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## COMPANY INFORMATION

Board of Directors	Mr. Pervez Ahmed Mr. Ali Pervez Ahmed Mr. Hassan Ibrahim Ahmed Mr. Suleman Ahmed Mr. Atta ur Rehman Mr. Muhammad Yousuf Mr. Muntazir Mehdi	Chief Executive
Audit Committee	Mr. Atta ur Rehman Mr. Muhammad Yousuf Mr. Muntazir Mehdi	Chairman
Chief Financial Officer	Mr. Qamar ul Zaman	
Company Secretary	Mr. Salman Farooq	
Auditors	M/s Horwath Hussain Chaudhury & Co. Chartered Accountants	
Legal Advisor	Cornelius, Lane & Mufti Advocates & Solicitors	
Banks	Burj Bank Limited MCB Bank Limited Habib Bank Limited Askari Bank Limited KASB Bank Limited Meezan Bank Limited Bank Al-Falah Limited Bank Al-Habib Limited NIB Bank Limited Al Baraka Bank National Bank of Pakistan Dubai Islamic Bank Silk Bank Limited	
Registered Office	20-K, Gulberg II, Lahore.	
Share Registrars	THK Associates (Pvt.) Limited Ground Floor, State Life Building No 3, Dr. Ziauddin Ahmed Road, Karachi - 75530	
Mill	11-km Shekhupura Faisalabad Road, Shekhupura	
Website	<a href="http://www.dsil.com.pk">www.dsil.com.pk</a>	

**VISION**

- To be a dynamic, profitable, growth oriented Company and to achieve excellence through commitment, integrity, honesty and team work

**MISSION**

- To increase consistently the value of the Company to its shareholders by building up the Company on sound financial footings with better productivity, excellence in quality and improved efficiency at lower operating costs without compromising on our principles of ethics, integrity and professional standards
- To achieve high returns on investments through continuous process of improvement for the benefit of shareholders
- To be a responsible employer and to develop and reward employees according to their ability and performance.
- Be a good corporate citizen

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Thirty-third Annual General Meeting of the shareholders of the Company will be held at the Registered Office of the Company 20 - K Gulberg II, Lahore on Thursday October 31, 2013 at 3:45 p.m to transact the following business:-

1. To confirm the minutes of last Annual General Meeting held on October 31, 2012.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2013 together with Directors' and Auditors' reports thereon.
3. To appoint Auditors of the Company for the year 2013-2014 and to fix their remuneration. The present Auditors M/s Horwath Hussain Chaudhury & Co. - Chartered Accountants, retire and being eligible offered themselves for the re-appointment.

BY ORDER OF THE BOARD

Lahore  
October 4, 2013

Salman Farooq  
(Company Secretary)

Notes:-

- 1 The share transfer books of the Company will remain close from October 25, 2013 to October 31, 2013 (BOTH DAYS INCLUSIVE)
- 2 A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend the meeting and vote for him / her. Proxies in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
- 3 Shareholders are required to immediately notify the Registrar of any change in their postal addresses.
- 4 Account holders and sub-account holders holding book entry securities in respect of the shares of the Company in Central Depository Company of Pakistan Limited, who wish to attend the General Meeting are requested to bring their original Computerized National Identity Cards for identification purpose.

## DIRECTORS' REPORT

### DIRECTORS' REPORT

The Board of Directors of D.S. Industries Limited is pleased to present the Company's Thirty-third Annual Report which includes the Audited Financial Statements of the Company together with the Auditor's report thereon for the year ended June 30, 2013.

### Financial Results of the Company

Overall financial results of the Company were better than the last year mainly due to increased in yarn prices and profitable cotton mix used in production. During the year ended June 30, 2013 the Company earned gross profit of Rs. 162.8 million as compared to gross profit of Rs. 39.2 million in the last year. Profit before taxation for the year was amounting to Rs. 127.7 million as compared to loss before taxation of Rs. 28.1 million in last year.

During the year ended June 30, 2013 the Company has entered into settlement arrangements with two banks and we are hopeful that these arrangements will improve the profitability of the Company.

### Dividend

In view of the liquidity problem due to repayment of loans and increasing energy and raw material prices and available accumulated losses, directors of your Company have proposed not to pay dividend for the year.

### Book Closure

The Share Transfer Books of the Company will remain closed and no transfer of shares will be accepted for registration from October 25, 2013 to October 31, 2013 (both days inclusive). Transfer received by our Shares Registrar, M/s THK Associates (Pvt.) Limited - Ground Floor, State Life Building No 3, Dr. Ziauddin Ahmed Road, Karachi at the close of business on October 24, 2013 will be considered to attend and vote at the meeting.

### Pattern of Shareholding

The Statement of Pattern of Shareholding along with categories of shareholders of the Company as at June 30, 2013, as required under section 236 of the Companies Ordinance 1984 and Code of Corporate Governance are annexed with this report.

### Operating and Financial Data

Operating and financial data with key ratios for the six years is annexed.

### Future Outlook

Overall the textile sector in Pakistan is moving out of recession. Textile sector has shown significant growth towards the foreign currency inflows. But increasing production cost and prolonged power & gas shut downs have made it difficult for the textile industry to survive and compete in the market. Overall the cost of doing business has increased. However the management is committed to run the affairs of the Company in profitable manner by changing production mix and exploring other markets.

### Number of Board Meetings Held

Six meetings of the Board of Directors were held during the year ended June 30, 2013 and the attendance of the directors is as follows.

Mr. Pervez Ahmed	Chief Executive	6 attendance
Mr. Ali Pervez Ahmed	Director	5 attendance
Mr. Hassan Ibrahim Ahmed	Director	5 attendance
Mr. Suleman Ahmed	Director	6 attendance
Mr. Atta ur Rehman	Director	6 attendance
Mr. Muhammad Yousuf	Director	6 attendance
Mr. Muntazir Mehdi	Director	5 attendance

## Statement of Ethics & Business Practices

The Board has prepared and circulated the Statement of Ethics and Business Practices signed by every director and employee of the Company as a token of acknowledgement of his/her understanding of the standards of conduct in relation to everybody associated or dealing with the Company.

## Auditors

The Auditors M/s Horwath Hussain Chaudhury & Co. - Chartered Accountants retire and offer themselves for the reappointment. The Audit Committee of the Board has recommended the reappointment of M/s Horwath Hussain Chaudhury & Co - Chartered Accountants as auditors for the financial year ending June 30, 2014.

## Audit Committee

The Audit Committee of the Company is in place and comprises the following members as required under the Code of Corporate Governance.

Mr. Atta ur Rehman	Chairman
Mr. Muhammad Yousuf	Member
Mr. Muntazir Mehdi	Member

Meetings of the Audit Committee were held during the year ended June 30, 2013 as required by the Code of Corporate Governance for review of quarterly & annual accounts and other related matters. The meeting was also attended by the Chief Financial Officer, head of Internal Audit and External Auditors as and when it was required.

## Code of Corporate Governance

### Statement in Compliance to the Code of Corporate Governance

The Directors are pleased to confirm that the Company has made compliance of the provisions set out by the Securities & Exchange Commission of Pakistan through the listing regulations of Karachi and Lahore Stock Exchanges as prescribed in the Code of Corporate Governance and there is no material departure from the best practices as detailed in the listing regulations.

- 1 The financial statements prepared by the management of the Company present its state of affairs fairly, the result of its operations, cash flows and change in equity.
- 2 Proper books of accounts of the Company have been maintained.
- 3 Appropriate accounting policies have been consistently applied in preparation of the 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 has been adequately disclosed and explained.
- 5 The system of internal control is sound in design and has been effectively implemented and monitored.
- 6 The Company has earned net profit of Rs. 142.0 million during the year and has accumulated losses of Rs. 949.92 million as at the balance sheet date. The current liabilities of the Company exceeds its current assets by Rs. 226.52 million. These factors may cast doubt about the entity's ability to continue as going concern. However, the management is confident to obtain continuous support from the sponsoring directors and favorable negotiations with lenders. During the year Company has entered in to settlement arrangements with two financial institutions for repayment of loans
- 7 There has been no material departure from the best practices of corporate governance as defined in the listing regulations.
- 8 Financial highlights for the last six years are annexed.

## Annual Report June 30, 2013

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### Acknowledgement

The Board of directors would like to place on record their appreciation to the valued shareholders, bankers, the Securities & Exchange Commission and to the management of Karachi & Lahore Stock Exchanges for their valuable support, assistance and guidance. The Board also express its appreciation to the staff and workers of the Company for their services, loyalty and efforts being continuously rendered

Lahore  
October 4, 2013

For & on behalf of the Board

Pervez Ahmed  
Chief Executive

# Annual Report June 30, 2013

## FINANCIAL HIGHLIGHTS

Profit and Loss Accounts	2013	2012	2011	2010	2009	2008
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Sales	1,085,828,414	943,573,213	1,225,420,154	913,016,420	653,735,563	599,784,105
Cost of sales	(922,982,731)	(904,366,622)	(1,286,566,454)	(803,135,078)	(652,940,299)	(550,993,001)
<b>Gross Profit</b>	<b>162,845,683</b>	<b>39,206,591</b>	<b>(61,146,300)</b>	<b>109,881,342</b>	<b>795,264</b>	<b>48,791,104</b>
Operating expenses						
- Distribution cost	5,961,460	7,260,969	5,663,082	6,014,064	1,245,047	1,100,420
- Administrative expenses	42,059,029	22,101,885	21,728,594	19,305,063	20,959,913	14,544,512
	(48,020,489)	(29,362,854)	(27,391,676)	(25,319,127)	(22,204,960)	(15,644,932)
<b>Operating Profit</b>	<b>114,825,194</b>	<b>9,843,737</b>	<b>(88,537,976)</b>	<b>84,562,215</b>	<b>(21,409,696)</b>	<b>33,146,172</b>
Finance cost	(33,567,924)	(42,922,672)	(102,170,425)	(88,072,228)	(130,200,472)	(55,045,700)
Other operating charges	(4,323,136)	(7,160,599)	(7,202,067)	(715,455)	(491,336,268)	(63,407,358)
Other operating income	17,959,914	14,701,010	1,183,659	332,623	319,232	106,885
Gain on sale of investment	-	-	-	-	-	540,655,186
Impairment loss on investment in associated undertaking	-	-	-	(18,323,616)	(224,044,697)	-
Share of profit of associated undertaking	32,855,523	(2,517,278)	(2,173,120)	(6,420,719)	(121,404,372)	(51,123,879)
<b>Profit before Taxation</b>	<b>127,749,571</b>	<b>(28,055,802)</b>	<b>(198,899,929)</b>	<b>(28,637,180)</b>	<b>(988,076,273)</b>	<b>404,331,306</b>
Taxation	14,278,522	6,195,060	6,867,634	5,255,241	3,941,169	(333,774)
<b>Profit after Taxation</b>	<b>142,028,093</b>	<b>(21,860,742)</b>	<b>(192,032,295)</b>	<b>(23,381,939)</b>	<b>(984,135,104)</b>	<b>403,997,532</b>
Dividend	0	0	0	0	0	10%
Bonus	0	0	0	0	0	100%
<b>Balance Sheet</b>						
Share Capital	600,000,000	600,000,000	600,000,000	600,000,000	600,000,000	600,000,000
Long term loans	678,939,561	415,342,479	340,313,426	321,028,217	309,261,000	329,131,000
Property, plant and equipment	437,429,417	480,092,648	538,857,398	596,566,149	610,505,310	445,516,537
Capital work in progress	19,169,784	-	-	-	40,994,253	40,994,253
Current assets	160,902,382	85,161,523	131,778,104	122,465,926	139,877,013	371,646,176
Current liabilities	387,426,188	658,543,708	873,105,546	746,861,564	641,746,028	506,855,396
<b>Key Financial Ratios</b>						
Gross profit ratio ( % )	15.00	4.16	(4.99)	12.03	0.12	8.13
Operating profit ratio ( % )	10.57	1.04	(7.23)	9.26	(3.27)	5.53
Net profit ratio ( % )	13.08	(2.32)	(15.67)	(2.56)	(150.54)	67.36
Earning / (loss) per share	2.37	(0.36)	(3.20)	(0.39)	(16.40)	6.73
Fixed assets turnover	2.48	1.97	2.27	1.53	1.07	1.35



**Statement of Compliance With Best Practices of Code of Corporate Governance For The Year Ended June 30, 2013**

This statement is being presented to comply with the Code of Corporate Governance (CoCG) contained in Listing Regulations 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 Code of Corporate Governance in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its board of directors. At present the board includes:

**Name of Director and Category**

Mr. Pervez Ahmed - Executive Director  
Mr. Ali Pervez Ahmed - Non Executive Director  
Mr. Hassan Ibrahim Ahmed - Executive Director  
Mr. Suleman Ahmed - Executive Director  
Mr. Atta ur Rehman - Non Executive Director  
Mr. Muhammad Yousuf - Non Executive Director  
Mr. Muntazir Mehdi - Non Executive Director

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the 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 a NBFI or being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the board during the year.
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.
8. The meetings of the board were presided over by the Chairman and in his absence, by a 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 were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Directors are well conversant with the Listing Regulations and legal requirements and as such are fully aware of their duties and responsibilities.
10. There were no new appointments of CFO, Company Secretary or head of internal audit during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CoCG 2012 and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval by the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CoCG
15. The board has formed an Audit Committee which comprises of three members who are Non-Executive Directors.
16. 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 the CoCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed Human Resource and Remuneration Committee and is comprises on three Non-Executive Directors including the chairman of the committee.
18. The Board has set-up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), and that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP
20. 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.
21. The "closed period" prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges
23. We confirm that all material principles contained in the CoCG been complied with.

For and on behalf of  
Board of Directors

Lahore.  
October 4, 2013

Pervez Ahmed  
Chief Executive



**Horwath Hussain Chaudhury & Co.**

Member Crowe Horwath International

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## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF 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 **D.S. Industries Limited** to comply with the Listing Regulation No. 35 (Chapter XI) of both the Karachi Stock Exchange and Lahore Stock Exchange, 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 various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal controls 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 internal controls.

Further, Sub-Regulation (x) of Listing Regulations 35 of Karachi and Lahore Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions 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 Directors 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.

We observed that the orientation course for at least one director of the Company during the year as required under clause (xi) of the Code of Corporate Governance was not fulfilled.

Based on our review, except for the matter noted in previous paragraph, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

**HORWATH HUSSAIN CHAUDHURY & CO.**

*Chartered Accountants*

Lahore

Dated: 04.10.2013

(Engagement Partner: Muhammad Nasir Muneer)



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## **D.S INDUSTRIES LIMITED**

### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **D.S. Industries Limited** as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion;
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with 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;



- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to Note 1.2 to the financial statements, which indicates that the Company has accumulated losses of Rs. 949.917 million. The current liabilities of the Company exceed its current assets by Rs. 226.524 million and its total liabilities exceed its total assets by Rs. 250.095 million as at the balance sheet date. These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified with regard to this matter.

A handwritten signature in black ink that reads "Horwath Hussain Chaudhury".

**HORWATH HUSSAIN CHAUDHURY & CO.**  
*Chartered Accountants*

Lahore  
Dated: 04.10.2013

(Engagement Partner: Muhammad Nasir Muneer)

**BALANCE SHEET AS AT JUNE 30, 2013**

	Note	2013 Rupees	2012 Rupees
<b>CAPITAL AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorized capital: 100,000,000 (2012: 100,000,000) ordinary shares of Rs. 10 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid up capital	5	600,000,000	600,000,000
Accumulated loss		<u>(949,916,994)</u>	<u>(1,100,957,741)</u>
		(349,916,994)	(500,957,741)
<b>Surplus on Revaluation of Property, Plant and Equipment</b>	6	99,821,719	107,472,387
<b>Non Current Liabilities</b>			
Long term financing	7	592,438,557	340,951,167
Staff retirement benefits	8	13,002,962	8,967,891
Deferred tax liability	9	34,155,927	55,252,884
		639,597,446	405,171,942
<b>Current Liabilities</b>			
Trade and other payables	10	294,790,830	246,544,515
Accrued mark up on long term financing	11	706,817	112,998,228
Short term borrowings	12	-	220,175,526
Current portion of long term financing	7	86,501,004	74,391,312
Provision for taxation	13	5,427,537	9,434,127
		387,426,188	663,543,708
<b>Contingencies and Commitments</b>	14	-	-
		<u>776,928,359</u>	<u>675,230,296</u>

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

**Chief Executive**

**BALANCE SHEET AS AT JUNE 30, 2013**

	Note	2013 Rupees	2012 Rupees
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	15	456,599,201	480,092,648
Long term investments	16	140,354,382	90,903,731
Long term deposits	17	19,072,394	19,072,394
		616,025,977	590,068,773
<b>Current Assets</b>			
Stores and spares	18	1,413,376	464,981
Stock in trade	19	37,454,353	26,823,270
Trade debts	20	49,445,960	23,808,901
Advances, prepayments and other receivables	21	4,545,957	3,912,191
Short term investment	22	455,620	219,417
Tax refunds due from Government	23	7,814,832	14,209,867
Cash and bank balances	24	59,772,284	15,722,896
		160,902,382	85,161,523
		776,928,359	675,230,296

Director

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	<b>2013</b> Rupees	<b>2012</b> Rupees
Sales	25	1,085,828,414	943,573,213
Cost of sales	26	<u>(922,982,731)</u>	<u>(904,366,622)</u>
<b>Gross Profit</b>		162,845,683	39,206,591
Operating expenses			
- Distribution cost	27	<u>5,961,460</u>	<u>7,260,969</u>
- Administrative expenses	28	<u>42,059,029</u>	<u>22,101,885</u>
		<u>(48,020,489)</u>	<u>(29,362,854)</u>
<b>Operating Profit</b>		114,825,194	9,843,737
Finance cost	29	<u>(33,567,924)</u>	<u>(42,922,672)</u>
Other operating expenses	30	<u>(4,323,136)</u>	<u>(7,160,599)</u>
Other income	31	17,959,914	14,701,010
Share of profit / (loss) of associated companies	16	<u>32,855,523</u>	<u>(2,517,278)</u>
		<u>12,924,377</u>	<u>(37,899,539)</u>
<b>Profit / (Loss) before Taxation</b>		127,749,571	(28,055,802)
Taxation	32	14,278,522	6,195,060
<b>Net Profit / (Loss) for the Year</b>		<u>142,028,093</u>	<u>(21,860,742)</u>
<b>Profit / (Loss) per Share - Basic and Diluted</b>	33	<u>2.37</u>	<u>(0.36)</u>

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

Chief Executive

Director



**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>2013</b>	<b>2012</b>
	Rupees	Rupees
<b>Net Profit / (Loss) for the Year</b>	142,028,093	(21,860,742)
Other comprehensive income		
<b>Items that will not be reclassified to profit and loss</b>		
Surplus realized on disposal of revalued property, plant and equipment (net of deferred tax) transferred to other comprehensive income	-	1,514,441
Transfer from surplus on revaluation of property, plant and equipment (net of deferred tax) in respect of incremental depreciation charged in current year	9,012,654	9,920,753
	9,012,654	11,435,194
<b>Total Comprehensive Income / (Loss) for the Year</b>	<u>151,040,747</u>	<u>(10,425,548)</u>

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

Chief Executive

Director

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>2013</b>	<b>2012</b>
	Rupees	Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	127,749,571	(28,055,802)
Adjustments for:		
- Depreciation	46,024,231	50,886,251
- Reversal of impairment loss on investment in associates - net	(16,595,128)	(530,735)
- Loss on disposal of property plant and equipment	-	6,810,599
- Gain on remeasurement of investment at fair value through profit or loss	(236,203)	(21,342)
- Provision for gratuity	7,030,284	4,952,413
- Excess markup written back	(661,999)	(13,725,361)
- Share of (profit) / loss of associated undertakings	(32,855,523)	2,517,278
- Interest on workers' (profit) participation fund	-	113,948
- Provision for workers' (profit) participation fund	3,903,136	-
- Finance cost	33,567,924	42,922,672
	<u>40,176,722</u>	<u>93,925,723</u>
<b>Operating profit before working capital changes</b>	167,926,293	65,869,921
(Increase) / decrease in current assets:		
- Stores and spares	(948,395)	186,756
- Stock in trade	(10,631,083)	31,994,711
- Trade debts	(25,637,059)	15,331,895
- Advances, prepayments and other receivables	(633,766)	3,445,654
- Tax refunds due from Government	407,188	(7,368)
Increase / (decrease) in current liabilities:		
- Trade and other payables	44,457,373	(1,108,836)
	<u>7,014,258</u>	<u>49,842,812</u>
<b>Cash generated from Operations</b>	174,940,551	115,712,733
Income tax paid	(3,475,192)	(1,358,091)
Finance cost paid	(995,790)	(3,889,032)
Gratuity paid	(2,995,213)	(3,200,073)
Workers' (profit) participation fund paid	(114,194)	(1,398,000)
	<u>(7,580,389)</u>	<u>(9,845,196)</u>
<b>Net Cash generated from Operating Activities</b>	167,360,162	105,867,537
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment purchased	(3,361,000)	(1,932,100)
Capital work in progress	(19,169,784)	-
Proceeds from disposal of property, plant and equipment	-	3,000,000
<b>Net Cash (used in) / generated from Investing Activities</b>	(22,530,784)	1,067,900
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term financing	(100,779,990)	(66,661,416)
Short term borrowings	-	(37,318,387)
<b>Net Cash used in Financing Activities</b>	(100,779,990)	(103,979,803)
<b>Net Increase in Cash and Cash Equivalents</b>	44,049,388	2,955,634
Cash and cash equivalents at the beginning of the year	15,722,896	12,767,262
<b>Cash and Cash Equivalents at the End of the Year</b>	<u>59,772,284</u>	<u>15,722,896</u>

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

Chief Executive

Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Share Capital</b>	<b>Accumulated Loss</b>	<b>Total</b>
	Rupees	Rupees	Rupees
<b>Balance as at June 30, 2011</b>	600,000,000	(1,090,532,193)	(490,532,193)
Total comprehensive loss for the year	-	(10,425,548)	(10,425,548)
<b>Balance as at June 30, 2012</b>	600,000,000	(1,100,957,741)	(500,957,741)
Total comprehensive income for the year	-	151,040,747	151,040,747
<b>Balance as at June 30, 2013</b>	<u>600,000,000</u>	<u>(949,916,994)</u>	<u>(349,916,994)</u>

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

Chief Executive

Director

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

Note 1

**The Company and its Activities**

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**1.1** The Company was incorporated in Pakistan on September 09, 1980 as a Private Limited Company under the repealed Companies Act, 1913 (now the Companies Ordinance, 1984) and was subsequently converted into a Public Company on February 21, 2005. The Company is listed on Karachi and Lahore Stock Exchanges. The Company has its registered office at 20-K, Gulberg-II Lahore, Pakistan. The principal activity of the Company is manufacturing and selling of yarn.

**1.2 Going concern assumption**

The Company has accumulated loss of Rs. 949.917 million (2012: Rs. 1,100.958 million) as at the balance sheet date. The current liabilities of the Company exceed its current assets by Rs. 226.524 million (2012: Rs. 578.382 million) and its total liabilities exceed its total assets by Rs. 250.095 million (2011: 393.485 million) as at the balance sheet date. These factors raise doubts about the Company being a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

However, any adjustments relating to the recoverability of recorded assets and liabilities have not been incorporated in these financial statements as the Company has earned net profit of Rs. 142.028 million during the year and confident to obtain continuous support from its sponsoring directors and favourable negotiation with lenders. During the year, the Company has entered into settlement plans with two financial institutions for restructuring of its long term and short term finances and is making payments accordingly (refer to note 7.1 and 7.2) and further rescheduled the term loan facility (note 7.5). Keeping in view all these factors, the going concern assumption is considered appropriate and, therefore, these financial statements have been prepared on a going concern basis.

Note 2

**Basis of Preparation**

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**2.1 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.

Note 2, Basis of preparation - Contd...

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except to the extent of followings:

Staff retirement benefits	Note 8	Present value
Certain property, plant and equipment	Note 15	Revalued amount
Long term investment	Note 16	Equity method
Short term investment	Note 22	Fair value

### 2.3 Use of estimation and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made.

Significant management estimates in these financial statements relate to the useful life and residual values of property, plant and equipment, provisions for doubtful receivables, provisions for defined benefit plans, obsolescence of inventory, valuation of inventory and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in the financial statements.

### 2.4 Functional and presentation currency

The financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency. Figures have been rounded off to the nearest rupee except as stated otherwise.

### Note 3

#### **Amendments to Existing Standards and Forthcoming New Standards and Interpretations**

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Since July 1, 2012, International Accounting Standards Board (IASB) has made certain amendments into the existing standards and introduced one new interpretation (IFRIC 20). These amendments seek to enhance the disclosure requirements in the financial statements that are as under:

<b>Revision / improvements / amendments to IFRS and interpretations</b>	<b>Effective Date</b> (Period beginning on or after)
- IAS 32: Financial instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	January 1, 2014
- IFRS 1: First-time Adoption of International Financial Reporting Standards - Government Loans	January 1, 2013
- IFRS 7: Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities	January 1, 2013
- IFRS 9: Financial Instruments - Mandatory Effective Date and Transition Disclosures	January 1, 2015
- IFRS 10: Consolidated Financial Statements - Transition Guidance	January 1, 2013
- IFRS 11: Joint Arrangements - Transition Guidance	January 1, 2013
- IFRS 12: Disclosures of Interest in Other Entities - Transition Guidance	January 1, 2013
- Annual Improvements 2009-2011 Cycle	January 1, 2013
- IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

### Note 4

#### **Summary of Significant Accounting Policies**

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The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

#### **4.1 Provisions**

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

#### **4.2 Staff retirement benefits**

The Company operates an unapproved and unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under this scheme after the completion of a prescribed qualifying period of service. The Company's obligation under the scheme is determined through actuarial valuations carried out under the "Projected Unit Credit Method". Actuarial valuations are carried out annually and the latest valuation was carried out as at June 30, 2013. Based upon this actuarial valuation the Company has accounted for the provision for gratuity and current service cost.

### Note 4, Summary of Significant Accounting Policies - Contd...

As per the latest actuarial valuation the following significant assumptions were used.

Discount rate	10.5%
Expected rate of salary increase in future years	9.5%
Average expected remaining working life time of employees	5 years
Expected mortality for active members	As per EFU (61-66) mortality table
Actuarial valuation method	Projected Unit Credit Method

Net cumulative unrecognized actuarial gains / losses relating to previous reporting periods in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets are recognized as income or expense over the estimated remaining working lives of the employees.

#### 4.3 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that relates to items recognized directly in equity, in which case it is recognized in equity.

##### Current

The charge for taxation for the year is based on taxable income at the current rates of taxation after taking into account tax rebates and credits available, if any.

##### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets, are recognized to the extent of potential available taxable profit against which temporary differences, unused tax losses and tax credits can be utilized.

#### 4.4 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid or given in the future for goods and services received or to be delivered or for any other amount, whether or not billed to the Company.

Note 4, Summary of Significant Accounting Policies - Contd...

### 4.5 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost / revalued amount less accumulated depreciation except for freehold land which is stated at revalued amount. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable cost of bringing the asset to worthy condition.

Depreciation is charged to income on reducing balance method at the rates specified in note No. 15. Full month's depreciation is charged on additions during the month whereas, no depreciation is charged on assets disposed off during the month. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Normal repairs and maintenance are charged in income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of property, plant and equipment, if any, is shown in profit and loss.

Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

### 4.6 Impairment

Carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value, the recoverable amount is determined to be the value in use. Impairment losses are recognized as expense in the profit and loss account.

### 4.7 Investments

The management considers its associates to be such enterprise in which the Company has ownership of at least twenty percent but not more than fifty percent, of the voting power and / or has significant influence through shared directorship, but not control.

The management determines the appropriate classification of its investment in accordance with the requirements of International Accounting Standards 39; 'Financial Instruments: Recognition and measurement and International Accounting Standard 28 ; Investments in Associates' at the time of purchase and re-evaluates this classification on a regular basis. Investments are categorized as follows:

Investment in associates

Investments in associates are accounted for using the equity method less impairment loss. This method is applied from the date when significant influence is established until the date when that significant influence ceases. The Company's share of its associate's post-acquisition profits or losses is recognized in the profit and loss account and its share of post-acquisition movements in reserves is recognized in the reserves of the Company. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an associate reduce the carrying amount of the investment.



### Note 4, Summary of Significant Accounting Policies - Contd...

#### Other investments

Other investments are initially recognized at cost, comprising the consideration paid and cost of transaction except in the case of investments at fair value through profit or loss where transaction costs are charged to the profit and loss account when incurred. For listed securities, closing quotations of stock exchanges on last working day of the accounting year are considered for determining the fair value, while for unquoted securities, cost is usually considered as fair value of securities.

The classification is made on the basis of intended purpose for holding such investments. These are measured at the balance sheet date in accordance with the requirements of IAS - 39 (Financial Instruments: Recognition and Measurement) described as under:

#### At fair value through profit and loss

These are securities which are acquired for the purpose of generating a profit from short-term fluctuations in market price or dealer's margin, securities in a portfolio in which a pattern of short term profit taking exists or derivatives other than those held as hedging instruments.

#### Held to maturity

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

#### Available for sale

These are the investments that do not fall under the categories of investments at fair value through profit or loss or held to maturity.

#### **4.8 Stores and spares**

These are valued at lower of moving average cost and net realizable value, except for items in transit that are valued at cost comprising the invoice value plus incidental charges paid thereon.

#### **4.9 Stock in trade**

These are valued at the lower of cost and net realizable value. Cost is determined as follows:

- Raw materials - at weighted average cost
- Materials in transit at cost comprising invoice value plus incidental charges paid thereon
- Work in process - at estimated average manufacturing cost
- Finished goods - at average manufacturing cost

Manufacturing cost in relation to work in process and finished goods comprises cost of material, labour and appropriate manufacturing overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less necessary cost to make the sale.

Note 4, Summary of Significant Accounting Policies - Contd...

#### **4.10 Trade debts**

All outstanding debts are reviewed at the year end. The Company recognizes and carries these debts at original invoice amount less an allowance for uncollectible amounts if any. Bad debts are written off as incurred and provision is made against debts considered doubtful when the collection of the full amount is no longer probable.

#### **4.11 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, cheques in hand and deposits with banks.

#### **4.12 Borrowing costs**

Borrowing costs are charged to income as and when incurred except costs that are directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.

#### **4.13 Foreign currency transactions and translation**

Transactions denominated in foreign currencies are initially recorded at Pak Rupees by applying the foreign exchange rate ruling on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rate prevailing at the balance sheet date except for balances covered under forward exchange contracts, which are converted at the contracted rates. Exchange differences are included in income currently.

#### **4.14 Financial instruments**

Financial instruments are recognized in the financial statements when the Company becomes a party to the contract and ceases to recognize when it loses control of contractual rights, in case of financial assets, and in case of financial liability when the liability is extinguished. Any gain or loss on subsequent re-measurement / derecognizing is charged to income.

#### **4.15 Off-setting of financial assets and financial liabilities**

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### **4.16 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

#### **4.17 Related party transactions**

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices determined in accordance with the Company's policy except allocation of common overheads that are charged on actual basis.

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Note 4, Summary of Significant Accounting Policies - Contd...

### 4.18 Revenue recognition

- Sales are recorded on dispatch of goods to customers.
- Interest income is recognized on a time proportion basis that takes into account the effective yield on the deposits / receivables.
- Dividend on equity investments is recognized as income when the Company's right to receive the dividend is established.

### 4.19 Dividend

Dividend distribution including stock dividends to the Company's shareholders is accounted for as a liability in the period in which the dividends are approved.

Note 5

### Issued, Subscribed and Paid up Capital

2013		2012		2013	2012
Number of Shares				Rupees	Rupees
30,000,000	30,000,000	Ordinary shares of Rs. 10 each fully paid in cash		300,000,000	300,000,000
30,000,000	30,000,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares		300,000,000	300,000,000
<u>60,000,000</u>	<u>60,000,000</u>			<u>600,000,000</u>	<u>600,000,000</u>

**5.1** 10,707,554 (2012: 10,772,554) shares of the Company are held by its associates.

**5.2** No shares have been issues or redeemed by the Company during the year.

Note 6

### Surplus on Revaluation of Property, Plant and Equipment

	2013	2012
	Rupees	Rupees
Land	18,707,832	18,707,832
Building	26,689,860	29,655,400
Plant and machinery	59,374,039	67,543,620
Electric installations	2,700,656	3,000,729
	<u>107,472,387</u>	<u>118,907,581</u>
Surplus realized on disposal of revalued property, plant and equipment (net of deferred tax) transferred to other comprehensive income	-	(1,514,441)
Deferred tax liability reversed due to change in tax rate	1,361,986	-
Incremental depreciation charged on revalued property, plant and equipment in current year (net of deferred tax) transferred to other comprehensive income	(9,012,654)	(9,920,753)
	<u>99,821,719</u>	<u>107,472,387</u>

Note 6, Surplus on Revaluation of Property, Plant and Equipment - Contd...

- 6.1** Revaluation of property, plant and equipment was carried out by an independent valuer on December 31, 2008 that resulted in revaluation surplus of Rs. 220.810 million. The following basis of revaluation were used for this purpose:

Land	Market value
Building	Depreciated Replacement Cost
Plant and machinery	Depreciated Replacement Cost
Electric fittings, equipment and appliances	Depreciated Replacement Cost

Note 7

## Long Term Financing

	Note	2013 Rupees	2012 Rupees
<b>Loan from banking companies - Secured</b>			
Restructured term finance - KASB Bank Limited:	7.1		
- Outstanding principal		176,857,494	-
- Freezed mark up		120,592,928	-
		297,450,422	-
Restructured term finance - Askari Bank Limited:	7.2		
- Outstanding principal		25,099,197	-
- Freezed mark up		12,276,262	-
		37,375,459	-
Restructured demand finance - MCB Bank Limited:	7.3		
- Outstanding principal		100,165,608	125,125,608
- Freezed mark up		85,042,584	73,710,228
		185,208,192	198,835,836
Restructured musharika finance - Burj Bank Limited:	7.4		
- Outstanding principal		133,203,100	170,703,100
- Freezed mark up		21,372,231	21,372,231
		154,575,331	192,075,331
Term loan facility - Habib Bank Limited	7.5	4,330,157	9,431,312
		678,939,561	400,342,479
Less: Current portion		(86,501,004)	(74,391,312)
		592,438,557	325,951,167
<b>Loan from directors - Unsecured</b>		-	15,000,000
		592,438,557	340,951,167

### Note 7, Long Term Financing - Contd...

**7.1** This represents short term borrowings from KASB Bank Limited that have been restructured into term finance during the year. The bank has restructured the outstanding principal and associated mark-up on the following terms and conditions:

- The entire outstanding principle and mark up shall be settled at Rs. 77.143 million and the liabilities of Rs. 220.307 million shall be waived off on successful repayment of this amount.
- The outstanding balance of Rs. 77.143 million shall be repayable in 24 monthly installments of Rs. 1.60 million each starting from September 2012. The balance amount of Rs. 38.743 million shall be repayable on August 30, 2014 in lump sum.
- 90 days grace period shall be allowed for any late payment failing which the total liability shall become due and payable.
- This facility is secured against quoted shares portfolio of the Company and ranking charge over present and future current assets to the extent of Rs. 267 million.
- Being prudent the management has provided mark-up for the year on this restructured loan liability.

**7.2** This represents short term borrowings from Askari Bank Limited that have been restructured during the year into term finance. The bank has restructured the outstanding principal and associated mark-up on the following terms and conditions:

- The entire outstanding principle and mark up shall be settled at Rs. 37.003 million.
- The outstanding balance shall be repayable through down payment of Rs. 1.5 million and 36 monthly installments of Rs. 0.719 million each starting from June 2012.
- This restructuring involves 8.96% p.a. mark-up, effectively, on deferment of funds.
- Mark-up amounting to Rs. 9.625 million outstanding on loan payable, as contained in this amount, has been freeze and shall be waived off on full and final repayment of settlement amount to the satisfaction of the bank.
- This facility is secured against first pari passu charge over present and future current assets of the Company and personal guarantees of the directors of the Company.

**7.3** This represents demand finance and running finance facilities, having combined limit of Rs. 285 million, obtained from MCB Bank Limited. These facilities were restructured and merged into one demand finance facility during the year 2012 on the following terms and conditions:

- The outstanding principal liability is repayable in a period of five years in daily installments of Rs. 80,000 (based on 26 days a months) starting from May 31, 2012.
- All present and future markup shall be waived off, provided the entire principal liabilities are repaid on due dates in accordance with the repayment schedule.
- If default is made in the repayment of installments according to the repayment schedule, the bank shall withdraw the entire financial relief provided and recover entire principal along with outstanding markup.

### Note 7, Long Term Financing - Contd...

The facility is secured against :

- Pari passu charge on present and future fixed and current assets of the Company to the extent of Rs. 482.963 million.
- Mortgage of land and building measuring 35 Kanal and 12 Marlas, located at 11-KM Sheikhpura Faisalabad Road, Sheikhpura.
- Personal guarantees of all executive directors of the Company.

**7.4** This represents musharika finance facilities, having a limit of Rs. 200 million, obtained from Burj Bank that were restructured in the year 2011. During the year ended 2012, the Company further entered into a settlement plan with the bank under the following conditions:

- Rs. 40 million was repaid to the bank till July 2012 and the remaining liability is to be repaid in monthly installments of Rs. 2.5 million each commencing from August 2012. Upon repayment of Rs. 141.103 million, Rs. 60 million outstanding principle shall be waived off by the bank.
- Markup till January 31, 2012 amounting to Rs. 21.372 shall be freezed and no further markup shall be recorded. Freezed mark up shall be waived off subject to timely repayment of principal liability of Rs. 141.103 million.
- If default is made in repayment of installments according to repayment schedule, the bank shall withdraw the entire financial relief provided and recover entire principal along with outstanding markup.
- The facility is secured against the first pari passu hypothecation charge over plant and machinery upto Rs. 268 million.

**7.5** This term loan facility was created as a result of restructuring of outstanding balance of short term running finance of Rs. 19.43 million by Habib Bank Limited. It carries mark up at 7% (2012: 7%) per annum, payable on monthly basis. The facility was repayable in 15 monthly installments commencing from April 2010. During the current year, the bank has revised the repayment plan to 24 monthly installments commencing from September 2012.

## Annual Report June 30, 2013

Note 8

### Staff Retirement Benefits

		<b>2013</b>	<b>2012</b>
	Note	Rupees	Rupees
Staff retirement benefits	8.1	<u>13,002,962</u>	<u>8,967,891</u>
<b>8.1</b>	Latest actuarial valuation in respect of employees' gratuity scheme was carried out as at June 30, 2013 by an independent actuary using the significant assumptions as mentioned in Note 4.1. Closing liability and charge for the current year has been provided on the basis of actuarial estimates provided by the actuary.		
<b>8.2</b>	<b>Company's liability</b>		
Opening balance		8,967,891	7,215,551
Charge for the year	8.4	<u>7,030,284</u>	<u>4,952,413</u>
		15,998,175	12,167,964
Benefits paid to outgoing employees		<u>(2,995,213)</u>	<u>(3,200,073)</u>
Closing balance		<u>13,002,962</u>	<u>8,967,891</u>
<b>8.3</b>	<b>Reconciliation</b>		
Present value of defined benefit obligation		14,104,069	9,967,785
Unrecognized actuarial (loss) / gain		<u>(1,101,107)</u>	<u>(999,894)</u>
Liability recognized in financial statements		<u>13,002,962</u>	<u>8,967,891</u>
<b>8.4</b>	<b>Charge for the year</b>		
Current service cost		5,833,527	3,799,222
Interest cost		1,196,134	1,099,569
Actuarial loss		<u>623</u>	<u>53,622</u>
		<u>7,030,284</u>	<u>4,952,413</u>
<b>8.5</b>	<b>Allocation of charge</b>		
Cost of Sales		5,624,227	3,961,930
Administrative expenses		<u>1,406,057</u>	<u>990,483</u>
		<u>7,030,284</u>	<u>4,952,413</u>

**8.6** The Company does not have any plan assets covering its post employment benefits payable. The comparative statements of present value of defined benefits obligation is as under:

Year	Present Value of Defined Benefits Obligation	Plan Assets	Deficit
	Rupees	Rupees	Rupees
2013	13,002,962	-	13,002,962
2012	8,967,891	-	8,967,891
2011	7,215,551	-	7,215,551
2010	3,825,496	-	3,825,496
2009	4,371,121	-	4,371,121

Note 9

## Deferred Tax Liability

	<b>2013</b>	<b>2012</b>
	Rupees	Rupees
Credit / (debit) balance arising in respect of:		
- Accelerated tax depreciation	62,569,369	76,379,212
- Surplus on revaluation of property, plant and equipment	41,664,641	47,669,510
- Recognized losses	(65,657,076)	(65,657,076)
- Staff retirement benefits	(4,421,007)	(3,138,762)
	<u>34,155,927</u>	<u>55,252,884</u>

**9.1** The Company, being prudent, has not accounted for deferred tax asset on tax losses amounting to Rs. 38.16 million (2012: 95.03 million).

Note 10

## Trade and Other Payables

		<b>2013</b>	<b>2012</b>
	Note	Rupees	Rupees
Creditors		40,443,959	11,750,670
Payable to stock broker		171,189,424	171,189,424
Accrued liabilities		44,225,642	21,500,694
Advances from customers		29,131,345	38,273,484
Due to associated undertakings		-	409,007
Workers' (profit) participation fund	10.1	3,903,136	114,194
Income tax withheld		3,108,784	2,969,479
Sales tax payable		2,450,977	-
Dividend payable		337,563	337,563
		<u>294,790,830</u>	<u>246,544,515</u>

### 10.1 Workers' (profit) participation fund

Opening balance	114,194	1,398,246
Charge for the year	3,903,136	-
Interest on funds utilized in the Company's business	-	113,948
	<u>4,017,330</u>	<u>1,512,194</u>
Payment made during the year	(114,194)	(1,398,000)
	<u>3,903,136</u>	<u>114,194</u>



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Note 11

### Accrued Mark up

	Note	2013 Rupees	2012 Rupees
Long term financing:			
- HBL Bank Limited		706,817	1,933,691
Short term borrowings			
- KASB Bank Limited	11.1	-	98,788,275
- Askari Bank Limited	11.2	-	12,276,262
		<u>706,817</u>	<u>112,998,228</u>

#### 11.1 KASB Bank Limited

Opening balance	98,788,275	71,527,869
Markup accrued during the year	21,744,653	27,260,406
	<u>120,532,928</u>	<u>98,788,275</u>
Transferred to long term financing	(120,532,928)	-
Closing balance	<u>-</u>	<u>98,788,275</u>

**11.1.1** Owing to the restructuring of loan, the accrued mark up has been transferred to long term financing (refer to Note 7.1).

#### 11.2 Askari Bank Limited

Opening balance	12,276,262	8,267,846
Markup accrued during the year	-	4,008,416
	<u>12,276,262</u>	<u>12,276,262</u>
Transferred to long term financing	(12,276,262)	-
Closing balance	<u>-</u>	<u>12,276,262</u>

**11.2.1** Owing to the restructuring of loan, the accrued mark up has been transferred to long term financing (refer to Note 7.2).

Note 12

### Short Term Borrowings

	Note	2013 Rupees	2012 Rupees
<b>Banking companies - secured</b>			
KASB Bank Limited	12.1	-	192,857,494
Askari Bank Limited	12.2	-	27,318,032
		<u>-</u>	<u>220,175,526</u>

#### 12.1 KASB Bank Limited

Opening balance	192,857,494	192,857,494
Addition during the year	-	-
	<u>192,857,494</u>	<u>192,857,494</u>
Transferred to long term financing (refer to Note 7.1)	(192,857,494)	-
Closing balance	<u>-</u>	<u>192,857,494</u>

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Note 12, Short Term Borrowing - Contd...

	<b>2013</b>	<b>2012</b>
	Rupees	Rupees
<b>12.2 Askari Bank Limited</b>		
Opening balance	27,318,032	27,318,032
Addition during the year	-	-
	<u>27,318,032</u>	<u>27,318,032</u>
Transferred to long term financing (refer to Note 7.2)	<u>(27,318,032)</u>	<u>-</u>
Closing balance	<u>-</u>	<u>27,318,032</u>

Note 13

### Provision for Taxation

	<b>2013</b>	<b>2012</b>
	Rupees	Rupees
Opening balance	9,434,127	1,292,500
Add: Charge for the year	5,429,142	9,434,127
	<u>14,863,269</u>	<u>10,726,627</u>
Less: Payments / adjustments against advance tax	(9,435,732)	-
Prior year adjustment	-	(1,292,500)
	<u>5,427,537</u>	<u>9,434,127</u>

- 13.1** Income tax assessments are deemed to be finalized up to Tax Year 2012 as these returns have been filed under self assessment scheme.

Note 14

### Contingencies and Commitments

#### Contingencies

- 14.1** KASB Bank Limited filed a suit against the Company during the year for the recovery of its outstanding liabilities amounting to Rs. 236.238 million along with cost of funds. The Company has agreed on a settlement plan with the bank and is in the process of withdrawal of suit from the court.
- 14.2** Askari Bank Limited filed a suit against the Company during the year for the recovery of its outstanding liabilities amounting to Rs. 37.003 million along with profit and liquidated damages. The Company has agreed on a settlement plan with the bank and is in the process of withdrawal of suit from the court.

#### Commitments

There are no material commitments outstanding as at the balance sheet date (2012: Nil).

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Note 15

## Property, Plant and Equipment

	2013	2012
	Rupees	Rupees
Operating fixed assets	437,429,417	480,092,648
Capital work-in progress	19,169,784	-
	<u>456,599,201</u>	<u>480,092,648</u>

### Year ended June 30, 2013

Particulars	Cost			Rate	Accumulated Depreciation			Written Down Value as at 30.06.2013
	As at 01.07.2012	Additions / (Disposals)	As at 30.06.2013		As at 01.07.2012	Charge for the Year	As at 30.06.2013	
	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees
Land - freehold	24,090,000	-	24,090,000	-	-	-	-	24,090,000
Buildings on freehold land:								
- Factory	148,488,301	-	148,488,301	10	44,902,103	10,358,620	55,260,723	93,227,578
- Colony / Office block	15,636,210	-	15,636,210	10	7,081,262	855,495	7,936,757	7,699,453
Plant and machinery	462,496,760	-	462,496,760	10	140,248,207	32,224,855	172,473,062	290,023,698
Electric installations	25,000,000	-	25,000,000	10	7,873,158	1,712,684	9,585,842	15,414,158
Furniture and fixtures	206,900	-	206,900	10	114,945	9,196	124,141	82,759
Office and other equipment	1,212,555	-	1,212,555	10	497,894	71,466	569,360	643,195
Vehicles	6,993,875	3,361,000	10,354,875	20	3,314,384	791,915	4,106,299	6,248,576
<b>Total Rupees 2013</b>	<u>684,124,601</u>	<u>3,361,000</u>	<u>687,485,601</u>		<u>204,031,953</u>	<u>46,024,231</u>	<u>250,056,184</u>	<u>437,429,417</u>

### Year ended June 30, 2012

Particulars	Cost			Rate	Accumulated Depreciation			Written Down Value as at 30.06.2012
	As at 01.07.2011	Additions / (Deletions)	As at 30.06.2012		As at 01.07.2011	Charge for the Year	As at 30.06.2012	
	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees
Land - freehold	24,090,000	-	24,090,000	-	-	-	-	24,090,000
Buildings on freehold land:								
- Factory	148,488,301	-	148,488,301	10	33,392,525	11,509,578	44,902,103	103,586,198
- Colony / Office block	15,636,210	-	15,636,210	10	6,130,712	950,550	7,081,262	8,554,948
Plant and machinery	478,434,277	-	462,496,760	10	110,660,221	35,714,904	140,248,207	322,248,553
Electric installations	25,000,000	(15,937,517)	25,000,000	10	5,970,175	(6,126,918)	7,873,158	17,126,842
Furniture and fixtures	206,900	-	206,900	10	104,728	10,217	114,945	91,955
Office and other equipment	1,212,555	-	1,212,555	10	418,487	79,407	497,894	714,661
Vehicles	5,061,775	1,932,100	6,993,875	20	2,595,772	718,612	3,314,384	3,679,491
<b>Total Rupees 2012</b>	<u>698,130,018</u>	<u>1,932,100</u> <u>(15,937,517)</u>	<u>684,124,601</u>		<u>159,272,620</u>	<u>50,886,251</u> <u>(6,126,918)</u>	<u>204,031,953</u>	<u>480,092,648</u>

15.1 Certain property, plant and equipment are under first charge by way of mortgage as security for certain financing by banks (refer Note 7).

15.2 Allocation of depreciation charge for the year is as under:

		2013	2012
	Note	Rupees	Rupees
Cost of sales	26	45,151,654	50,078,015
Administrative expenses	28	872,577	808,236
		<u>46,024,231</u>	<u>50,886,251</u>

Note 15, Property, Plant and Equipment - Contd...

- 15.3** Revaluation of land, building, plant and machinery and electric installations was carried out by an independent valuer on December 31, 2008. Had there been no revaluation, the cost, accumulated depreciation and book values of revalued assets would have been as under:

	<b>As at June 30, 2013</b>		
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Book value</b>
	Rupees	Rupees	Rupees
Land - freehold	5,382,168	-	5,382,168
Buildings on freehold land	129,490,939	65,519,098	63,971,841
Plant and machinery	434,063,777	226,124,048	207,939,729
Electric installations	23,915,115	12,240,326	11,674,789
	<u>5,849,975</u>	<u>183,883,472</u>	<u>5,666,092</u>

Note 16

## Long Term Investments

		<b>2013</b>	<b>2012</b>
	Note	Rupees	Rupees
<b>Investment in associates under equity method</b>			
Pervez Ahmed Securities Limited	16.1	34,876,422	13,196,484
Pervez Ahmed Capital (Private) Limited	16.2	105,477,960	77,707,247
		<u>140,354,382</u>	<u>90,903,731</u>

### 16.1 Pervez Ahmed Securities Limited

7,855,050 (2012: 7,855,050) ordinary shares of Rs. 10 each including 3,301,169 bonus shares (2012: 3,301,169 shares)  
Percentage of equity held 10.14% (2012: 10.14%)

Opening balance	13,196,484	11,311,272
Share of profit / (loss) after tax of associate	5,084,810	(2,430,530)
Reversal of impairment recognized	16,595,128	4,315,742
	<u>34,876,422</u>	<u>13,196,484</u>

- 16.1.1** The market value of investment as at June 30, 2013 is Rs. 34.876 million (2012: Rs. 13.197 million).

- 16.1.2** This investment is pledged with banking companies having an aggregate value of Rs. 3.461 million (2012: 13.094 million).

- 16.1.3** Summarized financial results of Pervez Ahmed Securities Limited are as follows:

Total liability	674,947,376	681,327,437
Total assets	178,126,292	134,360,298
Operating loss	(8,833,255)	(3,264,747)
Net profit / (loss) after tax	<u>50,146,055</u>	<u>(23,969,726)</u>

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	<b>2013</b>	<b>2012</b>
	Rupees	Rupees

Note 16, Long Term Investments - Contd...

### 16.2 Pervez Ahmed Capital (Private) Limited

7,727,000 (2012: 7,727,000) ordinary shares of Rs. 10 each  
Percentage of equity held 44.88% (2012: 44.88%)

Opening balance	77,707,247	81,579,002
Share of profit / (loss) after tax of associate	27,770,713	(86,748)
Impairment loss recognized	-	(3,785,007)
	<u>105,477,960</u>	<u>77,707,247</u>

**16.2.1** Summarized financial results of Pervez Ahmed Capital (Private) Limited are as follows:

Total liability	94,903	94,500
Total assets	235,117,095	173,238,989
Operating (loss) / profit	(3,596)	19,880
Net profit / (loss) after tax	<u>61,877,703</u>	<u>(193,289)</u>

Note 17

### Long Term Deposits

		<b>2013</b>	<b>2012</b>
	Note	Rupees	Rupees
Utilities	17.1	18,672,394	18,672,394
Others		400,000	400,000
		<u>19,072,394</u>	<u>19,072,394</u>

**17.1** This includes security deposit of Rs. 13.959 million with Sui Northern Gas Pipelines Limited against gas connection for captive power generation.

Note 18

### Stores and Spares

		<b>2013</b>	<b>2012</b>
		Rupees	Rupees
Stores		1,082,783	380,744
Spares		330,593	84,237
		<u>1,413,376</u>	<u>464,981</u>

**18.1** There are no significant stores and spares which were held for specific capitalization (2012: Nil).

Note 19

### Stock in Trade

		<b>2013</b>	<b>2012</b>
	Note	Rupees	Rupees
Raw materials	19.1	21,145,082	17,300,299
Work in process		9,426,862	7,033,162
Finished goods		4,045,986	1,515,628
Wastes		2,836,422	974,181
		<u>37,454,353</u>	<u>26,823,270</u>

**19.1** This includes material in transit Rs. Nil (2012: 6.463 million).

**19.2** Stocks are under charge by way of hypothecation as security for certain long term financing from banks (refer to Note 7).

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Note 20

### Trade Debts

		<b>2013</b>	<b>2012</b>
	Note	Rupees	Rupees
Local debts (Unsecured - Considered good)	20.1	49,445,960	23,288,456
Foreign debts (Unsecured - Considered good)		-	520,445
		<u>49,445,960</u>	<u>23,808,901</u>

### 20.1 Aging of related party's balance

	<b>1 Year</b>	<b>2 - 5 Years</b>	<b>Above 5 Years</b>
D. S. Textiles Limited	<u>19,841,323</u>	-	-

Note 21

### Advances, Prepayments and Other Receivables

		<b>2013</b>	<b>2012</b>
	Note	Rupees	Rupees
Advances - (Unsecured - Considered good)			
- To suppliers		1,668,777	922,310
- To staff - against salaries	21.1	1,874,400	1,649,849
- against expenses		661,960	645,155
Prepayments		340,820	233,065
Due from associates	21.2	-	461,812
		<u>4,545,957</u>	<u>3,912,191</u>

**21.1** Amount due from chief executive, directors and executives was Rs. Nil (2012: Nil).

### 21.2 Due from associates

D. S. Textiles Limited	-	355,500
Fiza Textiles	-	106,312
	<u>-</u>	<u>461,812</u>

Note 22

### Short Term Investment

	<b>2013</b>	<b>2012</b>
	Rupees	Rupees
<b>Investment at fair value through profit or loss</b>		
Askari General Insurance Company Limited		
- 23,980 (2012: 23,980) fully paid ordinary shares of Rs. 10 each		
- Market value per share Rs. 19 (2012: 9.15)		
- Cost of investment Rs. 1.463 million	<u>455,620</u>	<u>219,417</u>

**22.1** The investment is measured at fair value in accordance with IAS-39 (Financial Instruments: Recognition and Measurement). The quoted market value in an active market is considered as fair value of investment. The resulting difference between cost and fair value has been recognized as income or loss for the year.

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Note 23

### Tax Refunds Due from Government

		<b>2013</b>	<b>2012</b>
	Note	Rupees	Rupees
Taxation - payments	23.1	3,277,030	9,264,877
Sales tax refundable		<u>4,537,802</u>	<u>4,944,990</u>
		<u><u>7,814,832</u></u>	<u><u>14,209,867</u></u>

**23.1** This represents advance income tax paid by the Company and income tax deducted at source on imports, dividends, utilities and receipts from customers.

Note 24

### Bank Balances

		<b>2013</b>	<b>2012</b>
	Note	Rupees	Rupees
Cash at banks in:			
- Current accounts	24.1	39,494,722	14,796,794
- Saving accounts	24.2	<u>20,277,562</u>	<u>926,102</u>
		<u><u>59,772,284</u></u>	<u><u>15,722,896</u></u>

**24.1** This includes Rs. 11.00 million held in the form of pay orders prepared in the name of the Company as at the balance sheet date.

**24.2** It carries interest at the rates ranging from 3% to 5% per annum approximately.

Note 25

### Sales

	<b>2013</b>	<b>2012</b>
	Rupees	Rupees
Local sale - Yarn	1,072,514,314	919,982,621
Conversion income	6,911,916	-
Waste sale	<u>14,870,462</u>	<u>23,430,059</u>
	1,094,296,692	943,412,680
Add: Export rebate	-	160,533
Less: Sales Tax	<u>(8,468,278)</u>	<u>-</u>
	<u><u>1,085,828,414</u></u>	<u><u>943,573,213</u></u>

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Note 26

### Cost of Sales

		<b>2013</b>	<b>2012</b>
	Note	Rupees	Rupees
Raw materials consumed		574,312,805	608,602,903
Stores and spares consumed		29,111,748	20,392,874
Salaries, wages and benefits		107,511,623	77,134,386
Fuel and power		169,423,759	138,026,992
Processing charges - yarn		-	1,917,364
Travelling and conveyance		720,344	692,959
Repairs and maintenance		1,173,434	973,864
Insurance		1,181,291	1,147,963
Entertainment		807,887	250,683
Miscellaneous		374,485	302,044
Depreciation	15.2	45,151,654	50,078,015
		<u>929,769,030</u>	<u>899,520,047</u>
Work in process			
- Opening stock		<u>7,033,162</u>	<u>11,266,085</u>
- Closing stock		<u>(9,426,862)</u>	<u>(7,033,162)</u>
		<u>(2,393,700)</u>	<u>4,232,923</u>
		927,375,330	903,752,970
Finished goods			
- Opening stock		<u>2,489,809</u>	<u>3,103,461</u>
- Closing stock		<u>(6,882,408)</u>	<u>(2,489,809)</u>
		<u>(4,392,599)</u>	<u>613,652</u>
		<u>922,982,731</u>	<u>904,366,622</u>

Note 27

### Distribution Cost

		<b>2013</b>	<b>2012</b>
		Rupees	Rupees
Salaries		500,000	870,000
Insurance		182,725	87,875
Advertising and publicity		60,777	157,134
Freight and forwarding		5,217,958	6,145,960
		<u>5,961,460</u>	<u>7,260,969</u>



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Note 28

### Administrative Expenses

	Note	2013 Rupees	2012 Rupees
Salaries and benefits		28,219,579	11,032,753
Communication		1,254,355	1,181,825
Travelling and conveyance		427,460	338,427
Printing and stationery		319,762	214,056
Repairs and maintenance		696,905	329,177
Vehicles' running and maintenance		2,764,064	1,780,051
Rent, rates and taxes		2,095,992	1,607,521
Entertainment		626,151	547,150
Insurance		195,570	178,459
Legal and professional charges		1,518,700	932,500
Utilities		1,105,979	1,087,240
Fees and subscription		508,294	1,188,922
Donations	28.1	1,205,275	639,600
Depreciation	15.2	872,577	808,236
Miscellaneous		248,366	235,968
		<u>42,059,029</u>	<u>22,101,885</u>

**28.1** None of the directors or their spouse have any interest in the donees.

Note 29

### Finance Cost

		2013 Rupees	2012 Rupees
Mark up on:			
- Long term financing		11,683,246	8,213,217
- Short term borrowings		21,744,653	34,220,806
		<u>33,427,899</u>	<u>42,434,023</u>
Interest on workers' (profit) participation fund		-	113,948
Bank charges and commission		140,025	374,701
		<u>33,567,924</u>	<u>42,922,672</u>

Note 30

### Other Operating Expenses

	Note	2013 Rupees	2012 Rupees
Auditors' remuneration	30.1	420,000	350,000
Workers' (profit) participation fund		3,903,136	-
Loss on disposal of property plant and equipment		-	6,810,599
		<u>4,323,136</u>	<u>7,160,599</u>

#### 30.1 Auditors' remuneration

Audit fee	320,000	250,000
Half yearly review and certifications	100,000	100,000
	<u>420,000</u>	<u>350,000</u>

Note 31

## Other Income

		<b>2013</b>	<b>2012</b>
	Note	Rupees	Rupees
Income from financial assets:			
- Exchange gain		69,843	168,020
- Profit on bank deposit		396,741	255,552
- Gain on remeasurement of short term investment at fair value through profit or loss		236,203	21,342
Income from non financial assets:			
- Reversal of impairment on investment in associates		16,595,128	530,735
Excess markup on bank liabilities written back	31.1	661,999	13,725,361
		<u>17,959,914</u>	<u>14,701,010</u>

**31.1** This represents reversal of excess markup on account of rescheduling of outstanding liabilities with HBL Bank Limited.

Note 32

## Taxation

	<b>2013</b>	<b>2012</b>
	Rupees	Rupees
Provision for current period	5,429,142	9,434,127
Deferred tax	(19,734,971)	(14,336,687)
Prior year adjustment	27,307	(1,292,500)
	<u>(14,278,522)</u>	<u>(6,195,060)</u>

### 32.1 Reconciliation of tax expense

Profit before tax	<u>127,749,571</u>	<u>(28,055,802)</u>
Tax expense @ 35%	44,712,350	-
Minimum tax	5,429,142	9,434,127
Adjustment of brought forward tax losses	(44,712,350)	-
Deferred tax	(19,734,971)	(14,336,687)
Prior year adjustment	27,307	(1,292,500)
	<u>(14,278,522)</u>	<u>(6,195,060)</u>

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Note 33

## Earnings per Share

		<b>2013</b>	<b>2012</b>
		Rupees	Rupees
<b>Basic</b>			
Net Profit / (loss) for the year	Rupees	142,028,093	(21,860,742)
Outstanding weighted average ordinary shares	Number	60,000,000	60,000,000
Earning / (loss) per share - Basic	Rupees	<u>2.37</u>	<u>(0.36)</u>

## Diluted earnings per share

There is no dilution effect on the basic earnings per share of the Company as the Company has no such commitments that would result in dilution of earnings of the Company.

Note 34

## Transactions with Related Parties

Related parties comprise related group companies, associated companies, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the term of their employment are as follows:

	<b>2013</b>	<b>2012</b>
	Rupees	Rupees
<b>Associates</b>		
Purchase of materials, goods and services	-	5,004,707
Sale of materials, goods and services	100,145,259	-
Due to directors	-	(2,859,067)
Loan repaid to directors	(15,000,000)	-

**34.1** There were no transactions with key management personnel other than undertaken as per terms of their employment.

**34.2** Sale and purchase transactions have been carried out on commercial terms and conditions as per the Company's policy.

Note 35

## Chief Executive's, Directors' and Executive's Remuneration

The aggregate amounts charged in the financial statements for the year as remuneration and benefits to the chief executive, directors and executives of the Company are as follows:

	<b>2013</b>			<b>2012</b>		
	<b>Chief Executive</b>	<b>Director</b>	<b>Executive</b>	<b>Chief Executive</b>	<b>Director</b>	<b>Executive</b>
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	5,935,484	1,820,228	-	2,322,581	1,838,710	-
House rent allowance	2,670,968	819,103	-	1,045,161	827,419	-
Utilities	593,548	182,023	-	232,257	183,871	-
Bonus	10,000,000	-	-	-	-	-
	<u>19,200,000</u>	<u>2,821,354</u>	<u>-</u>	<u>3,600,000</u>	<u>2,850,000</u>	<u>-</u>
Number of persons	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>

**35.1** No meeting fee has been paid during the year.

**35.2** Executives are defined as employees with basic salary exceeding Rs. 500,000. No employee of the Company qualifies as an Executive.

# Annual Report June 30, 2013

Note 36

## Segment Reporting

**36.1** For management purposes, the activities of the Company are recognized as one operating segment, i.e. manufacturing and sales of yarn. The Company operates in the said reportable operating segment based on the nature of the product, risk and return, organizational and management structure and internal financial reporting systems. Accordingly, the figures reported in these financial statements relate to the Company's reportable segment. Entity-wide disclosures regarding reportable segment are as follows:

Information about products:	<b>2013</b>	<b>2012</b>
	Percentage	Percentage
- Yarn	98.01%	97.52%
Major customers: 3 customers (2012: 3 customers)	32.24%	57.89%
Revenue from external customers attributed to foreign countries	-	-

All non-current assets of the Company are located in Pakistan as at the reporting date.

Note 37

## Financial Risk Management

### 37.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, price risk, interest rate risk, credit risk and liquidity risk.

#### (a) Market risk

##### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is Nil because there is no outstanding foreign currency receivable or outstanding commitments against letter of credit as at balance sheet date.

	<b>2013</b>	<b>2012</b>
	Rupees in thousands	
Trade debts	-	520
Gross balance sheet exposure	-	520
Outstanding commitments against letters of credit	-	-
Net exposure	-	520

The following significant exchange rates were applied during the year:

#### Rupees per US Dollar

Average rate	100.10	89.93
Reporting date rate	100.90	94.25

##### (ii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is exposed to commodity price risk in respect of marketable securities.

# Annual Report June 30, 2013

Note 37, Financial Risk Management - Contd...

## Sensitivity analysis

A change of 5% in the value of investments at fair value through profit or loss would have increased / decreased profit or loss by Rs. 0.023 million (2012: Rs. 0.011 million) on the basis that all other variables remain constant.

## Fair value hierarchy

Financial instruments carried at fair value are categorized as follows:

Level 1	Quoted market prices
Level 2	Valuation techniques (market observable)
Level 3	Valuation techniques (non market observable)

The Company held following financial instruments measured at fair value:

	2013			
	Total	Level 1	Level 2	Level 3
	.....Rupees.....			
Investment at fair value through profit or loss				
Askari General Insurance Company Limited	455,620	455,620	-	-

	2012			
	Total	Level 1	Level 2	Level 3
	.....Rupees.....			
Investment at fair value through profit or loss				
Askari General Insurance Company Limited	219,417	219,417	-	-

## (iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing. As the borrowings are obtained at variable rates, these expose the Company to cash flow interest rate risk. As at the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2013	2012
	Rupees in thousands	
<b>Floating rate instruments</b>		
Financial liabilities		
Long term financing	306,452	415,342
Financial assets		
Bank balances - saving accounts	20,278	926

## Cash flow sensitivity analysis for variable rate instruments

If interest rates at the balance sheet date, fluctuate by 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs. 6.256 million (2012: Rs. 6.346 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding as at balance sheet dates were outstanding for the whole year.

Note 37, Financial Risk Management - Contd...

## (b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2013	2012
	Rupees in thousands	
Long term deposits	19,072	19,072
Trade debts	49,446	23,809
Short term investments	456	219
Bank balances	59,772	15,723

The aging of the trade debts at the reporting date is:

Past due 0 - 30 days	12,361	5,952
Past due 31 - 60 days	19,778	9,524
More than 60 days	17,306	8,333

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating Agency	2013	2012
	Short term	Long term		Rupees in thousands	
MCB Bank Limited	A1+	AAA	PACRA	480	136
Bank Alfalah Limited	A1+	AA	PACRA	5,964	1,439
Habib Bank Limited	A1+	AAA	JCR-VIS	-	5
Bank Al - Habib Limited	A1+	AA+	PACRA	498	2,010
NIB Bank Limited	A1+	AA-	PACRA	10,037	40
KASB Bank Limited	A3	BBB	PACRA	50	50
Meezan Bank Limited	A-1+	AA	JCR-VIS	14,126	585
Dubai Islamic Bank Limited	A-1	A	JCR-VIS	16,290	189
Silk Bank Limited	A-2	A-	JCR-VIS	4,525	11,236
Summit Bank Limited	A-3	A-	JCR-VIS	32	32
National Bank of Pakistan	A1+	AAA	JCR-VIS	1,961	-
Al-Baraka Bank Limited	A1	A	PACRA	5,810	-
				59,772	15,723

## (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs. 59.772 million (2012: Rs. 15.722 million) cash and bank balances. Despite the Company having a negative working capital position as at the balance sheet date, the management believes its liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. Contractual maturities of financial liabilities as at June 30, 2013:

	Carrying Amount	On Demand	Contractual Cash Flows	Within 1 Year	1-2 Years	2-5 Years
	Rupees in thousands					
Long-term finances *	678,940	-	427,793	88,231	179,991	159,571
Trade and other payables	256,197	-	256,197	256,197	-	-
Accrued interest	707	-	707	707	-	-
	935,843	-	684,697	345,134	179,991	159,571

\*Rs. 305.56 million represents the principal amount and frozen mark-up that will be waived off subject to the payment of outstanding principal and mark up in accordance with the rescheduling agreements (Refer to Note 7).

# Annual Report June 30, 2013

Note 37, Financial Risk Management - Contd...

Contractual maturities of financial liabilities as at June 30, 2012:

	Carrying Amount	On Demand	Contractual Cash Flows	Within 1 Year	1-2 Years	2-5 Years
	Rupees in thousands					
Long-term finances	415,342	-	419,036	75,879	154,793	188,363
Trade and other payables	208,157	-	208,157	208,157	-	-
Accrued interest	112,998	-	112,998	112,998	-	-
Short term borrowings	220,176	220,176	-	-	-	-
	<u>956,673</u>	<u>220,176</u>	<u>740,191</u>	<u>397,034</u>	<u>154,793</u>	<u>188,363</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in Note 7 to the financial statements.

## 37.2 Financial instruments by categories

### Financial assets as at June 30, 2013

	Cash and Cash Equivalents	Loans and advances	Available for sale	Assets at fair value through profit or loss	Total
	Rupees in thousands				
Long term deposits	-	19,072	-	-	19,072
Short term investments	-	-	-	456	456
Trade debts	-	49,446	-	-	49,446
Cash and bank balances	59,772	-	-	-	59,772
	<u>59,772</u>	<u>68,518</u>	<u>-</u>	<u>456</u>	<u>128,746</u>

### Financial assets as at June 30, 2012

	Cash and Cash Equivalents	Loans and advances	Available for sale	Assets at fair value through profit or loss	Total
	Rupees in thousands				
Long term deposits	-	19,072	-	-	19,072
Short term investments	-	-	-	219	219
Trade debts	-	23,809	-	-	23,809
Cash and bank balances	15,723	-	-	-	15,723
	<u>15,723</u>	<u>42,881</u>	<u>-</u>	<u>219</u>	<u>58,824</u>

### Financial liabilities at amortized cost

	2013	2012
	Rupees in thousand	
Long term financing	678,940	415,342
Trade and other payable	256,197	208,157
Accrued markup	707	112,998
Short term borrowings	-	220,176
	<u>935,843</u>	<u>956,673</u>

## 37.3 Fair values of financial assets and liabilities

Carrying values of all financial assets and liabilities reflected in financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Note 38

### Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhance shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchasing shares, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level, and regulating its dividend payout thus maintaining smooth capital management. Gearing ratio has not been worked out owing to negative equity as at the balance sheet date.

# Annual Report June 30, 2013

Note 39

## Plant Capacity and Production

		2013	2012
No. of spindles installed	No.	40,320	40,320
Actual production converted into 20/S count	Kgs	12,637,220	10,746,605

**39.1** It is difficult to calculate precisely the production capacity of the plant since it fluctuates widely depending on various factors such as count of yarn spun, spindles' speed, twist, maintenance of machinery, power shutdown and raw materials used etc. It also varies according to the pattern of production adopted in any particular year.

Note 40

## Number of Employees

	2013		
	Permanent		Total
	Head office	Mills	
Employees as at the year end	Number	Number	Number
Average employees during the year	27	630	657
	27	617	644

	2012		
	Permanent		Total
	Head office	Mills	
Employees as at the year end	Number	Number	Number
Average employees during the year	27	634	661
	27	611	638

Note 41

## Authorization of Financial Statements

These financial statements have been authorized for issue by the Board of Directors of the Company on October 04, 2013.

Note 42

## General

Comparative figures have been re-arranged / reclassified, wherever necessary, to facilitate comparison. The following rearrangements have been made in these financial statements.

Particulars	Rupees	From	To
Deferred tax liability	55,252,884	Deferred liabilities (Note 8)	Face of the balance sheet (Note 9)

Chief Executive

Director



## Categories of Shareholders As At June 30, 2013

Categories	Number	Shares Held	Percentage
<b>Associated Companies &amp; Related Parties</b>			
Pervez Ahmed Securities Limited	1	3,659,000	6.098
D.S.Textiles Limited	1	3,288,036	5.480
D.S.Apparel (Pvt.) Limited	1	1,006,000	1.677
Ali Pervez Capital (pvt.) Limited	1	18	0.000
Infinite Securities Limited	1	1,206,500	2.011
Pervez Ahmed Capital (Pvt.) Limited	1	1,548,000	2.580
<b>Chief Executive &amp; Directors</b>			
Mr. Pervez Ahmed - Chief Executive	1	8,429,000	14.048
Mr. Ali Pervez Ahmed	1	4,286,826	7.145
Mr. Hassan Ibrahim Ahmed	1	3,417,509	5.696
Mr. Suleman Ahmed	1	1,903,166	3.172
Mr. Atta Ur Rehman	1	2,000	0.003
Mr. Muntazir Mehdi	1	500	0.001
Mr. Muhammad Yousaf	1	1,000	0.002
NIT and ICP	1	927,882	1.546
Banks, DFI and NBFI	4	782,163	1.304
Insurance Companies	1	31,985	0.053
Modarbas and Mutual Funds	-	-	0.000
General Public (Local)	1,836	27,170,099	45.283
General Public (Foreign)	24	467,220	0.779
Joint Stock Companies	37	1,784,046	2.973
Others	3	89,050	0.148
<b>Total</b>	<b>1919</b>	<b>60,000,000</b>	<b>100.000</b>

### Detail of Shareholding of 5% and above.

	Shares Held	Percentage
Pervez Ahmed Securities Limited - Associated Company	3,659,000	6.098
D.S.Textiles Limited - Associated Company	3,288,036	5.480
Mr. Pervez Ahmed - Chief Executive	8,429,000	14.048
Mr. Ali Pervez Ahmed - Director	4,286,826	7.145
Mr. Hassan Ibrahim Ahmed - Director	3,417,509	5.696

## Pattern of Shareholding As At June 30, 2013

Number of Shareholders	Shareholding		Total Number of Shares Held	%AGE
	From	To		
151	1	100	5,955	0.010
244	101	500	106,248	0.177
336	501	1,000	329,688	0.549
611	1,001	5,000	1,884,021	3.140
233	5,001	10,000	1,950,531	3.251
77	10,001	15,000	1,015,037	1.692
47	15,001	20,000	881,070	1.468
39	20,001	25,000	936,195	1.560
20	25,001	30,000	561,163	0.935
14	30,001	35,000	470,703	0.785
15	35,001	40,000	576,776	0.961
5	40,001	45,000	217,500	0.363
23	45,001	50,000	1,131,124	1.885
8	50,001	55,000	425,000	0.708
3	55,001	60,000	174,000	0.290
4	60,001	65,000	253,500	0.423
4	65,001	70,000	275,063	0.458
2	70,001	75,000	145,361	0.242
4	75,001	80,000	313,000	0.522
1	80,001	85,000	81,201	0.135
2	85,001	90,000	175,500	0.293
2	90,001	95,000	186,790	0.311
14	95,001	100,000	1,398,500	2.331
4	100,001	105,000	414,500	0.691
2	115,001	120,000	240,000	0.400
5	120,001	125,000	611,507	1.019
1	125,001	130,000	129,000	0.215
2	135,001	140,000	277,648	0.463
2	150,001	155,000	307,000	0.512
1	155,001	160,000	160,000	0.267
1	160,001	165,000	161,000	0.268
1	170,001	175,000	171,500	0.286
1	185,001	190,000	190,000	0.317
1	190,001	195,000	194,500	0.324
1	205,001	210,000	206,166	0.344
1	210,001	215,000	215,000	0.358
1	230,001	235,000	231,825	0.386
1	235,001	240,000	238,000	0.397
1	290,001	295,000	294,000	0.490
1	295,001	300,000	300,000	0.500
1	300,001	305,000	303,927	0.507
1	340,001	345,000	343,815	0.573
1	345,001	350,000	350,000	0.583
1	395,001	400,000	400,000	0.667
1	405,001	410,000	410,000	0.683
1	455,001	460,000	458,000	0.763
1	470,001	475,000	475,000	0.792
1	495,001	500,000	500,000	0.833
1	540,001	545,000	540,339	0.901
1	570,001	575,000	573,800	0.956
1	585,001	590,000	590,000	0.983
1	595,001	600,000	600,000	1.000
1	640,001	645,000	644,834	1.075
1	700,001	705,000	703,500	1.173
1	705,001	710,000	707,800	1.180
1	735,001	740,000	737,000	1.228
1	845,001	850,000	850,000	1.417
1	870,001	875,000	870,500	1.451
1	925,001	930,000	927,882	1.546
1	945,001	950,000	949,500	1.583
1	995,001	1,000,000	1,000,000	1.667
1	1,015,001	1,020,000	1,017,236	1.695
1	1,205,001	1,210,000	1,206,500	2.011
1	1,365,001	1,370,000	1,366,000	2.277
1	1,545,001	1,550,000	1,548,000	2.580
1	1,820,001	1,825,000	1,821,675	3.036
1	1,880,001	1,885,000	1,883,924	3.140
1	2,030,001	2,035,000	2,034,721	3.391
1	2,325,001	2,330,000	2,327,902	3.880
1	3,460,001	3,465,000	3,463,500	5.773
1	3,610,001	3,615,000	3,614,000	6.023
1	4,215,001	4,220,000	4,217,573	7.029
1	4,725,001	4,730,000	4,727,500	7.879
	<b>1919</b>		<b>60,000,000</b>	<b>100.000</b>

**FORM OF PROXY  
Annual General Meeting**

The Company Secretary  
**D.S. Industries Limited**  
20-K, Gulberg II, Lahore.

**Dear Sir,**

I/We ----- of (full address) -----  
----- being a member(s) of D.S Industries Limited holding ----- Ordinary  
Shares as per Registered Folio No. / CDC A/c No ----- hereby appoint Mr./  
Mrs./ Miss -----of (full address) -----  
----- or failing him / her  
Mr./ Mrs./ Miss -----of (full address) -----  
-----being member of  
the Company as my/our Proxy to attend, act and vote for me / us and on my / our behalf at the  
Annual General Meeting of the Company to be held on 31st October 2013

Signed this ----- day of -----2013

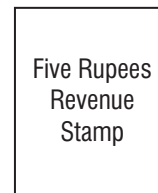
**Witnesses:**

Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

CNIC No./ Passport Number \_\_\_\_\_



Signature should be agreed with  
the Specimen Signatures with the  
Company

**NOTES:**

1. A member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint a proxy to attend and vote instead of him/her.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his constituted attorney or if such appointer is a corporation or company under the common seal of such corporation or company.
3. In case of individual, the account holder or sub-account holder and / or the person whose securities are in group account shall submit the Proxy form along with following documents:
  - a. The Proxy form shall be witnessed by the two persons whose names, addresses and CNIC number shall be mentioned on the form.
  - b. Attested copies of CNIC or the passport of the beneficial owners and the Proxy shall be furnished with the Proxy form.
  - c. The Proxy shall produce his / her original CNIC or original passport at the time of the meeting.
  - d. In case of corporate entity, the Board of Director's resolution / power of attorney with specimen signature shall be submitted along with Proxy form to the company.
4. The Proxy Form, duly completed, must be deposited with the Company Secretary of D.S. Industries Limited, 20 - K Gulberg II Lahore not less than 48 hours before the time for holding the meeting.