14,829,409	40,407,233
21	**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	241,949,958

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 the date the financial statements were authorized for issue based on quoted prices was Rs.206.492 million.

		Note	2014	2013
			RUPEES	
22	**SALES - Net**			
	Gross sales :			
	Yarn:			
	Export		903,328,404	1,857,905,209
	Local		2,274,125,095	1,725,564,110
	Conversion charges		293,690,285	325,718,900
	Waste - Local		33,984,840	50,511,055
			3,505,128,624	3,959,699,274
	Less :			
	Sales tax		51,126,451	15,468,838
	Sales return		39,635,538	16,050,404
			(90,761,989)	(31,519,242)
			3,414,366,635	3,928,180,032
23	**COSTS OF SALES**			
	Raw material			
	Opening stock		969,644,225	1,028,482,817
	Purchases - Net		2,371,683,422	2,373,369,196
			3,341,327,647	3,401,852,013
	Closing stock		(1,130,187,136)	(969,644,225)
	Raw material consumed		2,211,140,511	2,432,207,788
	Manufacturing overheads			
	Packing material consumed		67,500,925	64,715,771
	Stores and spares consumed		76,113,059	75,243,203
	Salaries, wages and others benefits	23.1	372,963,290	361,304,760
	Fuel and power		397,336,498	394,219,323
	Rent, rates and taxes		2,326,340	4,265,263
	Insurance		8,500,592	8,541,373
	Vehicle running and maintenance		7,164,492	6,557,352
	Repair and maintenance		3,573,363	3,334,637
	Depreciation	13.2	183,335,640	197,897,502
			1,118,814,199	1,116,079,184
	Total manufacturing cost		3,329,954,710	3,548,286,972

	Note	2014	2013
		RUPEES	
Work in process (Opening)		39,124,783	39,164,550
Work in process (Closing)		(20,479,861)	(39,124,783)
		18,644,922	39,767
Cost of goods manufactured		3,348,599,632	3,548,326,739
Finished goods (Opening)		272,150,962	300,295,639
Purchase of yarn		--	26,041,113
		272,150,962	326,336,752
Finished goods (Closing)		(233,366,710)	(272,150,962)
Cost of sales		3,387,383,884	3,602,512,529

23.1 Salaries, wages and other benefits includes amount of Rs.21.125 million (2013: Rs.17.846 million) in respect of staff retirement benefits.

24 DISTRIBUTION COST AND SELLING EXPENSES

	Note	2014	2013
		RUPEES	
Salaries, allowances and others benefits	24.1	10,671,264	3,526,166
Commission on local sales		23,921,690	20,331,649
Commission on export sales		18,059,469	41,263,602
Freight and octroi		8,267,703	13,345,820
Export expenses		14,588,466	18,329,537
Ocean freight		8,115,924	26,422,016
Advertisement and publicity		24,480	64,600
Others		250,861	139,706
		83,899,857	123,423,096

24.1 Salaries, allowances and others benefit includes amount of Rs.1.175 million (2013: Rs. 0.385 million) in respect of staff retirement benefits.

25 ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2014	2013
Salaries, allowances and others benefits	25.1	16,967,369	14,612,748
Communication		2,448,223	2,241,086
Vehicle expenses		5,914,685	4,625,879
Legal and professional		2,896,818	2,966,423
Auditors' remuneration	25.2	835,000	835,000
Printing and stationery		2,549,833	2,686,120
Fee and subscription		694,490	1,017,948
Entertainment		2,306,457	2,069,710
Traveling and conveyance		3,585,015	3,671,839
Rent rates and taxes		2,951,121	2,906,729
Repair and maintenance		264,565	220,881
Depreciation	13.2	1,571,609	1,466,369
Others		22,687	427,465
		43,007,872	39,748,197

25.1 Salaries, allowances and others benefit includes amount of Rs.1.805 million (2013: Rs. 1.620 million) in respect of staff retirement benefits.

	Note	2014	2013
		RUPEES	
25.2 Auditors' remuneration			
Audit fee		550,000	550,000
Half yearly review		250,000	250,000
Out of pocket expenses		35,000	35,000
		835,000	835,000

26 FINANCE COST

		2014	2013
Mark up on long term financing		125,399,490	74,820,763
Mark up on short term borrowings		47,715,879	24,621,794
Interest on workers' profit participation fund		399,552	--
Bank charges		9,158,442	10,257,273
		182,673,363	109,699,830

26.1 Company has not made the provision of markup for the year amounting to Rs.48.249 million (upto June 30, 2013: Rs.210.046 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 year would have been higher by Rs. 48.249 millions and accrued markup would have been higher and shareholders' equity would have been lower by Rs.258.295 million. The said non provisioning is departure from the requirements of IAS-23 'Borrowing Costs".

27 OTHER CHARGES

	Note	2014	2013
Donations	27.1	3,797,500	3,979,000
Workers' profit participation fund		--	3,138,662
Workers' welfare fund		--	1,192,692
		3,797,500	8,310,354

27.1 Donation include a sum Rs.3.000 million (2013: Rs.3.000 million) paid to M/s Dewan Farooque Trust (Related party) where following directors / spouses hold following positions:

- Dewan M. Yousuf Farooqui - Chairman Board of Trustees
- Dewan Abdul Baqi Farooqui - Trustee
- Mr. Haroon Iqbal - Trustee
- Mr. Aziz ul Haque - Trustee
- Mr. Ishtiaq Ahmad - Trustee
- Mrs. Hina Yousuf (Spouse of Director) - Trustee

28 OTHER INCOME

		2014	2013
Net exchange gain		15,232,007	14,066,130
Gain on disposal of fixed assets		1,095,868	--
		16,327,875	14,066,130

29 TAXATION

29.1 Current

The Income tax assessment of the Company deemed to have been finalized upto and including tax year 2013. In respect of tax year 2010 company has filed an appeal against order U/s 122 (1) against the demand created amounting to Rs.9.817 million, the decision of which is pending.

29.2 Relationship between income tax expense and accounting profit

	2014	2013
Accounting (loss) / profit as per profit and loss account	(270,067,966)	58,552,156
Applicable tax rate	34%	35%
Tax on accounting profit	(91,823,108)	20,493,255
Tax effect of accelerated tax depreciation	26,212,232	21,315,852
Tax effect of export sales subject to tax separately U/s 169	(12,414,519)	(120,242,015)
Tax effect on expenses that are not deductible in determining taxable income charged to profit and loss A/c	1,453,770	251,721
Effect on loss carried forward	76,571,625	78,181,188
Tax payable under normal rules	--	--
Minimum tax payable under income tax ordinance 2001	29,402,812	29,506,774

	2014	2013
	RUPEES	

30 (LOSS) / EARNINGS PER SHARE - Basic and diluted

	2014	2013
(Loss) / profit after taxation	(274,911,312)	62,854,948
	NUMBER OF SHARES	
Weighted average number of shares	13,504,609	13,504,609
	RUPEES	
(Loss) / earnings per share - Basic and diluted	(20.36)	4.65

There is no dilutive effect on (loss) / earnings per share of the company

31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2014				2013			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial remuneration	--	360,000	18,863,125	19,223,125	--	360,000	13,472,981	13,832,981
House rent allowance	--	145,000	8,488,406	8,633,406	--	145,000	6,062,841	6,207,841
Utilities	--	35,000	1,886,313	1,921,313	--	35,000	1,347,298	1,382,298
Conveyance	--	--	3,663	3,663	--	--	3,655	3,655
	--	540,000	29,241,507	29,781,507	--	540,000	20,886,775	21,426,775
Number of persons	--	1	12	13	--	1	11	12

In addition to above the certain executives of the company are provided with free use of vehicles.

32 TRANSACTIONS WITH RELATED PARTIES

Related parties includes associated group companies, directors, executives, key management personnel and staff retirement funds. The remuneration paid to chief executive, directors, executive and key management personnel in terms of their employment is disclosed in note 31 to the financial statements.

During the year aggregate transactions made by the company with the associated companies were purchases of Rs. 20.505 million (2013: Rs.83.675 million) , sales of Rs.149.413 million (2013: Rs.118.391 million), provident fund contributions of Rs.12.503 million (2013: Rs.9.995 million), shared expenses of Rs.78.270 million (2013: Rs.30.682 million), Donations of Rs. 3.000 million (2013: 3.000 million) and vehicle purchase of Rs.1.549 million.

33 PROVIDENT FUND RELATED DISCLOSURES

The following information is based on latest un-audited financial statements of the Fund:

	2014	2013
	RUPEES	
Size of the fund - Total assets	31,670,323	20,058,299
Cost of Investment	21,158,036	13,699,431
Percentage of investments made	67%	68%
Fair value of investments	21,605,422	14,084,417

33.1 The breakup of investments is as follows :

	2014	2013	2014	2013
	(Percentage)		(RUPEES)	
Term Deposit Receipts	27%	60%	8,400,000	12,000,000
Bank Balances	40%	8%	12,758,036	1,699,431

33.2 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

34 NUMBER OF EMPLOYEES

	2014	2013
Number of employees at June 30		
Regular	1,393	1,308
Contractual	41	40
Average number of employees during the year		
Regular	1,377	1,369
Contractual	40	41

35 PLANT CAPACITY AND PRODUCTION

PARTICULARS	For year ended, June 30, 2014	For year ended, June 30, 2013
Actual production at actual average count Kgs	15,566,921	19,057,026
Actual production converted to 20 count Kgs	14,900,574	16,954,602
Attainable capacity converted to 20 count Kgs	20,005,638	19,397,749
Number of spindles installed	65,544	65,544
Number of spindles worked	53,558	56,844
Number of shifts worked during the year	831	1,050

36 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The board of directors has the overall responsibility for the establishment and oversight of company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

36.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primary attributable to its receivables and balances with banks.

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	2014	2013
	RUPEES	
Trade debts	1,231,646,377	1,579,944,210
Investments	215,877,760	241,949,958
Deposits	73,546,745	94,153,937
Advances and other receivables	29,226,191	42,848,823
Bank balances	14,736,101	40,080,488
	1,565,033,174	1,998,977,416

The company manages credit risk of receivables through the monitoring of credit exposures and continuous assessment of credit worthiness of its customers. The company believes that it is not exposed to any major concentration of credit risk as its customers are credit worthy and when there is doubt about the customer's credit worthiness the sales are made through letter of credit and dealing banks posses good credit ratings.

The aging of trade debts at the reporting dates was:		
Not past due	394,126,841	473,983,263
Past due 0-30 days	221,696,348	315,988,842
Past due 30-150 days	597,348,493	758,373,221
Past due 150 days	18,474,696	31,598,884
	1,231,646,377	1,579,944,210

Based on past experience the management believes that no impairment allowance is necessary in respect of trade debts past due as over 64 % of trade debts have been recovered subsequent to the balance sheet date and for rest of the trade debts management believes that the same will be recovered in short course of time. The credit quality of the company's receivable can be assessed with their past performance of no default. The investment is being carried at fair value using the quoted market price of investment, based on which the fair value is higher than the cost of investments. The credit quality of the company's banks can be assessed by their external credit ratings:

Name of Bank	Rating Agency	Rating Short term	Long term
Habib Bank Limited	JCR-VIS	A-1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+
Standard Chartered Bank	PACRA	A1+	AAA
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank Islami Pakistan Limited	PACRA	A1	A

36.2 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. The following are the contractual maturities of the financial liabilities, including estimated markups:

2014	Carrying Amount	Contractual Cash Flow	Six Months or Less	Six to Twelve Months	Two to eight Years
			RUPEES		
Financial Liabilities					
Long term financing	3,273,548,939	4,139,115,275	315,539,073	308,100,509	3,515,475,693
Trade and other payables	411,244,595	411,244,595	411,244,595	--	--
Markup accrued	34,367,015	34,367,015	34,367,015	--	--
Short term borrowings	816,006,986	863,675,225	863,675,225	--	--
	4,535,167,535	5,438,402,110	1,614,825,908	308,100,509	3,515,475,693

2013	Carrying Amount	Contractual Cash Flow	Six Months or Less	Six to Twelve Months	Two to eight Years
			RUPEES		
Financial Liabilities					
Long term financing - Secured	3,691,046,947	4,661,054,211	266,583,571	318,385,563	4,076,085,078
Liabilities against assets subject to finance lease	41,185,703	44,596,962	44,596,962	--	--
Trade and other payables	345,066,506	345,066,506	345,066,506	--	--
Markup accrued	23,772,596	23,772,596	23,772,596	--	--
Short term borrowings - Secured	720,727,477	757,905,661	757,905,661	--	--
	4,821,799,229	5,832,395,937	1,437,925,296	318,385,563	4,076,085,078

All the financial liabilities of the company are non derivative financial liabilities. The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effect as at June 30.

36.3 Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of financial instruments. The company is exposed to currency risk and interest rate risk only.

36.3.1 Currency risk

Foreign currency risk arises mainly where receivables and payables exists due to transactions in foreign currencies. The financial instruments of the company exposed mainly includes foreign receivables, however as of reporting date there were no outstanding liabilities in foreign currencies.

36.3.2 Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The company's exposure to the risk of changes in interest rates relates primarily to the following:

	2014	2013
	RUPEES	
Fixed rate instruments at carrying amounts:		
Financial liabilities		
Long term financing	3,273,548,939	3,691,046,947
Variable rate instruments at carrying amounts:		
Financial liabilities		
Lease liability	--	41,185,703
Short term borrowings	816,006,986	720,727,477
	816,006,986	761,913,180

Fair value sensitivity analysis for fixed rate instruments:
The company does not account for any fixed rate financial assets at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments:
A change of 100 basis points in interest rates at the reporting date would have increased / decreased loss/profit for the year by the amounts shown below:

	2014	2013
Effect on loss due to change of 100 BPs		
Increase / decrease	4,954,883	2,641,823

The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

36.4 Fair value of financial instruments
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying values of financial instruments reflected in these financial statements approximate their fair values.

36.5 Capital risk management
The company's prime objective when managing capital is to safe guard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

37 CORRESPONDING FIGURES
The corresponding figures have been rearranged and reclassified for the purpose of comparison and better presentation, However there has been no Significant reclassifications except for the retrospective restatements due to change in accounting policy as disclosed in note 3.2.1.

38 DATE OF AUTHORIZATION TO ISSUE
These financial statements were authorized for issue on September 26, 2014 by the Board of Directors of the Company.

39 GENERAL
These financial statements are presented in rupees and figures have been rounded off to the nearest rupee.

Dewan Abdul Baqi Farooqui
Chief Executive

Haroon Iqbal
Director

PATTERN OF SHAREHOLDING
THE CODE OF CORPORATE GOVERNANCE
AS ON 30TH JUNE 2014

Srl #	Categories of Shareholders	Number of Shareholders	Number of Shares held	% of Shareholding
1.	**Associated Companies**	1	1,306,887	9.68%
2.	**NIT and ICP**	-	-	0.00%
3.	**Directors, CEO, their Spouses & Minor Children**	9	5,924,597	43.87%
4.	**Executives**	-	-	0.00%
5.	**Public Sector Companies & Corporations**	4	5,938	0.04%
6.	**Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds**	-	-	0.00%
7.	**Individuals**	314	6,267,187	46.41%
	TOTAL	**328**	**13,504,609**	**100.00%**

DETAILS OF CATAGORIES OF SHAREHOLDERS

Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1.	**Associated Companies**			
1.1	Dewan Motors (Pvt.) Limited	1	1,306,887	9.68%
2.	**NIT and ICP**			
		-	-	0.00%
3.	**Directors, CEO, their Spouses & Minor Children**			
	Directors and CEO			
3.1	Dewan Muhammad Yousuf Farooqui	1	3,110,518	23.03%
3.2	Dewan Abdul Baqi Farooqui	1	834,380	6.18%
3.3	Dewan Abdul Rehman Farooqui	1	1,669,053	12.36%
3.4	Mr. Aziz ul Haque	1	1,000	12.36%
3.5	Mr. Haroon Iqbal	1	500	0.00%
3.6	Mr. Ghazanfar Babar Siddiqi	1	500	0.00%
3.7	Mr. Ishtiaq Ahmed	1	500	0.00%
		7	**5,616,451**	**53.94%**
	Spouses of Directors and CEO			
3.8	Mrs. Heena Yousuf	1	259,040	1.92%
3.9	Mrs. Samina Rehman	1	49,106	0.36%
		2	**308,146**	**2.28%**
	Minor Children of Directors and CEO			

SHAREHOLDERS HOLDING 5% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY

Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1	Dewan Muhammad Yousuf Farooqui	1	3,110,518	23.03%
2	Dewan Abdul Rehman Farooqui	1	1,669,053	12.36%
3	Dewan Motors (Pvt.) Limited	1	1,306,887	9.68%
4	Dewan Abdul Mannan Mutaqi	2	1,110,000	8.22%
5	Dewan Zia-ur-Rehman Farooqui	3	990,968	7.34%
6	Dewan Muhammad Hamza Farooqui	1	960,174	7.11%
7	Dewan Abdullah Ahmed Swalleh	1	845,334	6.26%
8	Dewan Asim Mushfiq Farooqui	1	834,465	6.18%
9	Dewan Abdul Baqi Farooqui	1	834,380	6.18%

DETAILS OF TRADING IN THE SHARES OF THE COMPANY BY DIRECTORS, CEO, CFO, COMPANY SECRETARY, THEIR SPOUSES AND MINOR CHILDREN

During the year under review, none of the CEO, CFO, Directors, Company Secretary, their spouses and minor children have traded in the shares of the Company.

FORM 34

THE COMPANIES ORDINANCE, 1984

(Section 236(1) and 464)

PATTERN OF SHAREHOLDING

1. Incorporation Number: **0003113**
2. Name of the Company: **DEWAN TEXTILE MILLS LIMITED**
3. Pattern of holding of the shares held by the Shareholders as at: 30 06 2014

4.

Number of Shareholders	Shareholdings				Total Shares held
137	1	-	100	Shares	2,403
54	101	-	500	Shares	18,805
34	501	-	1,000	Shares	29,749
58	1,001	-	5,000	Shares	153,094
13	5,001	-	10,000	Shares	94,878
5	10,001	-	15,000	Shares	61,094
2	15,001	-	25,000	Shares	45,006
3	25,001	-	35,000	Shares	85,816
2	35,001	-	50,000	Shares	87,106
3	50,001	-	65,000	Shares	174,503
1	65,001	-	75,000	Shares	67,621
1	75,001	-	85,000	Shares	78,503
2	85,001	-	100,000	Shares	192,500
2	100,001	-	260,000	Shares	518,080
2	260,001	-	405,000	Shares	802,293
1	405,001	-	525,000	Shares	522,347
2	525,001	-	835,000	Shares	1,668,845
1	835,001	-	850,000	Shares	845,334
1	850,001	-	965,000	Shares	960,174
1	965,001	-	1,010,000	Shares	1,010,000
1	1,010,001	-	1,350,000	Shares	1,306,887
1	1,350,001	-	1,670,000	Shares	1,669,053
1	1,670,001	-	3,115,000	Shares	3,110,518
328	**TOTAL**				**13,504,609**

5.

	Categories of Shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer, their spouses and minor children	5,924,597	43.87%
5.2	Associated Companies, undertakings and related parties	1,306,887	9.68%
5.3	NIT and ICP	-	0.00%
5.4	Banks, Development Financial Institutions, Non-Banking Finance Companies	-	0.00%
5.5	Insurance Companies	-	0.00%
5.6	Modarabas and Mutual Funds	-	0.00%
5.7	Shareholders holding 5%	11,661,779	86.35%
5.8	General Public		0.00%
	a. Local	6,267,169	46.41%
	b. Foreign	18	0.00%
5.9	Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees)	5,938	0.04%

DEWAN TEXTILE MILLS LIMITED

45th ANNUAL GENERAL MEETING

FORM OF PROXY

> This form of Proxy duly completed must be deposited at our Shares Registrar Transfer Agent **BMF Consultants Pakistan (Private) Ltd.** Anum Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, Adjacent Baloch Colony Bridge, Karachi-75350, Pakistan. Not later than 48 hours before the time of holding the meeting A Proxy should also be a member of the Company.

I/we ______________________________

of ______________________________ being a member (s) of

DEWAN TEXTILE MILLS LIMITED and holder of ______________________________

Ordinary Shares as per Registered Folio No./CDC Participant's ID and Account No. ______________

hereby appoint ______________________________

of ______________________________

or failing him ______________________________

of ______________________________

who is also member of DEWAN TEXTILE MILLS LIMITED vide Registered Folio

No./CDC Participant's ID and Account No. ______________ as my/our proxy to vote for me/us and

on my/our behalf at the 45th Annual General Meeting of the Company to be held on **Thursday, October 30, 2014, at 10:30 a.m.** And any adjournment thereof.

Signed this ______________________ day of ______________ 2014.

Affix
Revenue
Stamp
Rs. 5/-

Signature ______________________

Witness: ______________________
SIGNATURE

Name : ______________________

Address : ______________________

____

Witness: ______________________
SIGNATURE

Name : ______________________

Address : ______________________

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