Mission Statement

The Mission of Dewan Mushtaq 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.

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	
Executive Director	: **Dewan Abdul Baqi Farooqui - Chief Executive Officer**
Non-Executive Directors	: **Dewan Muhammad Yousuf Farooqui - Chairman, Board of Directors** **Dewan Abdullah Ahmed Farooqui** **Dewan Abdul Rehman Farooqui** **Mr. Haroon Iqbal** **Ishtiaq Ahmed**
Independent Director	: **Mr. Aziz-ul-Haque**
AUDIT COMMITTEE	: **Mr. Aziz-ul-Haque (Chairman)** **Dewan Abdul Rehman Farooqui (Member)** **Mr. Haroon Iqbal (Member)**
HUMAN RESOURCE & REMUNERATION COMMITTEE	: **Dewan Muhammad Yousuf Farooqui (Chairman)** **Dewan Abdul Baqi Farooqui (Member)** **Mr. Haroon Iqbal (Member)**
COMPANY SECRETARY	: **Syed Muhammad Salahuddin**
CHIEF FINANCIAL OFFICER	: **Mehmood-Ul-Hassan Asghar**
LEGAL ADVISORS	: **A. K. Brohi & Co. Advocates**
BANKERS	: **Habib Bank Limited** : **Bank Islami Pakistan Limited** : **MCB Bank Limited** : **Silk Bank Limited**
AUDITORS	: **Feroze Sharif Tariq & Co.** **Chartered Accountants** **4/N/4 Block-6, P.E.C.H.S.,** **Karachi 75400, Pakistan.**
TAX ADVISORS	: **Sharif & Co. Advocates**
REGISTERED OFFICE	: **Finance & Trade Centre** **Block-A, 8th Floor,** **Shahrah-e-Faisal, Karachi**
SHARE REGISTERED / TRANSFER AGENT	: **BMF Consultants Pakistan (Private) Limited** **Anum Estate Building, Room No. 310 & 311,** **3rd Floor, 49, Darul Aman Society,** **Main Shahrah-e-Faisal, adjacent to Baloch Colony Bridge,** **Karachi 75350, Pakistan.**
FACTORY	: **A-30, S.I.T.E., Hyderabad, Sindh, Pakistan.**
WEBSITE	: **www.yousufdewan.com**

NOTICE OF 52nd ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty Second Annual General Meeting of **Dewan Mushtaq Textile Mills Limited** ("***DMTML***" or "***the Company***") will be held on **Wednesday, October 30, 2013, at 11:00 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 General Meeting of the Company held on Wednesday, January 30, 2013;

2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2013, togetherwith 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

Syed Muhammad Salahuddin
Company Secretary

Date : September 27, 2013
Place : Karachi

NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from October 23, 2013 to October 30, 2013 (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 abovesaid 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, alongwith the specimen signature of the nominee, shall be produced (unless it has been provided earlier) at the time of meeting.

b) <u>For Appointing Proxies</u>:

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 alongwith 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, alongwith 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, 2013 together with the Auditors' Report thereon.

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

	"Rupees"
SALES (NET)	1,590,563,558
COST OF SALES	(1,521,546,474)
GROSS PROFIT	**69,017,084**
OPERATING EXPENSES	(50,198,576)
OPERATING PROFIT	**18,818,508**
OTHER CHARGES	(23,213,416)
OTHER INCOME	505,344
LOSS BEFORE TAXATION	**(3,889,564)**
PROVISION FOR TAXATION	(9,681,676)
LOSS AFTER TAXATION	**(13,571,240)**

The turnover of the Company, as compared to the last year, has increased by 13.47 %. Company has earned gross profit of Rs 69.02 million and suffered a pretax loss of Rs. 3.89 million during the year as compared to gross profit of Rs.48.90 million and pretax loss of Rs.2. 32 million of previous year.

During the year under review, load shedding of gas resulted in reduced capacity utilization and production loss. Secondly the intermittent increase in prices of gas, electricity and fuel have pushed the cost of goods manufactured towards higher side. Raw material rates, during the entire period, have fluctuated up and down haphazardly which have resulted in net increased cost of purchase.

Owing to the overall economic recession in the country the demand of yarn in the local market remained low which kept yarn prices under pressure. The increase in prices of lubricants and petrol also contributed to increase in the cost of production and distribution respectively. In addition to above, increased cost of stores spares and packing material has also affected the company's results.

During the financial year 2011-12 the company had settled with its lenders through Compromise Agreement dated December 23, 2011 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 did not accepted the restructuring proposal at that time, and we are still in negotiation with those few banks to accept the restructuring proposal.

Future Outlook
The key challenges facing the Pakistan's economy emerging from long standing structural issue which 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 affecting the economy badly; however some initiatives which are being taken by the government hopefully will improve the situation in near future. Business environment needs political stability along with improvement in law and order situation in the country.

The management of the company has taken the initiative of having alternate source of supply from captive power generation to wapda based electricity in order to overcome the problem of natural gas load shedding; as a part of our such future strategic planning regarding uninterrupted energy needs we are going to have wapda connection in the ensuing year. This change will have the positive impact in term of plant capacity utilization in the longer run.

Prompt and timely decision in right direction is the core objective of every management, particularly in an industry where the input costs are more volatile and subject to frequent change. The management of the company has decided to implement ERP in near future to keep on tracking all the information on the company strength to take the better decision such as hiring right number of employees, purchasing additional machines or cut down the cost etc. The implementation of E.R.P will not only streamline the M.I.S. reporting but will also provide the base for the management to make timely decision with paperless environment and also clarity in the job description for the betterment of the company.

We are making blended yarn which is being sold in Faisalabad and Karachi region we have fixed our product mix for your company and its sister concern in order to avoid any overlapping and inter mill competition This has benefited us in many ways. We have also activated our office at Faisalabad mainly for blended yarn sales. By giving the right product mix for that market we have achieved good results and now we have made strong inroads. Currently we are selling 60% production of the company in to this market at very competitive rates and having a good presence in the north region as well.

Since the input costs of man made fiber as compared to raw 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, it is therefore the demand supply difference may put pressure on the prices of man mad fiber in future.

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 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.

Statement of Compliance under 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 period ended June 30, 2013.

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. 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 four meetings of the Board were held. The attendance of directors was as follows:

Names	No. of Meetings attended
Dewan Muhammad Yousuf Farooqui	6
Dewan Abdul Baqi Farooqui	7
Dewan Asim Mushfiq Farooqui	3
Dewan Abdullah Ahmed Farooqui	1
Dewan Abdul Rehman Farooqui	7
Mr. Haroon Iqbal	7
Mr. Aziz-ul-Haque	7
Mr. Ishtiaq Ahmed	3

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

Earnings per Share
(Loss)/ earnings per share during the period under report worked out to Rs.(3.95) (2012: Rs.5.29)

Appointment of Auditors
The present auditors, M/s. Feroze Sharif Tariq & 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. Feroze Sharif Tariq & 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

Dewan Abdul Baqi Farooqui
Chief Executive

Date: September 27, 2013
Place: Karachi.

FINANCIAL HIGHLIGHTS

(Rupees in Million)

	2008	2009	2010	2011	2012	2013
Sales (Net)	1,570	1,034	1,052	1,504	1,402	**1,591**
Gross Profit	76	37	72	31	49	**69**
Profit / (Loss) Before Tax	3	(78)	38	(2)	(2)	**(4)**
Profit / (Loss) After Tax	(8)	(69)	35	11	18	**(14)**
Assets Employed	896	724	808	855	1,373	**1,402**
Return on Equity	(3.64%)	(77.25%)	27.15%	6.74%	9.93%	**(6.39%)**
Current Assets	458	389	504	553	619	**685**
Shareholder's Equity	223	90	130	163	183	**212**
Deferred Liabilities	56	55	52	22	121	**125**
Current Liabilities	618	392	542	669	214	**331**
Gross Profit Ratio (%)	4.84%	3.55%	6.82%	2.03%	3.50%	**4.34%**
Net Profit / (Loss) Ratio	(0.52%)	(6.70%)	3.37%	0.73%	1.28%	**(0.85%)**
Earning / (Loss) per Share	(2.36)	(20.19)	10.32	3.20	5.29	**(3.95)**
Dividend (%)						
cash	-	-	-	-	-	-
stock	-	-	-	-	-	-
Production						
Actual Production at Actual Average Count (kg)	6,981,430	6,033,631	5,218,949	6,222,569	6,308,888	**6,266,577**
Actual Production Converted to 20 Count (kg)	11,062,114	9,492,977	10,442,000	11,756,662	10,034,950	**9,951,917**

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

The statement is being presented to comply with the Code of Corporate Governance ("CCG") contained in Regulation No 35 of listing regulation of Karachi, Lahore and Islamabad 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. No casual vacancy occurred on the board during this period.

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 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 of whom one is independent director who is also chairman and two members are non executive directors.

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 are 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).

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

Date : September 27, 2013
Place : Karachi

Dewan Abdul Baqi Farooqui
Chief Executive

A YOUSUF DEWAN COMPANY

FEROZE SHARIF TARIQ & CO.

FEROZE SHARIF TARIQ & CO.
Chartered Accountants
4-N/4, BLOCK 6, P.E.C.H.S.,
KARACHI 75400

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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 Mushtaq Textile Mills Limited** to comply with the respective Listing Regulation No(s). 37 of the Karachi Stock Exchange (Guarantee) limited, where the company is listed.

The responsibility for compliance with the 'Code of Corporate Governance' 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 of Corporate Governance' and report if it does not. A review is limited primarily to inquiries of the company personnel and review of the various documents prepared by the company to comply with the code.

As 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the board's statement on internal control covers all controls, and the effectiveness of such controls.

Further, Sub-Regulation (xiii) of Listing Regulation on 35 (previously Regulation no 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Management Company to place before the Board of Director for their consideration and approval related party transactions distinguishing between transactions carried out on term equivalent to those that prevail in arm's length transactions and transaction which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transaction are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Director and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 of Corporate Governance as applicable to the company for the year June 30, 2013.

Feroze Sharif Tariq & Co.

Feroze Sharif Tariq & Company
Chartered Accountants

Audit Engaging Partner: Mohammad Tariq
Date : September 27, 2013
Place : Karachi

FEROZE SHARIF TARIQ & CO.

FEROZE SHARIF TARIQ & CO.
Chartered Accountants
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of ***Dewan Mushtaq Textile Mills Limited***, as at June 30, 2013, and 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 the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the Balance Sheet and Profit & 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 the accounting policies consistently applied, consistently applied;

   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.

FEROZE SHARIF TARIQ & CO.

FEROZE SHARIF TARIQ & CO.
Chartered Accountants
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c) in our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & 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 give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit its Comprehensive income, Cash flows and Changes in Equity for the year then ended; and

d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance 1980 (xviii of 1980), was deducted by the company and deposited in the Central Zakat fund established under section 7 of that ordinance.

Feroze Sharif Tariq & Co.

Audit Engaging Partner: Mohammad Tariq
Date : September 27, 2013
Place : Karachi

Feroze Sharif Tariq & Company
Chartered Accountants

BALANCE SHEET
AS AT JUNE 30, 2013

	Notes	June 30, 2013	June 30, 2012
		(Rupees)	
EQUITY AND LIABILITIES			
CAPITAL & RESERVES			
Authorized			
10,000,000 (June 30, 2012: 10,000,000) Ordinary Shares of Rs. 10/- each		**100,000,000**	100,000,000
Issued, Subscribed and Paid-up Capital	4	**34,340,280**	34,340,280
General Reserve - (a Revenue Reserve)		**45,000,000**	45,000,000
Unappropriated Profit		**133,039,825**	103,827,795
		212,380,105	183,168,075
Surplus on revaluation of property plant and equipment	5	**349,874,500**	375,176,994
NON-CURRENT LIABILITIES			
Syndicated Long Term Loan - Secured	6	**384,065,236**	480,081,544
Deferred Liabilities			
Provision for Staff Gratuity	7	**24,649,730**	22,436,917
Deferred taxation	8	**100,223,188**	98,494,684
		124,872,918	120,931,601
CURRENT LIABILITIES			
Trade and Other Payables	9	**130,212,494**	110,432,956
Mark-up accrued on loans		**5,290,105**	5,362,495
Current Portion of Long Term Loan	6	**96,016,308**	32,000,000
Short Term Borrowings - Secured	10	**46,562,370**	21,250,000
Provision for Income Tax	11	**52,560,181**	44,607,009
		330,641,458	213,652,460
Contingencies and Commitments	12	--	--
		1,401,834,217	**1,373,010,674**
ASSETS			
NON-CURRENT ASSETS			
Property Plant and Equipment	13	**665,463,678**	720,328,772
Available for Sale Investment - at fair value	14	**50,058,585**	32,577,810
Long Term Deposits		**840,510**	840,510
CURRENT ASSETS			
Stores, Spares and Loose Tools	15	**14,293,378**	14,816,608
Stock-in-Trade	16	**147,920,246**	203,134,319
Trade Debts - Considered Good	17	**413,039,906**	312,275,706
Loans and Advances - Unsecured, Considered good	18	**7,229,260**	10,095,313
Trade Deposits, Prepayments and Statutory Balances - Considered good	19	**35,957,688**	31,671,241
Other Receivables - Unsecured, Considered good		**10,972,402**	3,984,287
Income Tax Refunds and Advances		**46,322,392**	30,310,775
Cash and Bank Balances	20	**9,736,172**	12,975,333
		685,471,444	619,263,582
		1,401,834,217	**1,373,010,674**

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, 2013

	Notes	June 30, 2013	June 30, 2012
		(Rupees)	
Sales - Net	21	**1,590,563,558**	1,401,777,405
Cost of Sales	22	**(1,521,546,474)**	(1,352,881,358)
Gross Profit		**69,017,084**	48,896,047
Administrative and General Expenses	23	**(36,463,766)**	(34,421,461)
Distribution Costs and Selling Expenses	24	**(13,734,810)**	(5,996,617)
		(50,198,576)	(40,418,078)
Operating Profit		**18,818,508**	8,477,969
Other Income	25	**505,344**	313,487
Finance Cost	26	**(23,213,416)**	(11,108,940)
(Loss) / Profit before taxation		**(3,889,564)**	(2,317,484)
Taxation			
- Current		**(7,953,172)**	(14,018,985)
- Deferred		**(1,728,504)**	34,518,427
		(9,681,676)	20,499,443
(Loss) / Profit after taxation		**(13,571,240)**	18,181,959
(Loss) /Earning Per Share - Basic	27	**(3.95)**	5.29

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, 2013

	June 30, 2013	June 30, 2012
	(Rupees)	
Profit / (Loss) for the year	**(13,571,240)**	18,181,959
Other comprehensive Income:		
Transfer from surplus on revaluation of property plant and equipment in respect of:		
Incremental depreciation	**38,926,914**	32,488,238
Related deferred tax	**(13,624,420)**	(11,370,883)
	25,302,494	21,117,355
Changes in fair value of available for sale investment	**17,480,776**	(19,268,582)
Total comprehensive income / (Loss) for the year	**29,212,030**	20,030,732

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, 2013

	Notes	June 30, 2013	June 30, 2012
		(Rupees)	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/Profit before Taxation		**(3,889,564)**	(2,317,484)
Adjustment for Non-Cash and Other Items:			
Depreciation		**62,491,364**	57,741,616
Gain on Sale of Property Plant and Equipment		**(505,344)**	(230,854)
Provision for Gratuity		**5,502,693**	4,651,352
Finance Cost		**23,213,416**	11,108,940
		90,702,129	73,271,054
		86,812,565	70,953,571
Working Capital Changes			
(Increase) / Decrease in Current Assets			
Stores, Spares and Loose Tools		**523,230**	556,870
Stock-in-Trade		**55,214,073**	(109,266,178)
Trade Debts		**(100,764,200)**	64,473,216
Loans and Advances		**2,866,053**	(4,088,655)
Trade deposits, Prepayments & Statutory balances		**(4,286,447)**	(1,262,718)
Other Receivables		**(6,988,115)**	(1,762,061)
Increase / (Decrease) in Current Liabilities			
Trade Creditors, Payable & others borrowings		**19,779,538**	190,267,458
		(33,655,868)	138,917,934
Taxes Paid		**(16,011,617)**	(4,847,749)
Gratuity Paid		**(3,289,880)**	(4,613,233)
		(19,301,497)	(9,460,982)
Net Cash Inflow/ (Outflow) from Operating Activities		**33,855,200**	200,410,521
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed Capital Expenditure		**(7,750,927)**	--
Sale Proceed of Property Plant and Equipment		**630,000**	350,000
Net Cash Inflow / (Outflow) from Investing Activities		**(7,120,927)**	350,000
CASH FLOW FROM FINANCING ACTIVITIES			
Syndicated Long Term Loan		**(32,000,000)**	(14,000,000)
Finance Cost Paid		**(23,285,804)**	(7,260,139)
Net Cash Inflow/ (Outflow) from Financing Activities		**(55,285,804)**	(21,260,139)
Net (decrease) / Increase in Cash and Cash Equivalents		**(28,551,531)**	179,500,382
Cash and Cash Equivalents at the Beginning		**(8,274,667)**	(187,775,049)
Cash and Cash Equivalents at the End	**31**	**(36,826,198)**	(8,274,667)

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, 2013

	Share Capital	General Reserve	Unrealized (loss) / gain due to change in fair value of investment	Unappropriated Profit / (Loss)	Total
			(Rupees)		
Balance as on July 01, 2011	34,340,280	45,000,000	21,652,325	62,144,738	163,137,343
Total comprehensive income for the year			(19,268,582)	39,299,314	20,030,732
Balance as on June 30, 2012	34,340,280	45,000,000	2,383,743	101,444,052	183,168,075
Balance as on July 01, 2012	**34,340,280**	**45,000,000**	**2,383,743**	**101,444,052**	**183,168,075**
Total comprehensive income for the year	**--**	**--**	**17,480,776**	**11,731,254**	**29,212,030**
Balance as on June 30, 2013	**34,340,280**	**45,000,000**	**19,864,519**	**113,175,306**	**212,380,105**

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

Dewan Abdul Baqi Farooqui
Chief Executive

Haroon Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. Corporate Information

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

2 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. 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, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.1 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDSARE EFFECTIVE DURING THE YEAR

During the year, certain amendments to standards became effective. However, they did not have material effect on these financial statements.

Standards and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation		**Effective date (accounting periods beginning on or after)**
IFRS 7 -	Financial Instruments : Disclosures - (Amendments) Amendments enhance disclosures about offsetting of financial assets and financial liabilities.	January 01, 2013
IAS 19 -	Employee Benefits - (Revised)	January 01, 2013
IAS 32 -	Offsetting Financial Assets and Financial liabilities - (Amendment)	January 01, 2014

The Company expects that the adoption of the above revisions, interpretations and amendments of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	ISAB Effective date (accounting periods Beginning on or after)
IFRS 9 - Financial Instruments : Classification and Measurement	January 01, 2015
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013

2.1 Significant Accounting Judgements, Estimates and Assumption

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 historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

2.2 Property, plant and equipment

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the recommendation of technical team of the company. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying mounts of the respective items of Property Plant and Equipment with a corresponding affect on the depreciation charge and impairment.

2.3 Taxation

In making the estimates for income taxes payable by the Company, the management considers applicable tax laws and the decisions of appellate authorities on certain cases issued in past. Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

2.4 Stock-in-trade

The Company reviews the Net Realizable Value (NRV) of stock-in-trade to assess any diminution in the respective carrying values.

2.5 Provision for doubtful receivables

A provision for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. These estimates and underlying assumptions are reviewed on an ongoing basis.

2.6 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 7 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years. The actuarial valuation involves making assumptions about discount rate, future salary increases and mortality rates.

2.7 Approval of Financial Statements

These financial statements were approved by the Board of Directors and authorized for issue on September 27, 2013.

3 <u>Summary of Significant Accounting Policies</u>

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

New and amended standards and interpretations

The Company has adopted the following amendments to IFRSs which become effective during the year:

IAS 1 - Presentation of financial Statements - Presentation of items of other comprehensive income (Amendment)

IAS 12 - Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above standards, amendments, Interpretations and Improvments did not have any material effect on the financial statements

3.1 Basis of Measurement and Presentation

The financial statements have primarily been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for the financial assets and liabilities which are carried at their fair values and revalued amounts and certain employee benefits are based on actuarial valuation and stock in trade which are valued at net realizable value, if it is less than the cost. Further, accrual basis of accounting is followed except for cash flow information.

3.2 Post Employment Benefits

Defined Benefit Plan

The Company operates an unfunded gratuity scheme for its non-mangement staff. Provisions are made, based on actuarial recommendations. Actuarial valuation is carried out using the 'Projected Unit Credit' method, as required by International Accounting Standard 19 "Employee Benefits". In line with the recognition of the resulting actuarial gain or loss over a period of three years, the frequency of carrying out an actuarial valuation is three years.

Defined Contribution Plan

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

3.3 Trade and Other Payables

Trade and other payables are stated at their cost.

3.4 Taxation

Current Year

Provision in respect of current year's taxation is based on the method of taxation prescribed under the Income Tax Ordinance, 2001, whereby taxable income is determined and tax charged at the current rates of taxation after taking into account tax credits and rebates available, if any, or the minimum tax liability determined under Section 113 of the Income Tax Ordinance, 2001, whichever is higher.

Deferred

Deferred tax is provided using the liability method on all temporary differences at the balance sheet date, between the tax bases of assets and liabilities and their carrying amount for financial statements reporting purposes. Deferred tax liabilities are generally recognized for all temporary taxable differences.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date

3.5 Property, Plant and Equipment

- Owned

Property, Plant and Equipment are stated at cost/revalued amounts less accumulated depreciation and impairment losses, if any; except for lease hold land and capital works in progress which are stated at cost accumulated up to the balance sheet date.

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**

  The company accounts for Property Plant and Equipment acquired under finance leases by recording the assets and the related liability. These amounts are determined as the fair values or discounted value of minimum lease payments; whichever is the lower, as at inception, less accumulated depreciation and impairment losses. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

- **Depreciation**

  Depreciation is charged from the month of acquisition or transfer of assets from capital work in progress on proportionate basis and until disposal or retirement, using the reducing balance method whereby the cost/revalued amounts of an asset is written off over its estimated useful life and the rates applied are in no case less than the rates prescribed by the Federal Board of Revenue. The depreciation method and useful lives of the items of property, plant and equipment are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

  The assets' residual values and useful lives are reviewed at each financial year end, and adjusted, if appropriate, at each balance sheet date.

- **Repairs, renewals and maintenance**

  Major repairs and renewals are capitalized . Normal repairs and maintenance are charged as expense when incurred. Gains or losses on disposal or retirement of assets are determined as the difference between the sale proceeds and the carrying amounts of these assets, and are included in the income currently.

3.6 Leases

Finance leases, which transfer to the company, substantially all the risks and benefits incidental to ownership, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

3.7 Investment in Related Parties (Available for sale)

Available for sale investments are initially recognized at cost being the fair value of the consideration given including acquisition charges associated therewith.

After initial recognition, investment which are classified as available for sale are remeasured at fair value. Unrealized gains and losses on available for sale investments are recognized in equity till the investment is sold or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

3.8 Stores, Spares and Loose Tools

These are stated at the lower of cost and net realizable value. The cost of inventory is based on the weighted average cost. Items in transit are stated at cost accumulated up to the date of the balance sheet.

Provision is made for any slow moving and obsolete items.

3.9 Stock-in-Trade

These are valued as follows :

Raw Material	:	At lower of weighted average cost or net realizable value. Cost of raw material and components represents invoice value plus other charges paid thereon.
Finished Goods	:	At lower of weighted average cost or net realizable value. Cost of finished goods comprises of prime cost and an appropriate portion of production overheads.
Waste	:	At net realizable value.
Work-in-Process	:	At weighted average cost. This comprises the direct cost of raw materials, wages, and appropriate manufacturing overheads.

Stock in Transit	:	At cost accumulated upto the balance sheet date.
Stock at fair price shop	:	At cost calculated on the First-in-first-out method of valuation.
Packing Material	:	At lower of weighted average cost or net realizable value.

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.

3.10 Trade Debts & Other Receivables

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

3.11 Foreign Currency Translation

Transactions in foreign currencies are initially recorded using the rates of exchange ruling at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the exchange rates prevailing on the balance sheet date. In order to hedge its exposure to foreign exchange risks, the company enters into forward exchange contracts. Such transactions are translated at contracted rates. All exchange differences are included in the Profit and Loss Account.

3.12 Revenue Recognition

- Revenue from sales is recognized on dispatch of goods to customers.
- Dividend income is recognized on the basis of declaration by the Investee company.

3.13 Borrowing Cost

Borrowing Costs are recognized initially in fair value net of transaction costs incurred.

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which they are incurred.

3.14 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation, and, 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 that a reliable estimate can be made for the amount of this obligation.

3.15 Financial Instruments

Recognition

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to profit and loss account to which it arises.

Off Setting

Financial asset and financial liability is set off and the net amount is reported in the balance sheet if the company has a legal right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on assets and charge on liability is also offset.

Derivatives

Derivatives that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss. Derivative financial instruments are carried as assets when fair value is positives and liabilities when fair value is negative.

3.16 Cash and Cash Equivalents

Cash and Cash Equivalents for cash flow purposes include cash in hand, current and deposit accounts held with banks. Running finances facilities availed by the company which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

3.17 Impairment of Assets
The carrying amounts of the assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount, whereby the asset is written down and that impairment losses are recognized in the profit and loss account.

3.18 Related Party Transactions
All transactions with related parties are carried out by the company at arm's length prices.

3.19 Loans, Advances and Other Receivables
Loans, advances and other receivables are recognized initially at cost, and subsequently at their amortized/ residual cost.

3.20 Short Term and Long Term Loans
Short Term and Long Term Loans are recognized initially at cost and subsequently measured at amortized cost.

3.21 Dividend and appropriation to reserves
Dividends and appropriation to reserves, subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends and appropriations are approved.

4 Issued, Subscribed and Paid-up Capital

No. of Ordinary Shares of Rs. 10/- each

June 30, 2013	June 30, 2012		**June 30, 2013** (Rupees)	June 30, 2012 (Rupees)
690,000	690,000	Fully Paid in cash	**6,900,000**	6,900,000
2,744,028	2,744,028	Issued as fully paid bonus shares	**27,440,280**	27,440,280
3,434,028	3,434,028		**34,340,280**	34,340,280

4.1 The shareholders are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the meetings of the company. All shares rank equally in respect to the company's residual assets.

4.2 The pattern of shareholding, as required under the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan, is attached at the end of this report.

5 Surplus on Revaluation of Property Plant and Equipment

	June 30, 2013	June 30, 2012
Opening Balance	**496,819,222**	**-**
Surplus arising on revaluation during the year	**-**	**529,307,460**
Transferred to unappropriated profit:		
- Surplus relating to incremental depreciation - net of deferred tax	**(25,302,494)**	**(21,117,355)**
- Related Deferred Tax Liability	**(13,624,420)**	**(11,370,883)**
	(38,926,914)	**(32,488,238)**
	457,892,308	**496,819,222**
Less: related deferred tax liability on:		
Opening Balance	**121,642,228**	**-**
- Surplus arising on revaluation during the year	**-**	**133,013,111**
- Incremental depreciation charged during the year	**(13,624,420)**	**(11,370,883)**
	108,017,808	**121,642,228**
	349,874,500	**375,176,994**

The assets of the Company have been revalued as on October 12, 2011. The revaluation is carried out by an independent valuer, M/s Asif Associates (Pvt) Ltd on the basis of professional assessment of present market values or depreciated replacement values and resulted in a surplus on Revaluation of Property Plant and Equipment over the written down value as follows:

	Written Down Value as June 30, 2013	Written Down Value as June 30, 2012
Lease hold land	**149,270,000**	149,270,000
Factory building on lease hold land	**53,854,745**	59,838,606
Non - factory building	**17,745,734**	18,679,720
Labour quarters	**25,529,888**	34,039,851
Plant & machinery	**211,491,941**	234,991,045
	457,892,308	496,819,222

6 Syndicated Long Term Loan - Secured

Syndicated Long term Loan	**480,081,544**	512,081,544
Less Current maturity shown under current liability	**96,016,308**	32,000,000
	384,065,236	480,081,544

The company had settled with its lenders through Compromise Agreement dated December 23, 2011 against which consent decrees had been granted by the Honorable High Court of Sindh, Karachi. As per the terms, Company's short term and long term loans had been rescheduled in the form of long term loans of Rs. 526.081 million which is to be repaid in six and half years from the date of restructuring with progressive mark up ranging from 4% to 14% over the period on outstanding principal. This loan is secured by way of mortgage charge over immovable properties and hypothecation of movable assets of the company. Moreover banks / financial institutions have also provided further working capital facility against pledge of stocks to the Company as fully explained in note 10 to these financial statements. However, in case of default by the company the entire oustanding mark up as disclosed in the agreement will remain oustanding liability of the company and all amounts in respect of its liabilities shall become payable

		June 30, 2013	June 30, 2012
		(Rupees)	
7 Provision for Staff Gratuity			
Opening Balance		**22,436,917**	22,398,798
Payments during the period		**3,289,880**	4,613,233
		19,147,037	17,785,565
Charge for the period	7.2	**5,502,693**	4,651,352
		24,649,730	22,436,917
		--	

7.1 Balance Sheet Reconciliation

Present value of defined benefit obligations	**4,227,905**	9,806,060
Actuarial Gain / (loss)	**1,274,788**	(111,796)
Add: Benefits due but not paid	**19,147,037**	12,742,653
	24,649,730	22,436,917

7.2 Charge for the Year

Service cost	**4,227,905**	3,775,905
Interest cost	**1,274,788**	875,447
	5,502,693	4,651,352

7.3 Principal Actuarial Assumption

Expected rate of increase in salaries	**12 % per annum**	12 % per annum
Discount factor used	**13 % per annum**	13 % per annum
Retirement age	**5 years**	5 years

7.4 The charge for the year has been allocated as follows

Cost of Sales	**5,502,693**	4,651,352
	5,502,693	4,651,352

7.5 Present Value of defined benefit obligations

	2013	2012	2011	2010	2009
	(Rupees 000')				
Present Value of defined benefit obligations	4,228	9,806	7,295	7,487	17,510

7.6 Experiience adjustments

	2013	2012	2011	2010	2009
	(Rupees 000')				
Experiience adjustments	--	658	N/A.	5,049	6,162

	June 30, 2013	June 30, 2012
	(Rupees)	
8 Deferred Taxation		
Deferred tax liability arising due to accelerated tax depreciation	**34,719,622**	35,854,532
Deferred tax assets arising out of staff gratuity, tax loss and others	**(42,514,242)**	(59,002,076)
Deferred tax liability due to revaluation of property plant & equipment	**108,017,808**	121,642,228
	100,223,188	98,494,684

8.1 The movement for the year, in the company's net deferred tax position is as follows:

Opening Balance	**98,494,684**	--
Deferred tax liability due to surplus on revaluation		133,013,111
Increase / (decrease) in deferred tax liability related to surplus on revaluation	**(13,624,420)**	(11,370,883)
Increase / (decrease) in other deferred tax liabilities	**(1,134,910)**	(1,588,497)
Decrease / (Increase) in deferred tax assets	**16,487,834**	(21,559,047)
Taken to Profit & Loss for the year	**1,728,504**	(34,518,427)
	100,223,188	98,494,684

9 Trade and Other Payables

Trade Creditors	**56,117,190**	78,191,561
Accrued Expenses	**73,786,984**	31,933,076
Unclaimed Dividend	**308,319**	308,319
	130,212,494	110,432,956

		Note	June 30, 2013	June 30, 2012
			(Rupees)	
10	**Short Term Borrowings - Secured**			
	Short Term Finance	10.1	**46,562,370**	21,250,000
			46,562,370	21,250,000

10.1 As part of restructuring, banks / financial institutions as explained in note 6 to the financial Statements have allowed further working capital to the Company amounting to Rs. 100 million by providing syndicated cash finance against pledge of stocks in proportion to their loan amounts. The tenure of working capital facility is one year expiring on December 31, 2012 on rollover basis and this facility is secured by way of pledge of stocks of the company. The markup rate for this facility is one month KIBOR which is payable on quarterly basis.

11	**Provision for Taxation**			
	Balance at the beginning		**44,607,009**	30,588,024
	Add: Provisions for Taxation		**7,953,172**	14,018,985
			52,560,181	44,607,009

The income tax returns of the company have been filed upto tax year 2012 to income tax department and the assessments of the company have been finalized upto and including the tax year 2011. However, the commissioner of income tax may at any time during a period of five years from the date of filing of return may select the deemed assessment for audit.

11.1 Relationship between income tax expense and accounting profit/(loss)

	Accounting profit / (loss) as per accounts	**(3,889,564)**	(2,317,484)
	Applicable tax rate	**35%**	35%
	Tax payable / (refundable) on accounting profit / (loss)	**(1,361,347)**	(811,119)
	Tax effect of timing difference on depreciation	**(29,170,547)**	2,093,355
	Tax effect of export sales subject to tax separately U/s.169	**--**	--
	Tax effect of expenses / provision that are not deductible in determining taxable loss charged to profit and loss account	**1,929,485**	13,342
	Effect of tax Loss carried / (brought) forward	**28,602,410**	(1,295,578)
	Tax payable under normal rules	**--**	-
11.2	Minimum tax payable under income tax ordinance 2001	**7,953,172**	14,018,985

12 Contingencies and Commitments

12.1 Guarantees issued by banks Rs. Nil (2012: Nil)

12.2 Capital expenditure commitments outstanding as at june 30, 2013 amounts to Rs. Nil (2012: Nil)

12.3 Commitments in respect of letters of credit other than for capital expenditure amounts to Rs. Nil (2012: Nil).

		June 30, 2013	June 30, 2012
		(Rupees)	
13	**Property Plant and Equipment**		
13.1	Operating assets	**665,463,678**	720,328,772
		665,463,678	720,328,772

13.1 Operating assets

2013

Particulars	Cost / Revaluation: As at July 01, 2012	Additions / Surplus on Revaluation	(Deletions)	As at June 30, 2013	Rate %	Depreciation: As at July 01, 2012	Adjust / Transfer / (Deletions)	For the period	As at June 30, 2013	Written Down Value as at June 30, 2013
OWNED	**RUPEES**					**RUPEES**				
Lease Hold Land	150,000,000	--	--	150,000,000	--	--	--	--	--	150,000,000
Factory Building	177,062,964	--	--	177,062,964	10%	73,044,973	--	10,401,799	83,446,772	93,616,192
Non Factory Building	23,501,787	--	--	23,501,787	5%	2,990,389	--	1,025,570	4,015,959	19,485,828
Labour Quarters	48,719,048	--	--	48,719,048	25%	14,675,324	--	8,510,931	23,186,255	25,532,793
Plant and Machinery	834,755,927	6,440,927	--	841,196,854	10%	430,496,612	--	41,070,024	471,566,636	369,630,218
Factory and Office Equipmts	1,690,465	20,000	--	1,710,465	10%	1,504,135	--	20,633	1,524,768	185,697
Vehicles	27,725,401	1,279,000	(1,059,000)	27,945,401	20%	22,731,038	(934,344)	1,229,742	23,026,435	4,918,966
Furniture and Fixture	7,861,354	11,000	--	7,872,354	10%	5,545,705	--	232,665	5,778,369	2,093,985
June 30, 2013	**1,271,316,946**	**7,750,927**	**(1,059,000)**	**1,278,008,873**		**550,988,175**	**(934,344)**	**62,491,364**	**612,545,195**	**665,463,678**
June 30, 2012	742,346,586	529,307,460	(337,100)	1,271,316,946		493,656,411	(409,854)	57,741,616	550,988,175	720,328,772

13.1.1	**Allocation of Depreciation**	**June 30, 2013**	June 30, 2012
	Depreciation for the year has been allocated as follows:		
	Cost of Sales	**61,028,957**	56,313,785
	Administrative and General Expenses	**1,462,406**	1,427,832
		62,491,364	**57,741,617**

2012

Particulars	Cost / Revaluation: As at July 01, 2011	Additions / (Deletions)	Revaluation Surplus	As at June 30, 2012	Rate %	Depreciation: As at July 01, 2011	Adjustment / Transfers	For the Year	As at June 30, 2012	Written Down Value As At June 30, 2012
	Rupees					*Rupees*				
Owned										
Lease hold land	730,000	--	149,270,000	150,000,000	--	--	--	--	--	150,000,000
Factory Building on lease hold land	112,372,579	--	64,690,385	177,062,964	10	63,284,373	--	9,760,599	73,044,973	104,017,992
				--				--		
Non Factory Building on lease hold land	3,902,386	191,900	19,407,501	23,501,787	5	2,175,462	--	814,927	2,990,389	20,511,398
				--				--		
Labour Quarters	6,823,847	--	41,895,201	48,719,048	25	6,818,683	--	7,856,641	14,675,324	34,043,724
Plant and Machinery	580,711,554	--	254,044,373	834,755,927	10	392,635,699	--	37,860,913	430,496,612	404,259,314
Factory Equipments	1,690,465	--	--	1,690,465	10	1,483,432	--	20,703	1,504,135	186,330
Vehicles	28,254,401	(529,000)	--	27,725,401	20	21,970,354	(409,854)	1,170,537	22,731,037	4,994,364
Furniture and Fixture	7,861,354	--	--	7,861,354	10	5,288,410	--	257,294	5,545,704	2,315,650
2012	**742,346,586**	**(337,100)**	**529,307,460**	**1,271,316,946**		**493,656,411**	**(409,854)**	**57,741,616**	**550,988,175**	**720,328,772**
2011	739,219,880	3,126,706	--	742,346,586		466,319,496	(769,506)	28,106,421	493,656,412	248,690,174

3.1.2 Revaluation of lease hold land, building, and plant & machinery has been carried out on October 12, 2011 by independent professional valuers M/s Asif Associates (Pvt) Ltd on the basis of market value or depreciated replacement values as applicable. Revaluation surplus has been credited to surplus on revaluation of property plant and equipment account to comply with the requirement of Section 235 of the Companies Ordinance, 1984.

Had there been no revaluation the related figures of land, buildings and plant & machinery would have been as follows:

	2013			**2012**		
	Cost	**Accumulated Depreciation**	**Written Down Value**	**Cost**	**Accumulated Depreciation**	**Written Down Value**
		Rupees			**Rupees**	
Lease hold land	**730,000**	**-**	**730,000**	730,000	-	730,000
Factory building on lease hold land	**112,372,579**	**71,155,599**	**41,216,981**	112,372,579	68,193,194	44,179,385
Non - factory building	**4,094,286**	**2,123,728**	**1,970,558**	4,094,286	2,262,608	1,831,678
Labour Quarters	**6,823,847**	**4,857,105**	**1,966,742**	6,823,847	6,819,974	3,873
Plant & machinery	**587,152,481**	**423,298,206**	**163,854,275**	580,711,554	411,443,284	169,268,270
	711,173,193	**501,434,636**	**209,738,556**	**704,732,266**	**488,719,060**	**216,013,206**

13.1.3 Disposal of Property Plant and Equipment

Particulars of operating assets having net book value exceeding Rs. 50,000 disposed of during the year are as follows:

Disposal of Vehicle

Description	Cost	Accumulated Depreciation	Written down Value	Sales Proceeds	Gain / (Loss)	Made of Disposal	Purchaser
Vehicles	1,059,000	934,344	124,656	630,000	505,344	negotiation	employee
	1,059,000	934,344	124,656	630,000	505,344		

14 **Long Term Investment - Related Party**

Shares in Dewan Salman Fibre Limited (A Listed Associated Company) 19,864,518 (2012: 19,864,518) fully paid up ordinary shares of Rs.10/- each. (including 15,864,518 bonus shares)	**40,000,000**	40,000,000
Change in the fair value of investments	**10,058,585**	(7,422,190)
	50,058,585	32,577,810
Percentage of Equity held	**5.42%**	5.42%
Aggregate Market value (Rupees per share)	**2.52**	1.64

14.1 The market price of Related Party's share wherein company has investment shows increasing trend from the date of balance sheet to the date the financial statements were authorized for issue. The market price DSFL's share as of September 27, 2013 (i.e. the date on which the financial statements were authorised for issue) is Rs. 2.59 per share, thereby increasing the market value of the investment by Rs. 1.391 million.

		June 30, 2013	June 30, 2012
		(Rupees)	
15	**Stores, Spares & Loose Tools**		
	Stores and Spares	**11,737,009**	12,038,060
	Packing Material	**2,556,369**	2,778,548
		14,293,378	14,816,608

16	**Stock-in-Trade**		
	Raw Materials	**33,829,432**	12,507,525
	Work-in-Process	**10,319,039**	13,866,127
	Finished Goods	**90,886,418**	173,594,150
	Waste	**1,769,477**	3,166,518
	Stock Trade in Transit	**11,115,880**	--
		147,920,246	203,134,319

16.1 Stocks valuing Rs. 50.498 million (2012: 30.468 million) was pledged with the banks against the restructured finance facilities obtained by the Company

17	**Trade Debts - Considered Good**		
	Local Receivables - Unsecured	**413,039,906**	312,275,706
		413,039,906	312,275,706

17.1 The aging of debtors at the reporting date was:

Up to one month	**165,215,963**	124,910,282
1 to 6 months	**156,955,164**	118,664,768
More than 6 months	**90,868,779**	68,700,655
	413,039,906	312,275,706

Based on past experience the management believes that no impairment allowance is necessary in respect of trade debts due to major amount of trade debts have been recovered subsequent to the balance sheet date and for the 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 measured with their past performance of no default.

18	**Loans and Advances - Unsecured, Considered Good**		
	Advances for Expenses/suppliers	**2,122,903**	2,808,169
	Loans and Advances to employees	**5,106,357**	4,214,099
	Advance against imports	**--**	3,073,045
		7,229,260	10,095,313

19	**Trade Deposits, Prepayments and Statutory Balances - Considered good**		
	Prepayments	**2,507,954**	2,507,954
	Deposits	**20,152,414**	19,942,414
	Sales Tax Receivable	**13,297,320**	9,220,873
		35,957,688	31,671,241

		Note	June 30, 2013	June 30, 2012
			(Rupees)	
20	**Cash and Bank Balances**			
	Cash in Hand		**523,799**	424,496
	Cash at Banks - Current Accounts		**9,212,373**	12,550,837
			9,736,172	12,975,333
21	**SALES - Net**			
	Yarn			
	- Local		**1,619,376,020**	1,396,701,830
	- Export		**-**	--
	Waste		**4,554,133**	5,196,654
	Gross Sales		**1,623,930,153**	1,401,898,484
	Sales Tax		**(33,295,709)**	--
	Commission on sales			
	- on Local Sales		**(70,886)**	(121,079)
	- on Export Sales		**--**	--
			(70,886)	(121,079)
			1,590,563,558	1,401,777,405

21.1 It includes sales tax on behalf of unregistered parties amounting to Rs. 22.901 million as claimed by the Sales tax department.

		Note	June 30, 2013	June 30, 2012
22	**Cost of Sales**			
	Raw Material Consumed	22.1	**1,058,611,066**	1,128,655,213
	Packing Material Consumed		**23,679,374**	24,303,572
	Stores and Spares Consumed		**17,037,765**	24,664,425
	Fuel, Power & Water Consumed		**128,018,011**	111,044,409
	Salaries, Wages and Other Benefits	22.2	**140,723,054**	109,517,031
	Insurance		**1,361,833**	2,180,709
	Repairs and Maintenance		**1,931,673**	1,809,852
	Depreciation	13.1.1	**61,028,957**	56,313,785
			1,432,391,733	1,458,488,996
	Work-in-Process - Opening		**13,866,127**	11,576,237
	Work-in-Process - Closing		**(10,319,039)**	(13,866,127)
	Cost of Goods Manufactured		**1,435,938,821**	1,456,199,106
	Finished Goods - Opening		**176,760,668**	71,342,535
	Purchase of Yarn		**1,502,881**	2,100,384
	Finished Goods - Closing		**(92,655,895)**	(176,760,668)
			1,521,546,474	1,352,881,358
22.1	Raw Material Consumed			
	Opening Stock		**12,507,525**	10,949,369
	Purchases - net		**1,079,932,973**	1,130,213,368
			1,092,440,498	1,141,162,737
	Closing Stock		**(33,829,432)**	(12,507,525)
	Raw Material Consumed		**1,058,611,066**	1,128,655,213

22.2 Salaries, wages and other benefits include Rs. 7.189 million (2012: Rs. 7.739 million) relating to staff retirement benefits.

			2013	2012
23	**Administrative and General Expenses**		**(Rupees)**	
	Salaries, Allowances and Other Benefits	22.1	**13,399,890**	10,424,071
	Rent, Rates and Taxes		**3,486,749**	7,851,410
	Traveling, Conveyance and Entertainment		**2,062,046**	635,744
	Printing and Stationery		**438,673**	610,571
	Postage, Telephone and Telex		**363,163**	296,575
	Vehicles Expenses		**2,327,491**	2,836,453
	Legal and Professional Charges		**2,536,151**	4,438,334
	Fees and Subscription		**332,418**	402,649
	Depreciation	13.1.1	**1,462,406**	1,427,832
	Auditors Remuneration	22.2	**440,000**	390,000
	Repairs and Maintenance		**6,314,779**	1,907,822
	Donation	22.3	**3,300,000**	3,200,000
			36,463,766	34,421,461

23.1 Salaries, allowances and other benefits include Rs. 0.522 million (2012: Rs. 0.765 million) relating to staff retirement benefits.

23.2 Represents Audit fee (Annual, Half year and Review of Code and corporate Governace) for the year.

23.3 Interest of the directors or their spouses in the donations made during the year is as follows:

	2013	2012
Dewan Farooque Trust - related party	**3,000,000**	3,000,000

- Dewan M. Yousuf Farooqui- Chairman Board of Trustees
- Dewan Abdul Baqi Farooqui - Trustee
- Haroon Iqbal - Trustee
- Salman Rasheed - Trustee
- Ishtiaq Ahmed - Trustee
- Aziz-ul-Haq - Trustee
- Mrs. Hina Yousuf - Trustee

			June 30, 2013	June 30, 2012
			(Rupees)	
24	**Distribution Costs and Selling Expenses**			
	Salaries and other benefits	24.1	**1,220,376**	2,526,460
	Packing Expenses		**1,150,073**	936,158
	Cartage & freight		**10,629,984**	2,256,831
	Advertisement & Publicity		**45,870**	80,900
	Other Selling Expenses		**688,507**	196,268
			13,734,810	5,996,617

24.1 Salaries, wages and other benefits include Rs. 0.196 million (2012: Rs.0.220 million) relating to staff retirement benefits.

25 Other Income

Exchange Gain	-	82,633
Gain on Sale/ Disposal of Property Plant and Equipment	505,344	230,854
Scrap sales	--	
	505,344	313,487

26 Finance Cost

Mark-up on Short Term Borrowings	**2,250,622**	175,325
Mark up on Syndicated Long Term Loan	**20,005,453**	10,605,926
Bank Charges and Commission	**957,341**	327,689
	23,213,416	11,108,940

27 Earnings Per Share - Basic

Profit after Taxation	**(13,571,240)**	18,181,959
Weighted Average Number of Ordinary Shares	**3,434,028**	3,434,028
Earning Per Share - Basic Rupees	**(3.95)**	**5.29**

27.1 No figure for diluted earning / (loss) per share has been presented as the company has not yet issued any instruments which would have an impact on basic earning per Share when exercised.

28 Remuneration of Chief Executive, Director and Executives

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company was as follows:

Particulars	2013			2012		
	Directors	Executives	Total	Directors	Executives	Total
		Rupees			*Rupees*	
Managerial Remuneration	--	7,708,320	7,708,320	--	7,205,443	7,205,443
Meeting fees	--	--	--	--	--	--
House rent allowance	--	3,468,768	3,468,768	--	3,196,170	3,196,170
Utilities allowance	--	771,264	771,264	--	612,587	612,587
Conveyance	--	18,000	18,000	--	18,000	18,000
Total	-	11,966,352	11,966,352	-	11,032,200	11,032,200
Number of persons	-	5	5	-	5	5

28.1 The Executives of the company are provided, use of company maintained cars.

	June 30, 2013	June 30, 2012
	(Rupees)	
29 Related Party Transactions		
Sales	**9.628 million**	**22.126 million**
Purchases	**16.084 million**	**8.714 million**
Donation to Dewan Farooq Trust	**3.000 million**	**3.000 million**
Provident Fund	**5.671 million**	**4.074 million**

All transactions were carried out on commercial terms and conditions and were valued at arm's length price. Reimbursement of expenses were on actual basis. Remuneration and benefits to key management personnel under the terms of their employment are given in Note 28 above.

30 Plant Capacity and Production

Particulars	Note	2013	2012
Actual production at actual average count (kgs)		**6,266,577**	**6,308,888**
Actual production converted to 20 count (kgs)		**9,951,917**	**10,034,950**
Attainable capacity converted to 20 count (kgs)		**11,226,077**	**11,149,944**
Number of spindles installed		**25,776**	**25,776**
Number of spindles worked		**22,824**	**23,200**
Number of shifts worked		**1,053**	**1,065**

31 Cash and Cash Equivalents

	Note	June 30, 2013 (Rupees)	June 30, 2012 (Rupees)
Cash and Bank Balances	**20**	**9,736,172**	12,975,333
Short term Borrowings	**10**	**(46,562,370)**	(21,250,000)
		(36,826,198)	(8,274,667)

32 Financial Instruments

The Company has exposures to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

The Board of Directors has 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.

32.1 Credit risk

Credit risk is the risk that one party to the financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company believes that it is not exposed to major concentration of credit risk. However, to reduce exposure to credit risk, if any, the management monitors the credit exposure towards the customers and makes provisions against those balances considered doubtful of recovery.

The maximum exposure to credit risk at the reporting date is:	June 30, 2013 (Rupees)	June 30, 2012 (Rupees)
Long Term Investment - Related Party	**50,058,585**	32,577,810
Trade Debts - Considered Good	**413,039,906**	312,275,706
Loans and Advances - Unsecured, Considered good	**7,229,260**	12,603,268
Trade Deposits, Prepayments and Statutory Balances - Considered good	**20,152,414**	19,942,414
Other Receivables - Unsecured, Considered good	**10,972,402**	3,984,287
Cash and Bank Balances	**9,736,172**	12,975,333
	511,188,739	394,358,817

32.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liability when due.

The company is exposed to liquidity risk in respect of non current interest bearing liabilities, short term borrowings, trade and other payable and mark up accrued.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2013					
	Carrying amount	**Contractual cash flows**	**Six Months less**	**Six to twelve months**	One year onward	Two year
	Rupees					
Financial Liabilities						
Syndicated long term loans	**480,081,544**	**384,065,232**	**48,008,154**	**48,008,154**	**288,048,924**	**288,048,924**
Trade and other payable	**130,212,494**	**130,212,494**	**97,659,371**	**32,553,124**	**-**	**-**
Short term Borrowings	**46,562,370**	**41,906,133**	**41,906,133**	**-**	**-**	**-**
Mark-up accrued on loans	**5,290,105**	**5,290,105**	**5,290,105**	**-**	**-**	**-**
	662,146,513	**561,473,964**	**192,863,763**	**80,561,278**	**288,048,924**	**288,048,924**

	2012					
	Carrying amount	Contractual cash flows	Six Months less	Six to twelve months	One year onward	Two year
	Rupees					
Financial Liabilities						
Long term Finances	512,081,544	648,903,436	26,245,151	25,760,302	121,075,579	475,822,404
Trade and other payable	110,432,956	110,432,956	99,389,661	11,043,296	-	-
Short term Borrowings	21,250,000	23,375,000	23,375,000	-	-	-
Mark-up accrued on loans	5,362,495	5,362,495	5,362,495	-	-	-
	649,126,995	788,073,887	154,372,307	36,803,598	121,075,579	475,822,404

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at June 30, 2013. The rates of markup have been disclosed in relevant notes to the financial statements.

32.3 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate resulting in as a result of changes in market prices or the market prices due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

32.4 Currency risk

Foreign currency risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. The Company is not materially exposed to foreign currency risk on foreign currency assets and liabilities.

32.5 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates, majority of the interest rate exposeure arises from short and long term borrowings from bank and term deposits and deposits in profit and loss sharing accounts with banks. At the balance sheet date the interest rate profile of the company's iterest-bearing financial instruments are:

	Carrying Amounts	
	June 30, 2013	June 30, 2012
	Rupees	
Fixed rate instruments	**-**	-
Variable rate instruments	**-**	-
Financial assets	**-**	-
Financial liabilities	**526,643,914**	533,331,544
	526,643,914	533,331,544

32.6 Risk management policies

Risk management is carried out by the management under policies approved by board of directors. The board provides principles for overall risk management, as well as policies covering specific areas like foreign exchange risk, interest rate risk and investing excessive liquidity.

32.7 Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures commensuration to the circumstances.

Consistent with others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholder. Debt is calculated as total borrowings ('long term loan' and short term borrowings' as shown in the balance sheet). Total capital compises shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

Total Borrowings	**526,643,914**	533,331,544
Less Cash and Bank Balances	**(9,736,172)**	(12,975,333)
Net debt	**516,907,742**	520,356,211
Total equity	**212,380,105**	183,168,075
Total Capital	**729,287,847**	703,524,286
Gearing ratio	**70.88%**	73.96%

32.8 Fair value of financial instruments

Fair value is an amount for which an assets could be exchanged, or a liability settled, between knowledgeable willing parties in arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

As at the reporting date the fair value of all financial assets and liabilities are estimated to approximate their carrying values.

33 General

i) Comparative figures have been rearranged and reclassified wherever necessary for the purpose of better presentation and comparision. However, there was no material reclassification to report.

ii) Figures have been rounded off to nearest rupee

iii) Items included in the financial statements are measured using the currency of the primary economic envirement in which the company operates. The financial Statements are presented in Pakistani rupees, which is the Company's functional and Presentational currency.

Dewan Abdul Baqi Farooqui
Chief Executive

Haroon Iqbal
Director

PATTERN OF SHAREHOLDING UNDER THE CODE OF CORPORATE GOVERNANCE AS ON 30TH JUNE 2013

Srl #	Categories of Shareholders	Number of Shareholders	Number of Shares held	% of Shareholding
1.	**Associated Companies**	1	231,099	6.73%
2.	**NIT and ICP**	5	278,416	8.11%
3.	**Directors, CEO, their Spouses & Minor Children**	8	1,618,734	47.14%
4.	**Executives**	-	-	0.00%
5.	**Public Sector Companies & Corporations**	9	2,328	0.07%
6.	**Banks, Development Finance lnstitutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds**	5	635	0.02%
7.	**Individuals**	635	1,302,818	37.94%
	TOTAL	**663**	**3,434,030**	**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	231,099	6.73%
2.	**NIT and ICP**			
2.1	Investment Corp. of Pakistan	1	68	0.00%
2.2	IDBP (ICP UNIT)	1	595	0.02%
2.3	National Bank of Pakistan-Trustee Deptt. Ni(u)t Fund	1	240,424	7.00%
2.4	National Bank of Pakistan	2	37,329	1.09%
		5	**278,416**	**8.11%**
3.	**Directors, CEO, their Spouses & Minor Children**			
	Directors and CEO			
3.1	Dewan Muhammad Yousuf Farooqui	1	815,607	23.75%
3.2	Dewan Abdullah Ahmed Swaleh Farooqui	1	224,217	6.53%
3.3	Dewan Abdul Baqi Farooqui	1	234,395	6.83%
3.4	Dewan Abdul Rehman Farooqui	1	288,999	8.42%
3.5	Ishtiaq Ahmed	1	500	0.01%
3.6	Mr. Haroon Iqbal	1	500	0.01%
3.7	Mr. Aziz ul Haque	1	500	0.01%
		7	**1,564,718**	**45.57%**

Spouses of Directors and CEO

3.8	Mrs. Heena Yousuf	1	54,016	1.57%
		1	**54,016**	**1.57%**

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	815,607	23.75%
2	Dewan Abdul Rehman Farooqui	1	288,999	8.42%
3	Dewan Zia-ur-Rehman Farooqui	2	263,981	7.69%
4	Dewan Asim Mushfiq Farooqui	1	242,176	7.05%
5	National Bank of Pakistan-Trustee Deptt. Ni(u)t Fund	1	240,424	7.00%
6	Dewan Abdul Baqi Farooqui	1	234,395	6.83%
7	Dewan Motors (Pvt.) Limited	1	231,099	6.73%
8	Dewan Abdullah Ahmed Swaleh Farooqui	1	224,217	6.53%

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: **001561**
2. Name of the Company: **DEWAN MUSHTAQ TEXTILE MILLS LIMITED**
3. Pattern of holding of the shares held by the Shareholders as at: 30 06 2013
4.

Number of Shareholders	Shareholdings				Total Shares held
346	1	-	100	Shares	6,886
210	101	-	500	Shares	50,139
41	501	-	1,000	Shares	31,205
32	1,001	-	5,000	Shares	66,227
6	5,001	-	10,000	Shares	39,617
7	10,001	-	15,000	Shares	90,490
4	15,001	-	25,000	Shares	89,923
2	25,001	-	30,000	Shares	55,508
4	30,001	-	55,000	Shares	202,901
2	55,001	-	100,000	Shares	142,270
1	100,001	-	145,000	Shares	144,974
1	145,001	-	225,000	Shares	224,217
2	225,001	-	235,000	Shares	465,494
1	235,001	-	240,000	Shares	236,973
2	240,001	-	245,000	Shares	482,600
1	245,001	-	290,000	Shares	288,999
1	290,001	-	820,000	Shares	815,607
663	**TOTAL**				**3,434,030**

5.

	Categories of Shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer, their spouses and minor children	1,618,734	47.14%
5.2	Associated Companies, undertakings and related parties	231,099	6.73%
5.3	NIT and ICP	278,416	8.11%
5.4	Banks, Development Financial Institutions, Non-Banking Finance Companies	66	0.00%
5.5	Insurance Companies	185	0.01%
5.6	Modarabas and Mutual Funds	121	0.00%
5.7	Shareholders holding 5%	2,540,898	73.99%
5.8	General Public		
	a. Local	1,302,818	37.94%
	b. Foreign	-	0.00%
5.9	Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees)	2,591	0.08%

DEWAN MUSHTAQ TEXTILE MILLS LIMITED

52ND 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 MUSHTAQ 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 MUSHTAQ 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 52nd Annual General Meeting of the Company to be held on Wednesday, 30th October, 2013 at 11:00 a.m. and any adjournment thereof.

Signed this ____________________ day of ____________________ 2013.

Affix
Revenue
Stamp
Rs. 5/-

Signature ____________________

Witness: ____________________
SIGNATURE

Name : ____________________

Address : ____________________

____

Witness: ____________________
SIGNATURE

Name : ____________________

Address : ____________________

____