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DEWAN FAROOQUE SPINNING MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS	
Executive Directors	: Dewan Abdul Baqi Farooqui Chief Executive Officer & Director
Non-Executive Director	: Syed Muhammad Anwar - Chairman, Board of Directors Mr. Imran Ahmed Javed Syed Maqbool Ali Mr. Ghazanfar Baber Siddiqi Mr. Muhammad Baqar Jafferri
Independent Director	: Mr. Aziz -ul-Haque
Audit Committee	: Mr. Aziz -ul-Haque (Chairman) Syed Muhammad Anwar (Member) Mr. Ghazanfar Baber Siddiqi (Member)
Human Resources & Remuneration Committee:	Mr. Aziz -ul-Haque (Chairman) Mr. Imran Ahmed Javed (Member) Dewan Abdul Baqi Farooqui (Member)
Auditors	: Feroze Sharif Tariq & Company Chartered Accountants 4/N/4 Block-6, P.E.C.H.S.,
Company Secretary	: Mr. Muhammad Hanif German
Chief Financial Officer	: Muhammad Irfan Ali
Tax Advisor	: Abbass & Atif Law Associates
Legal Advisor	: Sharif & Co. Advocates
Bankers	: United Bank Limited Bank Islami Pakistan Limited MCB Bank Limited Silk Bank Limited Askari Bank Limited Allied Bank Limited Soneri Bank Limited Summit Bank Limited
Registered Office	: Dewan Centre 3-A, Lalazar Beach Hotel Road 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	: 54 Km, Multan Road, Phool Nagar By Pass District Kasur, Punjab , Pakistan.
Website	: www.yousufdewan.com

DIRECTORS' REPORT

IN THE NAME OF ALLAH; THE MOST GRACIOUS AND MERCIFUL IF YE GIVE THANKS, I WILL GIVE YOU MORE (HOLY QURAN)

The Board of Directors of your Company is pleased to present unaudited condensed interim financial statements for the half year ended December 31, 2019 in compliance with the requirements of section 237 of the Companies Act, 2017 and code of corporate governance issued by Securities and Exchange Commission of Pakistan.

Operating results and performance:

Company's net revenue for half year increased to Rs. 255.755million as compared to net revenue of Rs.232.367 million of the corresponding period of last year. Company suffered gross loss of Rs. 41.977 million as compared to the gross loss of Rs. 37.857 million of comparable period of last year due to the overall impact of increased cost including the effect of Power Cost, increase in minimum wage rate as well as impact of devaluation of Pakistani currency where as operating expenses of the company remained at Rs.17.155 million. The company continued the production of yarn on contract basis to keep the company operational.

Cotton facilitates textile sector tremendously which is one of the major contributors of national economy. The cotton production is estimated to witness a decrease of around 30 percent for the year 2019-20 which will cause a loss of more than 2 percent of the GDP to the economy for this year alone. The current cotton arrival estimates fall far short of fulfilling domestic requirement and textile industry has to meet the shortage by importing cotton from other countries. Cotton being the basic raw material for the Pakistan's textile industry accounts for major part of the basic cost and therefore any movement in price or quantity of cotton has significant impacts on production. In addition to this, cost of utilities, finance cost and labor in Pakistan is significantly higher than other regional market players like Bangladesh, India and Vietnam, which ultimately increases the cost of doing business.

The auditors of the Company have qualified their review report on default in repayment of installments of restructured liabilities and related non-provisioning of mark-up. The company approached its lenders for further restructuring of its liabilities, which is in process. Management is hopeful that such revision will be finalized soon, hence no provision has been made in these condensed interim financial statements.

These condensed interim financial statements have been prepared using going concern assumption as the conditions referred in note 2 are temporary and would reverse in foreseeable future. The company's operating cash flows are positive and sponsors provide the support as and when required in shape of short term loan to meet working capital requirements, as of December 31, 2019, sponsor loan is Rs.124.083 million. The company production has increased as compared to last year due to certain capital expenditures, which also mitigate the risks involved. Therefore, the preparation of financial statements using going concern assumption is justified.

Future Outlook

The importance of the textile industry can also be assessed from the fact that it is contributing \$ 13.3 billion in exports (60 percent of total exports), 8.5 percent in GDP and employs over 10 million people with many more dependents in 2018-19. At present overall industry is facing challenges due to withdrawal of zero rating for five export oriented sectors, extreme volatility in exchange rates thereby increasing the cost of imported goods and power, increasing trend in KIBOR rates are ultimately increasing in financing costs, increase in turnover tax, hence the overall working capital requirements have increased.

However, we hope that the Government will introduce some measures for revival of textile sector, including but not limited to payment of tax refunds, settlement of GIDC matter, finalization of mechanism for charging the RLNG rates @ US \$ 6.5 per MMBTU and late payment charges would only be claimed on delayed payment of US \$ 6.5 per MMBTU.

The government is aimed to document the economy for long term sustainability and growth of the Country and for which aggressive steps are being taken. It is expected that these steps will slow down the economic activity in following financial year. If Pakistan is to progress and achieve economic stability and aggressive growth the need for a long-term stable and progressive textile and cotton policy has to be underscored. This is a national security paradigm and should not and cannot be ignored.

Conclusion

With grace of Allah Almighty, the management of the company will put its best endeavors to bring better results in forthcoming half year. In conclusion, we bow beg and pray to Almighty Allah, Rahman-o-Rahim, in the name of our beloved Prophet Muhammad (Peace be upon him) for the continued showering of his blessings, Guidance, strength, health and prosperity to us, our company, country and nation, and also pray to Almighty Allah to bestow peace, Harmony, brotherhood and unity in true Islamic spirit to whole of Muslim Ummah; Ameen: Summa Ameen

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

By and under Authority of the Board of Directors



Dewan Abdul Baqi Farooqui
Chief Executive Officer & Director



Syed Muhammad Anwar
Chairman Board of Directors

Dated: February 24, 2020

04 ■ HALF YEARLY REPORT

FEROZE SHARIF TARIQ & CO.

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

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INDEPENDENT AUDITOR'S REVIEW REPORT To the members of Dewan Farooque Spinning Mills Limited Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying Condensed interim Statement of financial Position of Dewan Farooque Spinning Mills Limited ("the company") as at December 31, 2019 and the related Condensed interim statement of profit or loss and other comprehensive income, Condensed interim Statement of cash flow, Condensed interim statement of changes in equity and the notes to the Condensed interim financial statement for the six months period then ended (hereinafter referred to as the "interim financial statements"). Management is responsible for the preparation and Presentation of these interim financial statements in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on review engagements 2410, "Review of interim financial Information performed by the independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of qualified Opinion

- a) The company defaulted in repayment of installments of restructured liabilities of Financial institutions, hence as per clause 10.2 of the Compromise Agreement of the company, the entire outstanding restructured liabilities of Rs. 398.067 million along with markup of Rs. 210.713 million (eligible for waiver outstanding as of date of restructuring) become immediately payable, therefore provision for markup should be made in these financial statements. Further, the short term finance facilities have expired and not been renewed by banks amounting to Rs. 192.10. The company is facing litigations from its lenders; the aggregate suit amount is Rs. 66.60 million the company has also not provided markup on the same amount as fully disclosed in note 6 to the Condensed interim Financial Statements.
- b) 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. 276.354 million and markup payable would have been higher and shareholders' equity would have been lower by Rs. 276.354 million.

Qualified Conclusion

Based on our review, except for the matter discussed in the preceding paragraph (a) and (b) and its effects, nothing has come to our attention that causes us to believe that these accompanying interim financial statements as of and for the six months period ended December 31, 2019 are not prepared, in all material respects, in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial Reporting.

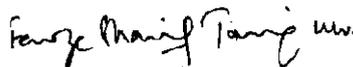
Material Uncertainty Relating to Going Concern

Without further qualifying our opinion, we draw attention of the members to note 2 to the interim financial Statements which indicates that as of December 31, 2019 the company incurred a loss after taxation of Rs. 94.583 (December 31, 2018 Rs. 77.730) million and as of that date it has accumulated losses amounting to Rs. 1.195 (June 30, 2019 Rs. 1.124) billion and its current liabilities exceeded its current assets by Rs. 725.133 (June 30, 2019: Rs. 680.947) million without providing mark up of Restructured and other liabilities and as refer in above para (a) and (b). Furthermore, the company defaulted in repayments of instalments of restructured liabilities and short term finance facilities which has been expired and not renewed by banks amounting to Rs. 192.10 million as discussed in Para (a) above. The Company is in litigation with its lenders. Following Course, the company has started manufacturing of yarn on Contract basis due to working Capital constraints note 1 in the financial statements. These conditions, along with other matters as set forth in note 2 indicate the existence of material uncertainty which may cast significant doubt about Company's ability to Continue as going concern therefore the company may be unable to realize its assets and discharge its liabilities in normal Course of Business. The amounts of the current liabilities and Loss reported in said note do not include the effect of matters discussed in Basis for Qualified opinion. Our opinion is not modified in respect of this matter.

Other matter

The figures of the condensed interim statement of profit or loss and condensed interim statement of other comprehensive income for the quarters ended December 31, 2019 and December 31, 2018 have not been reviewed and we do not express a conclusion on them, we are required to review only the cumulative figures for the Six month ended December 31, 2019.

The engagement partner on the review resulting in this independent auditor's review report is Mohammad Tariq.



Dated: February 24, 2020
Place: Karachi

CHARTERED ACCOUNTANTS

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

		Un-Audited Dec. 31, 2019	Audited June 30, 2019
	Note	------(Rupees)-----	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 100,000,000 (2019: 100,000,000) Ordinary shares of Rs.10/- each		1,000,000,000	1,000,000,000
Issued, Subscribed and Paid-up Capital		977,507,260	977,507,260
Revenue Reserve - Accumulated loss		(1,194,997,924)	(1,123,518,643)
Capital Reserve - Revaluation surplus on property, plant and equipment		1,059,756,492	1,082,860,608
		842,265,828	936,849,225
NON-CURRENT LIABILITIES			
Long term loans	5	205,415,940	197,377,870
Deferred Taxation		182,116,559	191,553,451
Deferred Liability for staff gratuity		9,936,749	7,958,816
CURRENT LIABILITIES			
Trade and other payables		111,156,853	112,212,948
Accrued mark-up		212,247,751	182,647,409
Short term borrowings		199,083,000	214,083,000
Overdue portion of long term liabilities		463,896,977	463,896,977
Provision for taxation		3,836,328	6,036,481
		990,220,909	978,876,815
CONTINGENCIES AND COMMITMENTS			
	6	-	-
		2,229,955,985	2,312,616,177
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,935,014,885	1,984,914,824
Long term deposits		29,852,845	29,771,345
CURRENT ASSETS			
Stores & Spares		23,163,532	25,767,366
Stock-in-trade		361,003	361,003
Trade Debts- Unsecured, Considered Good		76,470,090	97,566,096
Loans and advances- Unsecured, Considered Good		25,356,093	32,463,411
Trade deposits and other receivables- Considered Good		83,396,413	83,731,797
Taxes recoverable		51,216,178	54,557,162
Cash and bank balances	8	5,124,946	3,483,173
		265,088,255	297,930,008
		2,229,955,985	2,312,616,177

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



Dewan Abdul Baqi Farooqui
Chief Executive Officer & Director



Muhammad Irfan Ali
Chief Financial Officer



S.M. Anwar
Chairman Board of Directors

DEWAN FAROOQUE SPINNING MILLS LIMITED

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

	Half Year Ended		Quarter Ended	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Note	----- (Rupees) -----			
Sales / Revenue - Net	255,755,200	232,367,135	136,935,900	108,977,935
Cost of sales / revenue	(297,732,296)	(270,223,686)	(152,540,119)	(136,996,576)
Gross (loss)	(41,977,096)	(37,856,551)	(15,604,219)	(28,018,641)
Operating expenses				
Administrative expenses	(14,685,032)	(14,964,856)	(9,744,732)	(7,834,238)
Selling and distribution expenses	(2,469,565)	(2,376,628)	1,299,646	(1,209,131)
	(17,154,597)	(17,341,484)	(8,445,086)	(9,043,369)
Operating (loss)	(59,131,693)	(55,198,035)	(24,049,305)	(37,062,010)
Other charges				
Finance cost	9 (41,052,268)	(30,112,310)	(21,033,888)	(16,279,045)
Other income	-	7,368	-	-
	(41,052,268)	(30,104,942)	(21,033,888)	(16,279,045)
(Loss) before taxation	(100,183,961)	(85,302,977)	(45,083,193)	(53,341,055)
Taxation				
Current	(3,836,328)	(2,904,589)	(2,054,038)	(1,362,224)
Deferred	9,436,892	10,477,203	4,718,446	5,238,601
	5,600,564	7,572,614	2,664,408	3,876,377
(Loss) after taxation	(94,583,397)	(77,730,363)	(42,418,785)	(49,464,678)
(Loss) per share - Basic and diluted (Rupees) 10	(0.97)	(0.80)	(0.43)	(0.51)

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


Dewan Abdul Baqi Farooqui
Chief Executive Officer & Director


Muhammad Irfan Ali
Chief Financial Officer


S.M. Anwar
Chairman Board of Directors

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

	Half Year Ended		Quarter Ended	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
----- (Rupees) -----				
(Loss) after taxation	(94,583,397)	(77,730,363)	(42,418,785)	(49,464,678)
Effect of change in tax rates on balance of revaluation on property, plant and equipment	-	7,327,856	-	-
Total comprehensive (loss) for the period	<u>(94,583,397)</u>	<u>(70,402,507)</u>	<u>(42,418,785)</u>	<u>(49,464,678)</u>

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



Dewan Abdul Baqi Farooqui
Chief Executive Officer & Director



Muhammad Irfan Ali
Chief Financial Officer



S.M. Anwar
Chairman Board of Directors

DEWAN FAROOQUE SPINNING MILLS LIMITED

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

	December 31, 2019	December 31, 2018
	----- (Rupees) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) before taxation	(100,183,961)	(85,302,977)
Adjustments for non cash and other items:		
Depreciation	62,727,513	66,872,666
Financial charges	41,052,268	30,112,310
Provision for gratuity	2,701,722	2,701,720
Cash flow before working capital changes	<u>6,297,542</u>	<u>14,383,719</u>
Working Capital changes		
<i>(Increase)/ Decrease in current assets:</i>		
Stores & spares	2,603,834	294,760
Stock in trade	-	85,836
Trade debts	21,096,006	52,539,427
Loans & advances	7,107,318	(5,404)
Trade deposits & other receivables	335,384	(2,195,526)
<i>Increase/ (Decrease) in current liabilities:</i>		
Trade and other payables	(1,056,095)	(11,079,058)
Cash generated from / (used in) operations	<u>36,383,989</u>	<u>54,023,754</u>
Taxes paid	(2,695,497)	(5,435,039)
Gratuity paid	(723,789)	(36,051)
Financial charges paid	(3,413,856)	(7,311,310)
	<u>29,550,847</u>	<u>41,241,354</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(12,827,574)	(10,560,404)
Long term deposits	(81,500)	(5,403,200)
Net cash outflow from investing activities	<u>(12,909,074)</u>	<u>(15,963,604)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Syndicated Long Term Loan	-	-
Net cash Inflow/(out flow) from financing activities	<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	<u>16,641,773</u>	<u>25,277,750</u>
Cash and Cash equivalents at the beginning of the period	<u>(210,599,827)</u>	<u>(266,567,688)</u>
Cash and Cash equivalents at the end of the period	8 <u>(193,958,054)</u>	<u>(241,289,938)</u>

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


Dewan Abdul Baqi Farooqui
Chief Executive Officer & Director


Muhammad Irfan Ali
Chief Financial Officer


S.M. Anwar
Chairman Board of Directors



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

Issued, subscribed and Paid-up Capital	Revenue Reserve	Capital Reserve	Total
	Accumulated loss	Revaluation surplus on property, plant & equipment	

------(Rupees)-----

Balance as at July 01, 2018	977,507,260	(964,607,537)	1,126,834,919	1,139,734,642
Total comprehensive (loss) for the period				
(Loss) for the period	--	(77,730,363)	--	(77,730,363)
Other comprehensive income	--	--	7,327,856	7,327,856
	--	(77,730,363)	7,327,856	(70,402,507)
Transfer to accumulated loss				
in respect of incremental depreciation - net of tax	--	25,651,083	(25,651,083)	--
Balance as at December 31, 2018	977,507,260	(1,016,686,817)	1,108,511,692	1,069,332,135
Balance as at July 01, 2019	977,507,260	(1,123,518,643)	1,082,860,608	936,849,225
Total comprehensive loss for the period				
(Loss) for the period	--	(94,583,397)	--	(94,583,397)
Other comprehensive income	--	--	--	--
	--	(94,583,397)	--	(94,583,397)
Transfer to accumulated loss				
in respect of incremental depreciation - net of tax	--	23,104,116	(23,104,116)	--
Balance as at December 31, 2019	977,507,260	(1,194,997,924)	1,059,756,492	842,265,828

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


Dewan Abdul Baqi Farooqui
Chief Executive Officer & Director


Muhammad Irfan Ali
Chief Financial Officer


S.M. Anwar
Chairman Board of Directors

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

1 THE COMPANY AND ITS OPERATIONS

Dewan Farooque Spinning Mills Limited is incorporated in Pakistan on December 22, 2003 as public limited company, under the Companies Ordinance, 1984. The shares of the company are listed on the Pakistan Stock Exchange Limited. The registered office of the company is located at Dewan Centre, 3-A, Lalazar Beach Hotel, Road, Karachi, Pakistan; while its manufacturing facilities are located at 54 km Multan Road, near the Phool Nagar By-pass, District Kasur, near the city of Lahore in Pakistan. The principal activity of the company is manufacturing and sale of fine quality yarn. Company also manufactures yarn on contract basis. The company has installed capacity of 28,800 spindles.

2 GOING CONCERN ASSUMPTION

The condensed interim financial statements for the half year ended December 31, 2019 reflect that company has sustained net loss after taxation of Rs. 94.583 million (2019: Rs. 210.213 million) and as of that date it has negative reserves of Rs. 1,194.998 million which have eroded its equity and its current liabilities exceeded its current assets by Rs. 725.133 million (2019: 680.947 million). Furthermore, the short term facilities of the company have expired and not been renewed by banks and it had defaulted in repayment of restructured liabilities. Following course, the company is facing litigations with its lenders. These conditions indicate the existence of material uncertainty, which may cast significant doubt about Company's ability to continue as going concern.

These condensed interim financial statements have been prepared using going concern assumption as the above conditions are temporary and would reverse in foreseeable future. The company's operating cash flows are positive and sponsors provide the support as and when required in shape of short term loan to meet working capital requirements, as of December 31, 2019, sponsor loan is Rs. 124.083 million. The company production have increased as compared to similar period of last year due to certain capital expenditures incurred in preceding financial year, which also mitigate the risks involved. The company approached its lenders for further restructuring of its liabilities, which is in process. Therefore the preparation of condensed interim financial statements using going concern assumption is justified.

3 BASIS OF PREPARATION

3.1 These condensed interim financial statements of the Company for the six months ended 31 December 2019 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of International Accounting Standard (IAS) 34, "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 These condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended 30 June 2019.

4 SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

4.1 The accounting policies and methods of computation adopted and applied in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2019.

4.2 Adoption of standards and amendments effective during the year

The Company has adopted the following accounting standards, the amendments and interpretations of IFRSs which became effective during the current period:

IFRS 3 Business Combinations: Previously held interests in a joint operation
IFRS 9 Prepayment Features with Negative Compensation (Amendments)
IFRS 11 Joint Arrangements: Previously held interests in a joint operation
IFRS 16 Leases
IAS 12 Income Taxes: Income tax consequences of payments on financial instruments classified as equity
IAS 19 Plan Amendment, Curtailment or Settlement (Amendments)
IAS 23 Borrowing Costs - Borrowing costs eligible for capitalization
IAS 28 Long-term Interests in Associates and Joint Ventures (Amendments)
IFRIC 23 Uncertainty over Income Tax Treatments

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the condensed interim financial statements.

4.3 Standards, interpretations and amendments to be published approved accounting standards that are not yet effective

Standards or Interpretation

IFRS 3 Definition of a Business (Amendments)
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)
IAS 1/ IAS 8 Definition of Material (Amendments)

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application. The Company is currently evaluating the impact of these standards.

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the Company's unconsolidated condensed interim financial statements except for IFRS 16. The impact of adoption of IFRS 16 are described below:

DEWAN FAROOQUE SPINNING MILLS LIMITED

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17: Leases. As the distinction between operating and finance lease is eliminated, it has resulted in leases being recognised on the statement of financial position except for short-term and low-value leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised.

However, the application of IFRS 16 does not have any material impact on the Company's books of account.

The amendments that were mandatory for the half year ended 31 December 2019 are considered not to be relevant for the Company's financial reporting process and hence have not been disclosed here.

		December 31, 2019	June 30, 2019
		Notes -----(Rupees)-----	
5	LONG TERM LOAN		
	Sponsor Loan unsecured, interest free - at amortized cost	<u>205,415,940</u>	<u>197,377,870</u>
		<u>205,415,940</u>	<u>197,377,870</u>
6	CONTINGENCIES AND COMMITMENTS		
	There is no material change in the contingencies and commitments since the last audited financial statements for the year ended June 30, 2019, except that company along with other mills have filed petitions in Honorable Lahore High Court against Sui Nothern Gas Pipelines Ltd and others against bills issued over and above US\$ 6.5 per MMBTU, the Honorable Court granted stay against payment of amount over and above US\$ 6.5 per MMBTU.		
7	PROPERTY, PLANT AND EQUIPMENT		
	Operating fixed assets	7.1 <u>1,935,014,885</u>	<u>1,984,914,824</u>
		<u>1,935,014,885</u>	<u>1,984,914,824</u>
	7.1 Operating fixed assets		
	Opening written down value	1,984,914,824	2,068,556,003
	Additions during the period / year	7.2 <u>12,827,574</u>	51,875,294
	Disposals during the period - net book value (Vehicles)	-	(168,481)
	Depreciation during the period / year	<u>(62,727,513)</u>	(135,347,992)
	Closing written down value	<u>1,935,014,885</u>	<u>1,984,914,824</u>
	7.2 Additions during the period / year		
	Factory Building	-	13,165,335
	Non Factory Building	-	8,978,180
	Plant & Machinery	<u>12,827,574</u>	29,539,779
	Computer Equipment	-	147,000
	Office Equipment	-	48,000
		<u>12,827,574</u>	<u>51,878,294</u>

	December 31, 2019	December 31, 2018
	------(Rupees)-----	
8 CASH AND CASH EQUIVALENTS		
Cash and Bank Balances	5,124,946	3,188,027
Short term Borrowings	<u>(199,083,000)</u>	<u>(244,477,965)</u>
	<u>(193,958,054)</u>	<u>(241,289,938)</u>

9 FINANCE COST

Company has not made the provision of markup for the period amounting to Rs.5.215 million (up to June 30, 2019: Rs.60.426 million) in respect of borrowings of certain banks who have not yet accepted the restructuring proposal. The management of the Company is quite hopeful that these banks will also accept restructuring proposal in near future. Had the provision been made the loss for the period would have been higher by Rs.5.215 million, shareholders' equity would have been lower and accrued markup would have been higher by Rs.65.641 million.

	December 31, 2019	December 31, 2018
	------(Rupees)-----	
10 (LOSS) PER SHARE- Basic & diluted		
(Loss) after taxation	(94,583,397)	(77,730,363)
Weighted average number of ordinary shares	97,750,726	97,750,726
Basic (Loss) per share	(0.97)	(0.80)

No figure for diluted earnings per share has been presented as the company has not yet issued any instruments which would have an impact on basic earnings per share when exercised.

	December 31, 2019	December 31, 2018
	------(Rupees)-----	
11 RELATED PARTY TRANSACTIONS		
Provident Fund	757,716	811,570

12 CORRESPONDING FIGURES

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

13 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information has been authorized for issue on February 24, 2020 by the Board of Directors of the company.



Dewani Abdul Baqi Farooqui
Chief Executive Officer & Director



Muhammad Irfan Ali
Chief Financial Officer



S.M. Anwar
Chairman Board of Directors

مستقبل کا نظریہ:

ٹیکسٹائل صنعت کی اہمیت کا اندازہ اس حقیقت سے بھی لگایا جاسکتا ہے کہ وہ برآمدات میں 13.3 بلین ڈالر (مجموعی برآمدات کا 60 فیصد)، GDP میں 8.5 فیصد کی شراکت کر رہی ہے اور 2018-19 میں 10 بلین سے زائد افراد کو ملازمت فراہم کی ہے۔ اس وقت پانچ برآمدی شعبوں میں صرف درجہ بندی سے دستبرداری کے سبب مجموعی طور پر صنعت کو چیلنجز درپیش ہیں، زرمبادلہ کی شرح میں اتار چڑھاؤ، درآمدی سامان اور بجلی کی لاگت میں اضافہ، KIBOR کی شرح میں بڑھتے ہوئے رجحان کی وجہ سے، مالی لاگت میں اضافہ، کاروباری ٹیکس میں اضافہ سے مجموعی طور پر درکنگ کلیچل کی ضروریات میں اضافہ ہوا ہے۔

تاہم ہمیں امید ہے کہ حکومت ٹیکسٹائل کے شعبے کی بحالی کے لئے کچھ اقدامات متعارف کرانے کی جن میں ٹیکس ریٹیفیکیشن کی واپسی، GIDC معاملہ کو طے کرنے، کے طریقہ کار کو ترمیمی شکل دینے، 6.5 امریکی ڈالر فی MMBTU کی بنیاد پر RLNG کے نرخوں کے طریقہ کار کو ترمیمی شکل دینے اور تاخیر سے ادائیگی کے چارجز کا دعویٰ صرف 6.5 ڈالر فی MMBTU کی بنیاد پر وصولی شامل ہیں۔

حکومت ملک کے طویل مدتی معاشی استحکام کے لئے معیشت کو ڈاکومنٹ کرنے کے لئے کچھ جارحانہ اقدامات کر رہی ہے، جس سے معیشت وقتی طور پر سست روی کا شکار ہوگی۔ اگر پاکستان ترقی اور معاشی استحکام حاصل کرنا چاہتا ہے تو طویل مدتی استحکام اور ترقی یافتہ ٹیکسٹائل اور کپاس کی پالیسی کی ضرورت کو سمجھنا ہوگا۔

اظہار تشکر اور نتیجہ:

اللہ تعالیٰ کے کرم سے کہنی کی انتظامیہ بھرپور کوشش کرے گی کہ سال کے بقیہ مہینوں میں بہتر نتائج حاصل ہوں۔ آخر میں ہم اللہ تعالیٰ رحمن و رحیم سے دعا کرتے ہیں کہ وہ اپنے حبیب حضرت محمد ﷺ کے طفیل اپنی رحمت، ہدایات اور فضل و کرم ہم پر اسی طرح قائم رکھے جو کہ نہ صرف ہم پر بلکہ ہماری کہنی اور ہمارے ملک و قوم پر بھی اپنی رحمت نازل کرے، ہم اللہ تعالیٰ سے یہ بھی دعا کرتے ہیں کہ تمام مسلم امتہ کے مابین صحیح اسلامی جذبہ، اخوت اور بھائی چارگی پیدا کرے۔ آمین حمد آمین۔

میرا پروردگار یقیناً ہماری دعاؤں کو سنتا ہے۔ (قرآن کریم)
بورڈ آف ڈائریکٹرز کی جانب سے


ایس ایم انور
چیئر مین بورڈ آف ڈائریکٹرز


دیوان عبدالباقی فاروقی
چیف ایگزیکٹو آفیسر اینڈ ڈائریکٹر

کراچی:

تاریخ: 24 فروری 2020ء

ڈائریکٹرز رپورٹ

شروع کرتا ہوں اللہ تعالیٰ کے نام سے جو بڑا مہربان اور نہایت رحم والا ہے
اگر تم شکر ادا کرو گے تو میں تم پر (نعمتوں میں) ضرور اضافہ کروں گا (القرآن)

محترم شیئر ہولڈرز،
السلام علیکم،

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز 31 دسمبر 2019ء کو ختم ہونے والی ششماہی کے لئے کمپنیز ایکٹ 2017ء کے سیکشن 237 اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ کوڈ آف کارپوریٹ گورننس کی تعمیل کرتے ہوئے غیر آڈٹ شدہ عبوری مالیاتی حسابات پیش کرنے پر خوشی محسوس کر رہے ہیں۔

عملی نتائج اور کارکردگی:

دوران ششماہی کمپنی کی خالص آمدنی میں مبلغ 255.755 ملین روپے کا اضافہ ہوا جس کا موازنہ گذشتہ سال کی اسی مدت کے خالص آمدنی مبلغ 232.367 ملین روپے سے کیا جاسکتا ہے۔ کمپنی کو مبلغ 41.977 ملین روپے کا مجموعی خسارہ ہوا جس کا موازنہ گذشتہ سال کی اسی مدت کے مجموعی خسارے مبلغ 37.857 ملین روپے سے کیا جاسکتا ہے جو کہ اضافی لاگت بشمول بجلی کی لاگت، کم سے کم اجرت کی شرح میں اضافہ کے ساتھ ساتھ پاکستانی روپے کی قدر میں کمی کے اثرات کے باعث ہوا جبکہ کمپنی کے عملی اخراجات 17.155 ملین روپے رہے۔ کمپنی کے آپریشن کو جاری رکھنے کیلئے کمپنی نے ٹھیکہ کی بنیاد پر دھاگہ کے پیداواری عمل کو جاری رکھا۔

کپاس ٹیکسٹائل کے شعبے کو بہتر سہولت فراہم کرتی ہے جو کہ قومی معیشت کا ایک اہم حصہ ہے۔ اندازہ لگایا جا رہا ہے کہ کپاس کی پیداوار میں سال 2019-20 کے دوران 30 فیصد کے قریب کمی واقع ہوگی جو کہ صرف اسی سال کی معیشت کو GDP کے 2 فیصد سے زیادہ کے نقصان کے سبب ہوگا۔ موجودہ کپاس کی آمد کا تخمینہ ملکی ضرورت سے کافی کم ہے اور ٹیکسٹائل صنعت کو دوسرے ممالک سے کپاس کی درآمد کر کے اس قلت کو پورا کرنا پڑتا ہے۔ پاکستان کی ٹیکسٹائل صنعت کیلئے کپاس بنیادی خام مال ہونے کی وجہ سے بنیادی لاگت کا بڑا حصہ ہے اور اسی وجہ سے کپاس کی قیمت یا مقدار میں ہونے والی کسی بھی نقل و حرکت کا پیداوار پر خاص اثر پڑتا ہے۔ اس کے علاوہ پاکستان میں پٹیلتیو کی لاگت، مالی لاگت اور مزدوری بین الاقوامی مارکیٹ جیسا کہ بنگلہ دیش، ہندوستان اور ویتنام میں مقابلہ کرنے کیلئے دیگر علاقائی مارکیٹ کے مقابلے میں نمایاں طور پر زیادہ ہے جو بالآخر کاروباری لاگت کو بڑھاتا ہے۔

کمپنی کے آڈیٹرز نے قرضہ جات کی قسطوں کی دوبارہ ادائیگی اور مارک اپ ریکارڈ نہ کرنے پر اپنی جائزہ رپورٹ میں تحفظات کا اظہار کیا ہے۔ کمپنی نے اپنے قرض دہندگان سے اپنی ذمہ داریوں کی مزید تنظیم نو کے لئے رابطہ کیا ہے جو کہ جاری ہے۔ انتظامیہ کو امید ہے کہ جلد ہی اس طرح کی نظر ثانی کو حتمی شکل دے دی جائے گی، لہذا ان مجموعی عبوری مالیاتی بیانات میں کوئی پروویژن نہیں بنایا گیا ہے۔

یہ مجموعی مالی حسابات کو چلتی ہوئی کمپنی کی بنیاد پر تیار کئے گئے ہیں کیونکہ حوالہ نوٹ 2 میں بیان کئے گئے حالات عارضی ہیں اور مستقبل میں اس کے برعکس ہو سکتے ہیں۔ کمپنی کا آپریٹنگ کیش فلو مثبت ہے اور جب ورکنگ کپٹل کی ضروریات کو پورا کرنے کیلئے قرض کی ضرورت ہو تو اسپانسر مدد فراہم کرتے ہیں۔ 31 دسمبر 2019 تک اسپانسر کا قرض مبلغ 124.083 ملین روپے تھا۔ پچھلے سال کے مقابلے میں کمپنی کی پیداوار میں کچھ خاص سرمایہ کاری ہونے کی وجہ سے اضافہ ہوا ہے جو اس میں شامل خطرات کو بھی کم کرتا ہے۔ لہذا مالیاتی حسابات کے گوشواروں کو چلتی ہوئی کمپنی کے طور پر مرتب کرنا جائز ہے۔