

DEWAN KHALID TEXTILE MILLS LIMITED

Annual
Report
➤ 2015



YD

A YOUSUF DEWAN COMPANY





Mission Statement

The Mission of Dewan Khalid 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

BOARD OF DIRECTORS

Executive Director	: Ishtiaq Ahmed - Chief Executive Officer
Non-Executive Directors	: Dewan Muhammad Yousuf Farooqui - Chairman, Board of Directors Muhammad Baqir Jaferi Dewan Abdul Rehman Farooqui Mr. Haroon Iqbal Mr. Syed Muhammad Anwar
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) Mr. Haroon Iqbal (Member) Mr. Ishtiaq Ahmed (Member)
Auditors	: Feroze Sharif Tariq & Company Chartered Accountants 4/N/4 Block-6, P.E.C.H.S., Karachi 75400, Pakistan.
Company Secretary	: Muhammad Hanif German
Chief Financial Officer	: Mehmood-Ul-Hassan Asghar
Tax Advisor	: Sharif & Co. Advocates
Legal Advisor	: A. K. Brohi & Co. Advocates
Bankers	: Habib Bank Limited Bank Islami Pakistan Limited MCB Bank Limited Silk Bank Limited Bank Al Falah Limited Askari Commercial Bank Limited
Registered Office	: Finance & Trade Centre Block-A, 8 th Floor, Shahrah-e-Faisal, Karachi
Shares Registrar & Transfer Agent	: BMF Consultants Pakistan (Private) Limited Anum Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, adjacent to Baloch Colony Bridge, Karachi 75350, Pakistan.
Factory Office	: G/11, S.I.T.E., Kotri, Sindh, Pakistan.
Website	: www.yousufdewan.com

NOTICE OF 38TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Eighth Annual General Meeting of **Dewan Khalid Textile Mills Limited** ("**DKTML**" or "**the Company**") will be held on **Thursday, October 29, 2015, at 01:30 p.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 Extra Ordinary General Meeting of the Company held on Thursday, May 28, 2015;
2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2015, 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



Muhammad Hanif German
Company Secretary

Date : October 01, 2015
Place : Karachi

NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from October 22, 2015 to October 29, 2015 (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.

**YD****A YOUSUF DEWAN COMPANY****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, 2015 together with the Auditors' Report thereon.

Overview

During the year under review, textile spinning industry continued to face distressed and unfortunate set of circumstances which hampered the operations of several units. The market has been undergoing through its bad time both domestically and internationally since last year. Lower market demand due to reduced local & export orders and power load shedding have adversely affected the production capacities of the industry. Moreover sluggish economic growth has made yarn prices uncompetitive in the market. In effect, many units in the sector are facing financial difficulties and some of these units have closed their operations. The high cost of doing business, energy shortages, myriad of taxes on exports, influx of smuggled and imported yarn and clothing in the domestic market, absence of institutional support, raw material shortages, and the gap between policy and its implementation have eroded the economic viability of textile business. Major regional developments claimed to have made domestic yarn production 'unviable' include slowdown in Chinese demand for Pakistani yarn and rebate allowed by India on its yarn exports.

Operating results and performance:

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

	"Rupees"
SALES (NET)	716,613,254
COST OF SALES	(800,993,423)
GROSS LOSS	(84,380,169)
OPERATING EXPENSES	(37,764,994)
OPERATING LOSS	(122,145,163)
FINANCIAL COST	(16,505,879)
OTHER INCOME	18,250,601
LOSS BEFORE TAXATION	(120,400,441)
TAXATION	20,161,989
LOSS AFTER TAXATION	(100,238,452)



Company has achieved net sale of Rs. 716.613 million as compared to Rs.1.246 billion of last year. Company has suffered gross loss of Rs. 84.380 million as compared to the gross profit of Rs.18.377 million of previous year, whereas operating expenses of the company have decreased by Rs. 5.163 million.

During the year under review, decrease in production volume was the result of lesser market demand and under utilization of plant capacity, which brought about lesser sales volumes. The adverse effect resulted in negative margins due to the increase in cost of various inputs and capacity utilization. During the entire period raw material prices remained volatile which affected the cost of purchases, furthermore minimum wages have also pushed the cost of goods manufactured towards the higher side.

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.275.008 million, did not accept the restructuring proposal.

The Auditors of the company have expressed qualified opinion in their report, on following:

- 1) Non provisioning of Markup and litigations as explained in para (a) of their report
- 2) default in repayment of installments of restructured liabilities and related non-provisioning of mark-up as explained in Para (b) of their report

As certain banks covering suits amounting to Rs 275.008 million has not yet accepted the restructuring proposal and also one of the banks had filed a winding up petition under section 305 of the Companies Ordinance, 1984. Banks' claim is highly exaggerated as it had 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 other applicable laws of Pakistan. The management of the Company is quite hopeful that these banks will also accept restructuring proposal in near future. Accordingly no provision of the said mark-up has been made in these financial statements.

The company has approached its lenders for further restructuring of its liabilities, which is in advanced stage as the term sheet has been finalized and circulated by the agent to syndicate of banks for their internal approvals. Management is hopeful that such revision will be finalized soon as fully explained in note 7.1.2 to the financial statements. Moreover the markup outstanding up to the date of restructuring is Rs.137.368 million, which the company would be liable to pay in the event of default of terms of agreement. Since the revision in restructuring is in advanced stage therefore management is confident that this amount will remain eligible for waiver, hence no provision of the same has been made in these financial statements.

Future Outlook

The key challenges facing Pakistan's economy have continued to suppress economic activity and growth of the country. At present energy crisis, load shedding and law and order were affecting the economy badly; however, some initiatives which are being taken by the government will hopefully improve the situation in near future. In a backdrop of current scenario, a decline in cotton production has been forecasted which might result in higher cotton prices in future.

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. 3.178 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.

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 period ended June 30, 2015.

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.



10. Information regarding the outstanding taxes and levies 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 Rs.16.431 million (2014: Rs.11.186 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 five meetings of the Board were held. The attendance of directors was as follows:

Names	No. of Meetings attended
Dewan Muhammad Yousuf Farooqui	3
Dewan Abdul Baqi Farooqui	2
Dewan Asim Mushfiq Farooqui	1
Dewan Abdul Rehman Farooqui	5
Dewan Abdullah Ahmed Swalleh	0
Mr. Haroon Iqbal	5
Mr. Aziz-ul-Haque	4
Mr. Muhammad Baqir Jafferi	1
Mr. Ishtiaq Ahmed	2

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

DEWAN KHALID TEXTILE MILLS LIMITED

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 one Human Resource and Remuneration committee meeting was held and attendance was as follows

Names	No. of Meetings attended
Dewan Mouhammad Yousuf Farooqui	1
Dewan Abdul Baqi Farooqui	1
Mr. Haroon Iqbal	1

Earnings per Share

(Loss)/ Earnings per share during the period under report worked out to Rs (17.49)) [2014: Rs.(11.38)]

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 Muhammad Yousuf Farooqui
Chairman Board of Directors

Karachi, September 30, 2015


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A YOUSUF DEWAN COMPANY

FINANCIAL HIGHLIGHTS

	(Rupees in Million)					
	2010	2011	2012	2013	2014	2015
PROFIT & LOSS ACCOUNT						
Sale (Net)	498.15	1368.13	1155.72	1426.14	1246.05	716.61
Gross Profit / (Loss)	12.88	25.92	(14.47)	44.46	18.38	(84.38)
Operating Expenses	(19.58)	(29.93)	(39.12)	(35.78)	(42.93)	(37.76)
Operating Profit / (Loss)	(6.70)	(4.01)	(53.59)	8.86	(24.55)	(122.14)
Finance Cost	(7.12)	(1.19)	(6.25)	(14.74)	(16.39)	(16.51)
Profit / (Loss) before Tax	(21.15)	(5.20)	(59.83)	(5.87)	(40.94)	(120.40)
Taxation	(1.90)	20.51	58.35	7.25	(23.75)	20.16
Profit / (Loss) after Tax	(23.04)	15.31	(1.48)	1.37	(64.69)	(100.24)
BALANCE SHEET						
Assets Employed	884	935	1414	1347	1239	1150
Return on Equity	(29.62%)	11.93%	(1.22%)	0.76%	(50.04%)	(124.14%)
Current Assets	575	577	631	606	559	498
Shareholder's Equity	78	128	122	182	129	81
Deferred Liabilities	40	5	94	83	96	69
Current Liabilities	766	802	631	593	597	647
Gross Profit / (Loss) Ratio (%)	2.59%	1.89%	(1.25%)	3.13%	1.48%	(11.78%)
Net profit Ratio (%)	(4.63%)	1.12%	(0.13%)	0.10%	5.20%	13.99%
Earning / (Loss) Per Share (Rs)	-4.06	2.69	-0.26	0.24	(11.38)	(17.49)
Stock Dividend (%)	-	-	-	-	-	-
Cash Dividend	-	-	-	-	-	-
Production						
Actual Production at Actual Avg. Count	1,871,793	5,411,273	5,265,488	5,364,462	4,620,112	3,140,751
Actual Production converted to 20 count	2,935,318	9,896,915	9,556,347	9,129,254	8,188,997	6,507,732

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD ENDED JUNE 30, 2015

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. One Director has confirmed that he is not serving as director in more than seven listed companies including the Company, however six directors are serving as directors in more than seven listed Yousuf Dewan companies.
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 NBFIs 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, two directors are exempted from the requirement of directors' training program and four out of five Directors are qualified under the directors training program.
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 of three members whom one is an independent director, who is also the chairman and others 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 Human resource and Remuneration Committee. It comprises of three members majority of the members are non executive directors including chairman of the committee.
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 30, 2015
Place : Karachi

Dewan Muhammad Yousuf Farooqui
Chairman Board of Directors

FEROZE SHARIF TARIQ & CO.

FEROZE SHARIF TARIQ & CO.
Chartered Accountants
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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 Khalid 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.

Following instances of Non-compliances with the requirements of the Code were observed which are not stated in the Statement of Compliance.

- a) The board includes one independent director, whereas in our opinion he does not meet the criteria of independence due to his cross director ship in other group companies.
- b) The chairman of Audit committee is not an independent director due to the reason reflected in para (a) above.

Based on our review, except for the above instances of non-compliance, nothing has come to our attention that 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, for the year June 30, 2015.



Engagement Partner: Mohammad Tariq
Dated: September 30, 2015
Place: Karachi

Feroze Sharif Tariq & Company
Chartered Accountants



FEROZE SHARIF TARIQ & CO.

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of *Dewan Khalid Textile Mills Limited*, as at June 30, 2015, 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) The Company has not made provision of markup in its financial statements amounting to Rs. 27.845 million for the year ended June 30, 2015 (up to year ended June 30, 2014: Rs.173.957 million) as disclosed in note 27.1 to the financial statements. Non Provisioning of markup is based on management hope that the restructuring Proposal will accepted by the lenders in proposed manners. In our opinion, since the proposal, has not been accepted so far and the lenders, instead of the accepting the restructuring proposal, have preferred to filing the suit against the company, therefore the provision of markup should be made in the financial statements. Furthermore, some of the banks had filed recovery suit amounting to Rs 275.008 million through sale of hypothecated assets of the company and one of the banks had also filed winding up petition against the company for recovery as disclosed in note 13.2 to the financial statements.
- b) During the year company made default in repayment of installments of restructured liabilities of the financial Institutions, hence as per clause 10.2 of the Compromise Agreement of the company, the entire outstanding restructured liabilities of Rs.104.008 million (note 7.1 to the financial Statements) along with markup of Rs.137.368 million (eligible for waiver outstanding as of date of restructuring) have become immediately payable, therefore provision for markup should be made in these financial statements and the long term financing of Rs.59.433 million should be classified under current liabilities.
- c) Had the provisions for the mark up, as discussed in preceding paragraphs, been made in these financial statements, the loss after taxation would have been higher by Rs. 165.213 million and markup payable would have been higher and shareholders' equity would have been lower by Rs. 339.17 million.
- d) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- e) in our opinion:
 - i) except for the effects of matters referred in paragraphs (a) to (c) above 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;
 - 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;
- a) in our opinion, except for the matter discussed in Para (a) to (c) of this report and the extent to which this may affect the accompanying financial statements 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, 2015 and of the Loss its Comprehensive income, Cash flows and Changes in Equity for the year then ended; and
- f) 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.

Engagement Partner: Mohammad Tariq
Dated: September 30, 2015
Place: Karachi

Feroze Sharif Tariq

Feroze Sharif Tariq & Company
Chartered Accountants

BALANCE SHEET

AS AT JUNE 30, 2015

EQUITY AND LIABILITIES**CAPITAL & RESERVES****Authorized**

15,000,000 (JUNE' 30, 2014: 15,000,000) Ordinary Shares
of Rs. 10/- each

Issued, Subscribed and Paid-up Capital**General Reserve****Reserves & Un-appropriated loss**

Surplus on revaluation of property plant and equipment

NON CURRENT LIABILITIES

Long term Loans

Deferred Liabilities

Provision for Staff Gratuity

Deferred taxation

CURRENT LIABILITIES

Trade and Other Payables

Mark-up accrued on loans

Short Term Borrowings - Secured

Current and over due portion of Syndicated Long Term

Provision for Income Tax

Contingencies and Commitments**ASSETS****NON-CURRENT ASSETS**

Property, Plant & Equipments

Available for sale investment - at fair value

Long Term Deposits

CURRENT ASSETS

Stores, Spares and Loose Tools

Stock-in-Trade

Trade Debts - Considered Good

Loans and Advances - Unsecured, Considered good

Trade Deposits, Prepayments and Statutory Balances -
Considered good

Income Tax Refunds and Advances

Cash and Bank Balances

		June 30, 2015	June 30, 2014
	Notes	(Rupees)	
		150,000,000	150,000,000
	5	66,107,590	56,824,590
		135,000,000	135,000,000
		(120,357,290)	(62,554,183)
		80,750,300	129,270,407
	6	255,751,448	280,110,078
	7	96,634,586	136,679,906
	8	12,596,566	11,881,899
	9	56,802,264	84,130,386
		69,398,830	96,012,285
	10	213,785,958	186,281,158
		38,033,218	17,800,467
	11	298,303,147	291,083,406
	7	44,574,702	45,559,968
	12	52,674,711	56,087,296
		647,371,736	596,812,295
	13	--	--
		1,149,906,901	1,238,884,971
	14	543,589,850	595,856,096
	15	84,896,003	66,819,287
		23,839,435	16,839,435
	16	19,078,643	20,295,071
	17	194,959,424	179,484,656
	18	206,988,285	281,679,663
	19	7,139,423	7,558,899
	20	14,803,954	12,581,940
		52,855,128	53,636,281
	21	1,756,756	4,133,643
		497,581,613	559,370,153
		1,149,906,901	1,238,884,971

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



Ishtiaq Ahmed
Chief Executive Officer



Haroon Iqbal
Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2015

		2015	2014
	Notes	(Rupees)	
Sales - net	22	716,613,254	1,246,048,505
Cost of Sales	23	(800,993,423)	(1,227,671,937)
Gross (Loss) / Profit		(84,380,169)	18,376,568
Operating Expenses			
Distribution Cost and Selling Expenses	24	(8,050,340)	(14,604,344)
Administrative and General Expenses	25	(29,714,654)	(28,323,290)
		(37,764,994)	(42,927,634)
Operating Loss		(122,145,163)	(24,551,066)
Other income	26	18,250,601	--
Finance Cost	27	(16,505,879)	(16,388,272)
		1,744,722	(16,388,272)
Loss before Taxation		(120,400,441)	(40,939,338)
Taxation - Current		(7,166,133)	(12,460,485)
- Deferred		27,328,122	(11,287,927)
		20,161,989	(23,748,412)
Loss after Taxation		(100,238,452)	(64,687,750)
Loss per share - Basic and diluted	28	(17.49)	(11.38)

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

Ishtiaq Ahmed
Chief Executive Officer

Haroon Iqbal
Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	(Rupees)	
(Loss) / Profit for the year	(100,238,452)	(64,687,750)
Other comprehensive Income:		
Transfer from surplus on revaluation of property plant and equipment in respect of:		
Incremental depreciation	36,356,163	41,941,820
Related deferred tax	(11,997,534)	(14,260,219)
	24,358,629	27,681,601
Remeasurement Change of Actuarial Valuation in Liability Charge	--	(1,471,340)
Deferred tax on remeasurement of defined benefit liability	--	500,256
	--	(971,084)
Changes in fair value of available for sale investment	18,076,716	(14,525,932)
Total comprehensive (Loss) / income for the year	(57,803,107)	(52,503,165)

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



Ishtiaq Ahmed
Chief Executive Officer



Haroon Iqbal
Director



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees)	2014
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / Profit before Taxation		(120,400,441)	(40,939,338)
Adjustment for Non-Cash and Other Items:			
Depreciation		58,091,245	66,062,017
Provision for Gratuity		5,266,742	4,282,004
Finance Cost		16,505,879	16,388,272
		79,863,866	86,732,293
		(40,536,575)	45,792,955
Working Capital Charges			
(Increase) / Decrease in Current Assets			
Stores, Spares and Loose Tools		1,216,428	(1,880,478)
Stock-in-Trade		(15,474,768)	24,286,049
Trade Debts		74,691,378	8,064,531
Loans and Advances		419,476	1,117,406
Trade deposits, Prepayments & Statutory balances		(2,222,014)	(208,725)
Other Receivables			(666,639)
Increase / (Decrease) in Current Liabilities			
Trade creditors, payables and other borrowings		9,254,198	(33,813,405)
		67,884,698	(3,101,261)
Taxes Paid		(9,797,564)	(8,951,179)
Gratuity Paid		(4,552,075)	(3,431,830)
		(14,349,640)	(12,383,009)
Net Cash Inflow/ (Outflow) from Operating Activities		12,998,483	30,308,685
CASH FLOW FROM INVESTING ACTIVITIES			
Long Term Deposits		(7,000,000)	--
Fixed Capital Expenditure		(5,825,000)	(1,771,007)
Net Cash Inflow/ (Outflow) from Investing Activities		(12,825,000)	(1,771,007)
CASH FLOW FROM FINANCING ACTIVITIES			
Syndicated Long Term Loan		(22,779,984)	(45,559,969)
Shares issued during the period		9,283,000	
Finance Cost Paid		3,726,871	(18,275,955)
Net Cash Inflow/ (Outflow) from Financing Activities		(9,770,113)	(63,835,924)
Net Increase / (Decrease) in Cash and Cash Equivalents		(9,596,628)	(35,298,246)
Cash and Cash Equivalents at the Beginning of the year		(286,949,763)	(251,651,517)
Cash and Cash Equivalents at the End of the year	32	(296,546,391)	(286,949,763)

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

Ishtiaq Ahmed
Chief Executive Officer

Haroon Iqbal
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2015

	Share Capital	General Reserve	Unrealized gain / (loss) due to change in fair value of investment	Unappropriated (Loss) / Profit	Total
					(Rupees)
Balance as on July 01, 2013	56,824,590	135,000,000	32,279,849	(42,330,867)	181,773,572
Total comprehensive income for the year	--	--	(14,525,932)	(37,977,233)	(52,503,165)
Balance as on June 30, 2014	56,824,590	135,000,000	17,753,917	(80,308,100)	129,270,407
Balance as on July 01, 2014	56,824,590	135,000,000	17,753,917	(80,308,100)	129,270,407
Share issued during the year	9,283,000	--	--	--	9,283,000
Total comprehensive income for the year	--	--	18,076,716	(75,879,823)	(57,803,107)
Balance as on June 30, 2015	66,107,590	135,000,000	35,830,633	(156,187,923)	80,750,300

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



Ishtiaq Ahmed
Chief Executive Officer



Haroon Iqbal
Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1. Corporate Information

Dewan Khalid Textile Mills Limited (the Company) was incorporated in Pakistan, as a public limited company on April 03, 1978, under the Companies Act, 1913 (Now the Companies Ordinance, 1984) and its shares are listed on the Karachi and Lahore Stock Exchanges in Pakistan. The registered office of the company is located at Finance & Trade Center, Block A, 8th Floor, Shahrah-e-Faisal, Karachi, Pakistan; while its manufacturing facilities are located at G-11, S.I.T.E., Kotri, Sind, 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 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:

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 amortisation methods for intangible assets is 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. The amendments are not likely to have an impact on Company's financial statements.

IFRS 10 'Consolidated Financial Statements' - (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016.

IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.

Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

Agriculture: Bearer Plants [Amendments 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. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). These amendments are not likely to have an impact on Company's financial statements. The new cycle of improvements contain amendments to the following standards:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

3 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:

3.1 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 amounts of the respective items of tangible fixed assets with a corresponding affect on the depreciation charge and impairment.

3.2 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.

3.3 Stock-in-trade

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

3.4 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.

3.5 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 8 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.

4 Summary of Significant Accounting Policies

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

4.1 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.

4.2 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".

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.

4.3 Trade and Other Payables

Trade and other payables are stated at their costs.

4.4 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.

4.5 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.

4.6 Property, Plant and Equipment

- Owned

Property, Plant and Equipment are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any; except for capital works in progress which are stated at cost accumulated up to the balance sheet date. Leasehold land is amortised in equal installments over the remaining lease period.

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 fixed assets 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 or revalued amount 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.

**4.7 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.

4.8 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.

4.9 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.

4.10 Stock-in-Trade

These are valued as follows :

<i>Raw Material</i>	: At lower of weighted average cost or net realizable value. Cost of raw material and components represents invoice value plus other charges paid thereon.
<i>Finished Goods</i>	: 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.
<i>Waste</i>	: At net realizable value.
<i>Work-in-Process</i>	: At weighted average cost. This comprises the direct cost of raw materials, wages, and appropriate manufacturing overheads.
<i>Stock in Transit</i>	: At cost accumulated upto the balance sheet date.
<i>Stock at fair price shop</i>	: At cost calculated on the First-in-first-out method of valuation.
<i>Packing Material</i>	: 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.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 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.

4.20 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.

4.21 Related Party Transactions

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

4.22 Loans, Advances and Other Receivables

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

4.23 Short Term and Long Term Loans

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

4.24 Dividend and appropriation to reserves

Dividends and appropriations 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.



5 Issued, Subscribed and Paid-up Capital

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

June 30, 2015	June 30, 2014		June 30, 2015	June 30, 2014
(Shares)			(Rupees)	
2,728,300	1,800,000	5.1 Fully Paid in cash	27,283,000	18,000,000
3,882,459	3,882,459	Issued as fully paid bonus shares	38,824,590	38,824,590
<u>6,610,759</u>	<u>5,682,459</u>		<u>66,107,590</u>	<u>56,824,590</u>

5.1 Reconciliation of shares

	Numbers of Shares	
At the beginning of the year	5,682,459	5,682,459
Ordinary shares issued during the year	928,300	--
At the end of the year	<u>6,610,759</u>	<u>5,682,459</u>

5.2 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.

5.3 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.

6 Surplus on revaluation of property plant and equipment

Balance at beginning	280,110,078	307,791,679
Less : Transferred to unappropriated profit:		
- Surplus relating to incremental depreciation - net of deferred tax	(24,358,630)	(27,681,601)
	<u>255,751,448</u>	<u>280,110,078</u>

This represents net surplus over the book value resulting from the revaluation of land, Building, Plant and Machinery carried out on October 12, 2011 by independent professional valuers M/s Asif Associates (Pvt.) Limited, the basis of market value or depreciated replacement values as applicable. Basis of revaluation are as follows:

Land

Valuation of land is determined by obtaining key market data from property brokers, dealers and estate agents to ascertain the Present market value considering its location and market potential.

Building

Revalued amount of building has been determined is simple. After taking into account the re-statement value have been computed after applying present market rate of construction.

Plant and Machinery

The plant, Machinery and Equipment values are derived from the make, model and year from the local machinery Dealer/ Agent and/or suppliers Local or Foreign. A complete list of machinery is prepared on the basis of physical existence, condition and level of maintenance. The total assessed value of the plant is obtained on the basis of physical existence, condition and level of maintenance. The total assessed value of the plant is obtained on the basis of manufacturing cost of individual machines on the basis of material and technology used for manufacturing of the machine on international engineering standards and practice. Rates of manufacturing of similar kinds of machinery are acquired from different manufactures. The total production capacity of the project and all the ancillary and peripheral machines, which from an integral part of the production unit and facilitate the entire process, is taken into consideration. Assessed value is determined through a computation of the remaining useful life of the asset with the present market value

DEWAN KHALID TEXTILE MILLS LIMITED

The closing balance of surplus on revaluation of property, plant and equipment is not available for distribution to shareholders.

The revaluation had resulted in increase in surplus are as follows

	Revalued Amount as per independent valuer Report	Written down Value	surplus on Revaluation
	Rupees		
Lease hold land	73,000,000	1,651,808	71,348,192
Factory Building on lease hold land	103,000,000	50,087,083	52,912,917
Plant and Machinery	516,600,000	189,642,042	326,957,958
Non Factory Building	18,405,000	5,899,643	12,505,357
Labour Quarter	60,895,000	3,109	60,891,891
	771,900,000	247,283,685	524,616,315

	Notes	June 30, 2015	June 30, 2014
7 Long Term Loans		(Rupees)	
Syndicated Long Term Loan - Secured	7.1	59,432,970	136,679,906
Sponsor loan - unsecured	7.2	37,201,616	-
		<u>96,634,586</u>	<u>136,679,906</u>
7.1 Syndicated Long Term Loan - Secured			
Syndicated Long Term Loan		182,239,874	227,799,844
Less: Adjustment for settlement	7.2 & 7.1.3	55,452,218	--
		<u>126,787,656</u>	<u>227,799,844</u>
Less :payment during the year		22,779,984	45,559,970
	7.1.1 & 7.1.2	<u>104,007,672</u>	<u>182,239,874</u>
Less:Current and over due portion of Syndicated Long Term Loan		44,574,702	45,559,968
		<u>59,432,970</u>	<u>136,679,906</u>

7.1.1 The Compromise Agreement dated December 23, 2011 had been executed between the banks and the company 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. 282.496 million which was 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 had been secured by way of mortgage charge over immovable properties and hypothecation of movable assets of the company. Moreover banks / financial institutions had allowed further working capital limit to the Company as fully explained in note 11.2 to these financial statements. However, in case of default by the company the entire outstanding mark up as disclosed in the agreement will remain outstanding liability of the company and all amounts in respect of its liabilities shall become payable with immediate effect as disclosed in clause 10.2 of the Compromise Agreement.

7.1.2 The company has approached its lenders for further restructuring of its liabilities, which is in advanced stage as the term sheet has been finalized and circulated by the agent to syndicate of banks for their internal approvals. Management is hopeful that such revision will be finalized soon. Accordingly the Banks' liability has been classified as non-current.

7.1.3 During the year one of the banks has settled the liability of the Company.



	Notes	June 30, 2015	June 30, 2014
		(Rupees)	
7.2 Sponsor Loan- Unsecured			
Sponsor Loan- Unsecured	7.2.1	55,452,217	-
Less: Amortization discount charged to P & L		(18,250,601)	-
Present Value of Sponsor loan		<u>37,201,616</u>	<u>-</u>

7.2.1 The Sponsor loan has been measured at amortized cost in accordance with International Accounting Standard 39, Financial Instruments: Recognition and Measurement, and have been discounted using the weighted average interest rate of 8.01% per annum. This interest free loan is payable in monthly installments till 30th June 2020.

8 Provision for Staff Gratuity

Balance at beginning	11,881,899	9,560,385
Payments during the year	(4,552,075)	(3,431,830)
	<u>7,329,824</u>	<u>6,128,555</u>
Provision for the year	5,266,742	4,282,004
Remeasurement recognised in other comprehensive income	--	1,471,340
	<u>12,596,566</u>	<u>11,881,899</u>

a) The amounts recognised in the balance sheet:

Present value of defined benefit obligations	11,075,042	10,446,699
Deficit/ (surplus)	1,521,524	1,435,200
Net liability	<u>12,596,566</u>	<u>11,881,899</u>

b) The amounts recognised in the profit and loss account:

Current service cost	4,439,986	3,609,829
Net interest cost	826,756	672,175
	<u>5,266,742</u>	<u>4,282,004</u>

c) Movement in the present value of defined benefit obligation:

Present value of defined benefit obligation	10,474,527	5,647,794
Current service cost	4,439,986	3,609,829
Interest cost	712,605	672,175
Benefit due but not paid (payable)	-	-
Benefits paid	(4,552,075)	(954,439)
Experience Adjustment	-	1,471,340
	<u>11,075,043</u>	<u>10,446,699</u>

d) Remeasurement recognised in OCI:

Experience adjustment	-	1,471,340
	<u>-</u>	<u>1,471,340</u>

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	Notes	June 30, 2015	June 30, 2014
(Rupees)			
e) Principal actuarial assumptions used in the actuarial valuation are as follows:			
Discount rate		13.25%	13.25%
Future salary increases		12.25%	12.25%
Retirement Assumptions		60 Years	60 Years
f) Change in Net Liability			
Balance sheet Liability		11,881,899	9,560,385
Expenses Charge to Profit and Loss Account		5,266,742	4,282,004
Remeasurement Chargeable in Other comprehensive income		-	1,471,340
Benefits paid		(4,552,075)	(3,431,830)
Balance sheet Liability		<u>12,596,566</u>	<u>11,881,899</u>
g) The charge for the year has been allocated as follows			
Cost of Sales		5,266,742	5,753,344
Administrative expenses		--	--
		<u>5,266,742</u>	<u>5,753,344</u>
9 Deferred Taxation			
Deferred tax liability arising due to accelerated tax depreciation		35,881,968	40,231,606
Deferred tax assets arising out of staff gratuity, tax loss and others		(73,281,908)	(69,156,725)
Deferred tax liability due to revaluation of property plant & equipment		94,202,204	113,055,505
		<u>56,802,264</u>	<u>84,130,386</u>
9.1	The movement for the year, in the company's net deferred tax position is as follows:		
Balance at beginning		84,130,386	73,342,715
Increase / (decrease) in deferred tax liability due to surplus on revaluation		(18,853,301)	(14,260,218)
Increase / (decrease) in deferred tax liabilities		(4,349,638)	(3,817,359)
Decrease / (increase) in deferred tax assets		(4,125,183)	28,865,248
Taken to profit & Loss for the year		(27,328,121)	10,787,671
		<u>56,802,264</u>	<u>84,130,386</u>
10 Trade and Other Payables			
Creditors	10.1	150,576,732	145,415,307
Accrued Expenses		61,862,770	39,162,151
Unclaimed Dividend		334,741	334,741
Provident Fund trust	10.2	415,462	373,872
Sales tax payable		596,253	995,087
		<u>213,785,958</u>	<u>186,281,158</u>
10.1	This includes Rs. 122 million (2014: Rs. 122) million payable to associated undertaking.		
10.2 General Disclosures			
Size of the fund		18,723,704	14,329,889
Cost of investments		16,430,636	11,186,535
Percentage of investments		88%	78%
Fair value of investments		17,580,781	11,480,798

	Note	June 30, 2015	June 30, 2014
(Rupees)			
10.3 The breakup of investments :			
Term Deposit Receipts	45%	8,500,000	36% 5,200,000
Bank balance	42%	7,930,636	42% 5,986,535

Investments 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.

11 Short Term Borrowings - Secured

Short term Running Finance	11.1	137,707,920	137,707,920
Short term Loan	11.2	160,595,227	138,480,735
Temporary Book Over draft	11.3	-	14,894,751
		<u>298,303,147</u>	<u>291,083,406</u>

11.1 The company has facilities for short term running finances under mark-up arrangements amounting to Rs. 140 million (2014: Rs. 140 million) from banks. The facility carries mark-up at the rate of 14.42% ~ 16.06% per annum (2014: 14.33% ~ 16.53% per annum). These facilities are secured against hypothecation charge on stocks-in-trade and trade debts. These facilities are generally for twelve months renewable at the end of the period. The mark-up on running finance facilities is payable on a quarterly basis. This financing arrangement have expired and not been renewed by the bank.

11.2 The facility for short term loan under mark up arrangement obtained from bank against available limit of Rs.100 million (2014: Rs. 100 million) at markup rate of KIBOR + 3% (2014: KIBOR + 3%) payable quarterly in arrears. The facility is secured by way of hypothecation of stock in trade, book debts and other current assets of the company. This financing arrangement have expired and not been renewed by the bank since five years.

As part of restructuring banks / financial institutions have approved further working capital to the Company amounting to the limit of Rs. 63.90 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, 2015 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.

11.3 It represents to unrepresented Cheques.

11.4 The banks/financial institutions amounting Rs. 236 million in note 11.1 and 11.2 are in litigation with the company as disclosed in note no 13.2 to the financial Statements.

12 Provision for Taxation

	(Rupees)	
Balance at the beginning	56,087,296	43,626,811
Add: Provision for the year	7,166,133	12,460,485
	<u>63,253,429</u>	<u>56,087,296</u>
Payment/ Adjusted during the year	10,578,718	-
	<u>52,674,711</u>	<u>56,087,296</u>

The income tax returns of the company has been filed upto tax year 2014 to income tax department and the assessments of the company have been finalized upto and including the tax year 2013. However, the commissioner of income tax may at any time during a period of five years from the date of filling of return may select the deemed assessment for audit.

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	Notes	June 30, 2015	June 30, 2014
(Rupees)			
12.1 Relationship between income tax expense and accounting profit			
Accounting Loss as per accounts		(120,400,441)	(40,939,338)
Applicable tax rate		33%	34%
Tax payable / refundable on accounting profit / (loss)		(39,732,145)	(13,919,375)
Tax effect of timing difference on depreciation		15,324,828	21,332,094
Tax effect of expenses / provision that are not deductible in determining taxable loss charged to profit and loss account		1,284,687	4,004,135
Effect of Loss carried / (brought) forward		23,122,631	(11,416,854)
Tax payable under normal rules		-	-
12.2 Minimum tax payable under Income Tax Ordinance, 2001		7,166,133	12,460,485
13 Contingencies and Commitments			
13.1	The restructuring proposal accepted by the banks/ financial institutions, except as mentioned in note 13.2, and decreed by Honorable High court of Sindh, Karachi in terms of the Compromise Agreement dated December 23, 2011 as fully Explained in note 7 and 11 to the financial statements.		
13.2	Some of the banks covering suit amounting to Rs 275.008 million have not yet accepted the restructuring proposal also one of the bank had filed a winding up petition under section 305 of the Companies Ordinance, 1984. Bank claim is highly exaggerated as it had 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 other applicable laws of Pakistan. The management of the Company is quite hopeful that the bank will also accept restructuring proposal in near future.		
13.3	As per the terms of the restructuring (refer to no. 7.1.1) the markup outstanding up to the date of Restructuring is Rs. 137.368 million, which the company would be liable to pay in the event of default of the term of agreement. The Company has defaulted in repayment of liability, however has approached the lenders for further restructuring as detailed in note 7.1.2 to the financial statements. Since the restructuring is in advanced stage therefore management is confident that this amount will remain eligible for waiver, hence no provision of the same has been made in these financial statements.		
13.4	The Government of Pakistan during the year under review has promulgated the Gas Infrastructure Development Cess Ordinance 2014 against which the Company has filed suit in the Honorable Sindh High Court and the Honorable Sindh High Court has issued stay against the recovery of GIDC.		
13.5	Commitments in respect of letter of credits for capital expenditure commitments and other then capital expenditures commitments outstanding amounts to Rs. Nil (2014: Rs. Nil)		
14 Property, Plant and Equipments			
Operating Assets	14.1	537,764,850	595,856,096
Capital Work-in-Progress	14.2	5,825,000	-
		543,589,850	595,856,096

14.1 Operating Assets

2015										
Particulars	Cost / Revaluation				Rate %	Depreciation			Written Down	
	As at July	Additions	(Deletions)	As at June		As at July	Adjustments / Transfer	For the period	As at June	Value as at June
	01, 2014			30, 2015		01, 2014			30, 2015	30, 2015
OWNED				RUPEES				RUPEES		
Lease Hold Land	73,000,000	--	--	73,000,000	-	1,158,730		1,158,730	2,317,460	70,682,540
Factory Building	128,498,673	--	--	128,498,673	10	51,277,236	--	7,722,144	58,999,380	69,499,293
Non Factory Building	24,157,690	--	--	24,157,690	10	10,362,010	--	1,379,568	11,741,578	12,416,112
Labour Quarters	69,230,316	--	--	69,230,316	25	41,399,407	--	6,957,727	48,357,134	20,873,182
Plant and Machinery	839,891,391	--	--	839,891,391	10	448,941,650	--	39,094,974	488,036,624	351,854,767
Electric Installation	5,760,815	--	--	5,760,815	15	5,705,949	--	8,230	5,714,179	46,636
Power House	27,658,382	--	--	27,658,382	10	20,501,800	--	715,658	21,217,458	6,440,924
Factory and Office Equipmts	5,976,146	--	--	5,976,146	10	3,721,492	--	225,465	3,946,958	2,029,188
Vehicles	30,844,620	--	--	30,844,620	20	27,308,090	--	707,306	28,015,396	2,829,224
Furniture and Fixture	6,284,082	--	--	6,284,082	10	5,069,655	--	121,443	5,191,097	1,092,984
June 30, 2015	1,211,302,115	--	--	1,211,302,115		615,446,019	--	58,091,245	673,537,264	537,764,850
June 30, 2014	1,209,531,108	1,771,007	--	1,211,302,115		549,384,002	--	66,062,017	615,446,019	595,856,096

Allocation of Depreciation	June 30, 2015	June 30, 2014
Depreciation for the year has been allocated as follows:		
Cost of Sales	57,262,497	65,042,948
Administrative and General Expenses	828,749	1,019,069
	58,091,245	66,062,017

Property, Plant and Equipment- At cost less accumulated depreciation

2014										
Particulars	Cost / Revaluation				Rate %	Depreciation			Written Down	
	As at July 01, 2013	Additions	(Deletions)	As at June 30, 2014		As at July 01, 2013	Adjustments / Transfer	For the period	As at June 30, 2014	Value as at June 30, 2014
OWNED	RUPEES					RUPEES				
Lease Hold Land	73,000,000	--	--	73,000,000	--	--		1,158,730	1,158,730	71,841,270
Factory Building	128,498,673	--	--	128,498,673	10	42,697,077	--	8,580,160	51,277,236	77,221,437
Non Factory Building	24,157,690	--	--	24,157,690	10	8,829,156	--	1,532,853	10,362,010	13,795,680
Labour Quarters	69,230,316	--	--	69,230,316	25	32,122,438	--	9,276,970	41,399,407	27,830,909
Plant and Machinery	839,891,391	--	--	839,891,391	10	405,502,790	--	43,438,860	448,941,650	390,949,741
Electric Installation	5,760,815	--	--	5,760,815	15	5,696,267	--	9,682	5,705,949	54,866
Power House	27,658,382	--	--	27,658,382	10	19,706,624	--	795,176	20,501,800	7,156,582
Factory and Office Equipmts	5,591,961	384,185	--	5,976,146	10	3,470,975	--	250,517	3,721,492	2,254,654
Vehicles	29,457,798	1,386,822	--	30,844,620	20	26,423,957	--	884,133	27,308,090	3,536,530
Furniture and Fixture	6,284,082	--	--	6,284,082	10	4,934,718	--	134,936	5,069,655	1,214,427
June 30, 2014	1,209,531,108	1,771,007	--	1,211,302,115		549,384,002	--	66,062,017	615,446,019	595,856,096
June 30, 2013	1,205,245,885	4,285,223	--	1,209,531,108		475,473,654	--	73,910,348	549,384,002	660,147,106

Revaluation of lease hold land, building, and plant & machinery had been carried out on October 12, 2011 by independent professional valuers M/s Asif Associates (Pvt.) Limited on the basis of market value or depreciated replacement values as applicable. Revaluation surplus had 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.

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Had there been no revaluation the related figures of revalued assets would have been as follows:

	June 30, 2015			June 30, 2014		
	Cost	Accumulated Depreciation	Written Down Value	Cost	Accumulated Depreciation	Written Down Value
	Rupees			Rupees		
Lease hold land	1,651,808	52,438	1,599,370	1,651,808	26,219	1,625,589
Factory building on lease hold land	75,585,756	41,766,966	33,818,790	75,585,756	38,009,323	37,576,433
Non - factory building	11,652,333	7,668,895	3,983,438	11,652,333	7,226,291	4,426,042
Labour Quarters	8,338,425	8,337,367	1,058	8,338,425	8,337,014	1,411
Plant & machinery	512,933,433	381,554,591	131,378,842	512,933,433	366,956,942	145,976,491
	610,161,755	439,380,257	170,781,498	610,161,755	420,555,789	189,605,966

14.2 Capital Work in progress

Intangible

Software Development

June 30,
2015

June 30,
2014

(Rupees)

5,825,000

-

15 Long Term Investment - Related Party

Available for sale investment - at fair value

Shares in Dewan Salman Fibre Limited (Public, quoted company)

32,279,849 (June 30, 2014: 32,279,849) fully paid up

ordinary shares of Rs.10/- each.

(including 25,779,849 bonus shares)

Surplus / (deficit) on revaluation of investment

65,000,000

65,000,000

19,896,003

1,819,287

84,896,003

66,819,287

Percentage of Holding

8.81%

8.81%

Aggregate Market value (Rupees per share)

2.63

2.07

16 Stores, Spares & Loose Tools

Stores and Spares

Packing Material

16,187,183

17,628,974

2,891,460

2,666,097

19,078,643

20,295,071

17 Stock-in-Trade

Raw Materials

Work-in-Process

Finished Goods

Waste

46,277,347

37,609,581

18,879,154

15,973,662

121,397,311

117,174,298

8,405,613

8,727,114

194,959,424

179,484,655

17.1 Stocks valuing Rs. 53.511 million (2014: 61.09 million) was pledged with the banks against the restructured finance facilities obtained by the Company

18 Trade Debts - Considered Good

Local Receivables - Unsecured

206,988,285

281,679,663

206,988,285

281,679,663

18.1 The aging of Debtors at the reporting date was:

Up to one month

140,089,671

190,640,796

1 to 6 months

54,479,317

74,138,087

More than 6 months

12,419,297

16,900,780

206,988,285

281,679,663



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.

	June 30, 2015	June 30, 2014
19 Loans and Advances - Unsecured, Considered Good		
Advance against Supplies	3,790,328	5,860,930
Loans and Advances to employees	3,349,095	1,697,969
	<u>7,139,423</u>	<u>7,558,899</u>
20 Trade Deposits, Prepayments and Statutory Balances Considered good		
Deposits	15,000	10,000
Sales Tax Receivable	11,534,704	12,571,940
Prepayments	3,254,250	--
	<u>14,803,954</u>	<u>12,581,940</u>
21 Cash and Bank Balances		
Cash in Hand	912,481	117,577
Cash at Banks - Current Accounts	844,275	4,016,066
	<u>1,756,756</u>	<u>4,133,643</u>
22 Sales - Net	2015	2014
Yarn - Local	730,221,365	1,268,021,858
Waste	4,195,038	7,898,309
Gross Sales	734,416,403	1,275,920,167
Less: Sales Tax	(17,803,149)	(29,871,662)
	<u>716,613,254</u>	<u>1,246,048,505</u>
23 Cost of Sales		
Raw Material Consumed	461,305,803	851,366,599
Packing Material Consumed	11,921,338	17,363,099
Stores and Spares Consumed	18,739,655	18,030,126
Fuel, Power & Water	126,220,898	130,417,599
Salaries, Wages and Other Benefits	118,357,763	126,281,972
Insurance	205,240	1,678,824
Vehicle Expenses	1,132,287	861,318
Repairs and Maintenance	528,706	1,308,298
Rent, Rates and Taxes	501,939	1,077,928
Depreciation	57,262,497	65,042,948
	<u>796,176,126</u>	<u>1,213,428,711</u>
Work-in-Process - Opening	15,973,662	20,255,051
Work-in-Process - Closing	(18,879,154)	(15,973,662)
Cost of Goods Manufactured	<u>793,270,634</u>	<u>1,217,710,100</u>
Finished Goods - Opening	125,901,412	130,861,144
Purchase of yarn	11,624,300	5,002,105
Finished Goods - Closing	(129,802,924)	(125,901,412)
	<u>800,993,423</u>	<u>1,227,671,937</u>

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	2015	2014
	(Rupees)	
23.1 Raw Material Consumed		
Opening Stock	37,609,581	52,654,510
Purchases - Net	469,973,569	836,321,670
	<u>507,583,150</u>	<u>888,976,180</u>
Closing Stock	(46,277,347)	(37,609,581)
Raw Material Consumed	<u>461,305,803</u>	<u>851,366,599</u>
23.2 Salaries, wages and other benefits include Rs.8.467 million (2014: Rs. 8.435 million) relating to staff retirement benefits.		
24 Distribution Costs and Selling Expenses		
Salaries, Allowances and Other Benefits	1,288,704	2,056,825
Advertisement & Publicity	61,305	24,480
Cartage Freight and Octroi	4,724,824	9,699,294
Commission	647,197	1,091,934
Distribution Expenses	<u>1,328,310</u>	<u>1,731,811</u>
	<u>8,050,340</u>	<u>14,604,344</u>
24.1 Salaries, wages and other benefits include Rs. 0.227 million (2014: Rs. .221 million) relating to staff retirement benefits.		
25 Administrative and General Expenses		
Salaries, Allowances and Other Benefits	16,136,494	11,877,175
Travelling, Conveyance and Entertainment	355,181	1,762,147
Printing and Stationery	388,000	567,502
Communication	154,092	512,763
Vehicles Expenses	1,511,294	2,445,294
Legal and Professional Charges	1,558,000	1,537,392
Fees and Subscription	325,413	217,154
Rent, Rates and Taxes	2,929,879	2,897,012
Depreciation	828,749	1,019,069
Auditors Remuneration	500,000	500,000
Donation	3,178,325	3,326,800
Others	<u>1,849,227</u>	<u>1,660,982</u>
	<u>29,714,654</u>	<u>28,323,290</u>
25.1 Salaries, allowances and other benefits include Rs. 1.290 million (2014: Rs. 1.277 million) relating to staff retirement benefits.		
25.2 Represents Audit fee (Annual, Half year and Review of Code and corporate Governance) for the year.		
25.3 Interest of the directors or their spouses in the donations made during the period/year is as follows:		
Dewan Farooque Trust - related party	<u>3,000,000</u>	<u>3,000,000</u>
- 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		



Donation include a sum Rs.3.000 million (2014: Rs.3.000 million) paid to M/s Dewan Farooque Trust (Related party) where following directors / spouses hold following positions:

	2015	2014
	(Rupees)	
26 Other income		
Amortization of Sponsor Interest free loan	18,250,601	-
27 Finance Cost		
Mark-up on Long term Borrowings	12,392,468	11,890,682
Mark-up on Short Term Borrowings	3,489,485	3,518,014
Bank Charges and Commission	623,926	979,576
	16,505,879	16,388,272

27.1 The company has not provided the markup on short term borrowings from certain banks for the year amounting to Rs. 27.845 million (2014 Rs. 29.381 million) on the contention of the Company as disclosed in note 13.2 to the Financial Statements. However had the company provided this amount in the financial statements during the year the loss of the Company and accrued markup would have been increased by Rs. 27.845 million.

28 Earning / (Loss) Per Share - Basic		
(Loss) / Profit after Taxation	(100,238,452)	(64,687,750)
Weighted Average Number of Ordinary Shares	5,730,781	5,682,459
(Loss) / Earning Per Share - Basic & diluted	Rupees (17.49)	(11.38)

28.1 No figure for diluted earning 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.

29 Remuneration of Chief Executive, Director and Executives

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

Particulars	2015				2014			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees)				(Rupees)			
Managerial Remuneration	--	--	3,317,364	3,317,364	--	--	1,819,595	1,819,595
House rent allowance	--	--	1,493,304	1,493,304	--	--	818,818	818,818
Utilities allowance	--	--	349,332	349,332	--	--	191,690	191,690
Total	-	-	5,160,000	5,160,000	-	-	2,830,102	2,830,102
Number of persons			2	2			2	2

29.1 The Executives of the company are provided with free use of company maintained cars.

30 Related Parties Transactions

Related parties includes associated group companies, directors, executives, key management personals and staff retirement funds. The remuneration paid to chief executive, directors, executive and key management personal in terms of their employment is disclosed in note 29 to the financial statements.

During the year aggregate transactions made by the company with the associated companies were purchases of Rs.24.553 million (2014: Rs.61.900 million), sales of Rs. 20.713 million (2014: Rs.37.998 million), provident fund contribution of Rs. 4,719 million (2014: Rs.4.180 million), shared expenses of Rs. 2.865 million (2014: Rs.2.886 million), Donations of Rs. 3.000 million (2014: 3.000 million).

DEWAN KHALID TEXTILE MILLS LIMITED

31 Plant Capacity and Production

Particulars	2015	2014
Actual production at actual average count (Kgs)	3,140,751	4,620,112
Actual production converted to 20 count (Kgs)	6,507,732	8,188,997
Attainable capacity converted to 20 count (Kgs)	10,298,087	10,298,087
Number of spindles installed	25,536	25,536
Number of spindles worked during the year	15,544	20,725
Number of shifts worked during the year	927	1,056

	Note	June 30, 2015	June 30, 2014
32 Cash and Cash Equivalents			
Cash and Bank Balances	21	1,756,756	4,133,643
Short term Borrowings	11	(298,303,147)	(291,083,406)
		<u>(296,546,391)</u>	<u>(286,949,763)</u>

33 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.

33.1 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 June 30, 2015 are:

Long term Investments	84,896,003	66,819,287
Trade Debts - Considered Good	206,988,285	281,679,663
Loans and Advances - Unsecured, Considered good	7,139,423	5,558,899
Trade Deposits, Prepayments and Statutory Balances - Considered good	14,803,954	29,380,300
Cash and Bank Balances	1,756,756	4,133,643
	<u>315,584,421</u>	<u>387,571,792</u>

33.2 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:



2015					
Carrying Amount	Contractual Cash Flow	Six Months or Less	Six to twelve Months	One year onward	
(Rupees)					
Financial Liabilities					
Syndicated Long Term Loans	141,209,288	232,141,680	22,733,098	22,733,098	186,675,484
Trade & other payables	213,785,958	213,785,958	213,785,958	--	--
Short term Borrowings	298,303,148	334,099,525	334,099,525	--	--
Mark-up accrued on Loans	38,033,217	38,033,217	38,033,217	--	--
Total	691,331,610	818,060,380	608,651,798	22,733,098	186,675,484
2014					
Carrying Amount	Contractual Cash Flow	Six Months or Less	Six to twelve Months	One year onward	
(Rupees)					
Financial Liabilities					
Syndicated Long Term Loans	182,239,874	214,103,300	29,454,832	28,497,604	156,150,864
Trade & other payables	186,281,158	186,281,158	186,281,158	--	--
Short term Borrowings	291,083,406	324,226,045	324,226,045	--	--
Mark-up accrued on Loans	17,800,467	17,800,467	17,800,467	--	--
Total	677,404,905	742,410,970	557,762,502	28,497,604	156,150,864

33.3 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.

33.4 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.

33.5 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 exposure 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 interest-bearing financial instruments are:

	Carrying Amounts	
	June 30, 2015	June 30, 2014
Fixed rate instruments		
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(477,545,652)	491,123,747
	<u>(477,545,652)</u>	<u>491,123,747</u>

33.6 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.

33.7 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 comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

	2015	2014
Total Borrowings	477,545,652	491,123,747
Less Cash and Bank Balances	(1,756,756)	(4,133,643)
Net debt	475,788,896	486,990,104
Total equity	80,750,300	129,270,407
Total Capital	556,539,196	616,260,511
Gearing ratio	85.49%	79.02%

33.8 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.

34 Number of Employees

Number of persons employed as at year end were 456 (2014: 504) and the average number of persons employed during the year were 486 (2014: 523).

35. Approval of Financial Statements

These financial statements were approved by the Board of Directors and authorized for issue on **September 30, 2015**.

36 General

- Figures have been rounded off to nearest rupee.
- 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.
- 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 except deposit of SSGC previously classified as short term now reclassified to long term amounting to Rs. 16,798,360.



Ishtiaq Ahmed
Chief Executive Officer



Haroon Iqbal
Director



PATTERN OF SHAREHOLDING THE CODE OF CORPORATE GOVERNANCE AS ON 30TH JUNE 2015

Srl #	Categories of Shareholders	Number of Shareholders	Number of Shares held	% of Shareholding
1.	Associated Companies	1	451,185	6.83%
2.	NIT and ICP	5	251,891	3.81%
3.	Directors, CEO, their Spouses & Minor Children	10	2,864,422	43.33%
4.	Executives	-	-	0.00%
5.	Public Sector Companies & Corporations	7	18,936	0.29%
6.	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds	-	-	0.00%
7.	Individuals	724	3,024,325	45.75%
	TOTAL	747	6,610,759	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	451,185	6.83%
2. NIT and ICP				
2.1	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	1	25,552	0.39%
2.2	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	1	897	0.01%
2.3	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	224,486	3.40%
2.4	National Bank of Pakistan	2	956	0.01%
		5	251,891	3.81%
3. Directors, CEO, their Spouses & Minor Children				
	Directors and CEO			
3.1	Dewan Muhammad Yousuf Farooqui	1	2,102,619	31.81%
3.2	Dewan Abdul Rehman Farooqui	1	339,015	5.13%
3.3	Dewan Abdul Baqi Farooqui	1	321,618	4.87%
3.4	Mr. Haroon Iqbal	1	500	0.01%
3.5	Mr. Ishtiaq Ahmed	1	500	0.01%
3.6	Mr. Muhammad Baqir Jafferri	1	500	0.01%
3.7	Mr. Aziz ul Haque	1	500	0.01%
		7	2,765,252	41.83%
	Spouses of Directors and CEO			
3.8	Mrs. Heena Yousuf	1	65,766	0.99%
		1	65,766	0.99%
	Minor Children of Directors and CEO			
3.9	Miss Yumna Yousuf	1	9,730	0.15%
3.10	Mr. Khizer Salman	1	23,674	0.36%
		2	33,404	0.51%
	Total Directors, CEO, Their Spouses & Children	10	2,864,422	43.33%

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	2,102,619	31.81%
2	Dewan Motors (Pvt.) Limited	1	451,185	6.83%
3	Dewan Abdul Rehman Farooqui	1	339,015	5.13%

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

Name	Date of Conversion of Loan	No. of Shares
Dewan Muhammad Yousuf Farooqui (Conversion of loan)	11-Jun-15	928,300

THE COMPANIES ORDINANCE, 1984

FORM 34

(Section 236(1) and 464)

PATTERN OF SHAREHOLDING

1. Incorporation Number 006194
2. Name of the Company DEWAN KHALID TEXTILE MILLS LIMITED
3. Pattern of holding of the shares held by the Shareholders as at 3 0 0 6 2 0 1 5

4.	Number of Shareholders	Shareholdings			Total Shares held
	353	1	-	100 Shares	7,458
	191	101	-	500 Shares	53,968
	44	501	-	1,000 Shares	35,242
	100	1,001	-	5,000 Shares	249,270
	22	5,001	-	10,000 Shares	161,992
	5	10,001	-	15,000 Shares	68,872
	6	15,001	-	20,000 Shares	106,221
	3	20,001	-	25,000 Shares	68,549
	1	25,001	-	30,000 Shares	25,552
	1	30,001	-	35,000 Shares	34,722
	1	35,001	-	40,000 Shares	40,000
	1	40,001	-	45,000 Shares	40,500
	1	45,001	-	50,000 Shares	48,750
	2	50,001	-	70,000 Shares	131,532
	2	70,001	-	80,000 Shares	155,206
	1	80,001	-	100,000 Shares	81,587
	1	100,001	-	110,000 Shares	105,500
	1	110,001	-	120,000 Shares	111,492
	1	120,001	-	175,000 Shares	166,182
	1	175,001	-	225,000 Shares	224,486
	1	225,001	-	270,000 Shares	261,212
	1	270,001	-	280,000 Shares	272,868
	1	280,001	-	305,000 Shares	301,912
	3	305,001	-	325,000 Shares	964,867
	1	325,001	-	340,000 Shares	339,015
	1	340,001	-	455,000 Shares	451,185
	1	455,001	-	1,174,319 Shares	2,102,619
	747	TOTAL			6,610,759



5.	Categories of Shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer, their spouses and minor children	2,864,422	43.33%
5.2	Associated Companies, undertakings and related parties	451,185	6.83%
5.3	NIT and ICP	251,891	3.81%
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%	2,892,819	43.76%
5.8	<u>General Public</u>		
	a. Local	3,021,489	45.71%
	b. Foreign	2,836	0.04%
5.9	Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees)	18,936	0.29%

DEWAN KHALID TEXTILE MILLS LIMITED

38TH 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 KHALID 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 KHALID 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 38th Annual General Meeting of the Company to be held on Thursday, October 29th, 2015 at 01:30 p.m. and any adjournment thereof.

Signed this _____ day of _____ 2015.

Affix
Revenue
Stamp
Rs. 5/-

Signature _____

Witness: _____

SIGNATURE

Name : _____

Address : _____

Witness: _____

SIGNATURE

Name : _____

Address : _____



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