Auunal Report 2016

D S INDUSTRIES LIMITED

CONTENTS

COMPANY INFORMATION

Board of Directors	Mr. Pervez Ahmed	Chief Executive
	Mr. Ali Pervez Ahmed	
	Mr. Hassan Ibrahim Ahmed	
	Mr. Suleman Ahmed	
	Mr. Atta ur Rehman	
	Mr. Muhammad Yousuf	
	Mr. Muntazir Mehdi	
Audit Committee	Mr. Atta ur Rehman	Chairman
	Mr. Muhammad Yousuf	
	Mr. Muntazir Mehdi	
HR and Remuneration Committee	Mr. suleman Ahmed	Chairman
	Mr. Atta ur Rehman	
	Mr. Muntazir Mehdi	
Chief Financial Officer	Mr. Arslan Ali	
Company Secretary	Mr. Salman Farooq	
Auditors	M/s Rahman Sarfaraz Rahim Iqbal Rafiq 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 (Pakistan) Limited National Bank of Pakistan Dubai Islamic Bank Silk Bank	
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 Sheikhupura Faisalabad Road, Sheikhupura	
Website	www.dsil.com.pk	

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-sixth 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 Monday October 31, 2016 at 3:30 p.m. to transact the following business:-

Ordinary Business

1 To confirm the minutes of Annual General Meeting held on October 31, 2015.

2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2016 together with Directors' and Auditors' reports thereon.

3. To appoint Auditors of the Company for the year 2016-17 and to fix their remuneration. The present Auditors M/s Rahman Sarfaraz Rahim Iqbal Rafiq - Chartered Accountants, retire and being eligible offered themselves for the re-appointment.

Special Business

RESOLVED THAT the Company, subject to the approval of the shareholders of the Company and the Securities and Exchange Commission of Pakistan ("SECP"), be and is hereby authorized to issue 40,000,000 ordinary shares of the Company by way of other than right at 60% discount to the par value of Rs. 10/- each (i.e. at Rs. 4/- each) to the following shareholders and related parties against the advance for issue of shares and the short term borrowing / loan under section 84 and 86(1) of Companies Ordinance, 1984 ("the Ordinance") as follows;

		Shares
a)	M/s Origins	8,816,666
b)	Mr. Pervez Ahmed	10,224,168
c)	Pervez Ahmed Capital (Pvt.) Ltd	6,499,250
d)	Mrs. Rehana Pervez Ahmed	14,459,916
	Total	40,000,000

FURTHER RESOLVED THAT these new ordinary shares shall from the date of allotment, rank pari passu in all respect with the existing fully paid ordinary shares of the Company

FURTHER RESOLVED THAT the Chief Executive and/or Company Secretary ("Authorized Officers") be and are hereby authorized and empowered to complete all such legal formalities to give effect of the aforesaid Resolutions(s) on behalf of the Company. In case any error, omission or mistake is pointed by the Securities and Exchange Commission of Pakistan ("SECP") and any other Competent Authority in, the aforesaid resolution(s), the Chief Executive and /or Company Secretary be and is hereby authorized to make necessary amendment, modification, addition or deletion as may be required

FURTHER RESOLVED THAT the aforesaid special resolution shall be subject to any amendment, special instruction, modification, addition or deletion as may be suggested, directed or advised by the SECP which suggestion, direction or advice shall be deemed to be part of these special resolutions without the need of the shareholders to pass a fresh special resolution.

FURTHER RESOLVED THAT the all actions hereto taken and or to be taken by and on behalf of the Company by the Authorized Officers in terms of these resolutions be and hereby ratified and confirmed by the Company.

A statement under section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the special business is being to the shareholders along with this notice.

Lahore
October 10, 2016

Salman Farooq
(Company Secretary)

Notes:-

1 The share transfer books of the Company will remain closed from October 28, 2016 to November 2, 2016 (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.

STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting (AGM) of the Company to be held on October 31, 2016.

a) The Company has obtained the advance against issue of shares and short term borrowings / loans from the following shareholders and related parties as follows:

	Name	**Amount (Rs.)**
a)	M/s Origins	35,266,664
b)	Mr. Pervez Ahmed	40,896,672
c)	Pervez Ahmed Capital (Pvt.) Ltd	25,997,000
d)	Mrs. Rehana Pervez Ahmed	57,839,664
	Total	**160,000,000**

These advances were extended to the Company without any security, markup/ interest and definitive terms of repayment.

b) The Board of Directors in their meeting held on October 10, 2016 has approved the issuance of 40,000,000 Ordinary Shares at a discount of 60% (i.e. at Rs. 4/- per share) by way of other than right

c) against the advance for subscription of shares and outstanding loan subject to approval of the members of the Company and the Securities and Exchange Commission of Pakistan ("SECP").

d) The issuance price of Rs 4/- per share (i.e. 60% discount) has been determined / decided by considering in the present financial condition of Company, heavy accumulated losses, present condition of textile spinning sector and market price. The scrip of the Company at the close of trading hours at Pakistan Stock Exchange Limited ("PSX") on September 30, 2016 was Rs.4.22 per share. The preceding six month volume weighted average price ("VWAP") of the share at PSX is Rs.3.53 per share.

e) The break-up value per share as per annual audited accounts for the year ended June 30, 2016 is Rs. (2.83) without revaluation surplus and Rs.0.92 with revaluation surplus. Accordingly the right issue at face value of Rs.10/- may not be subscribed because of the price differential between the par value and market price of the share (Rs.4.22). It is therefore in the interest of the Company to have its liabilities reduced without any impact on its cash flows.

f) This issuance of shares is being carried out to strengthen the shareholders' equity and to improve the debt equity and working capital ratios of the Company. Furthermore, the advances / short term borrowings extended by the shareholders were utilized by the company to support its operations and pay company's liabilities.

g) The shareholding structure before and after the issue of said shares will be as follows:

Name	**Present Holding (No.)**	**Present Holding (%)**	**Shares proposed at 60% discount**	**Revised Holding (No.)**	**Revised Holding (%)**
M/s Origins	-	0.000%	8,816,666	8,816,666	8.817%
Mr. Pervez Ahmed	7,914,000	13.190%	10,224,168	18,138,168	18.138%
Pervez Ahmed Capital (Pvt.) Ltd	1,548,000	2.580%	6,499,250	8,047,250	8.047%
Mrs. Rehana Pervez Ahmad	1,825,500	3.043%	14,459,916	16,285,416	16.285%

h) The shareholders to whom these shares will be issued have given their consent to the same.

i) The new shares shall rank pari passu in all respects with the existing shares of the Company.

j) The shares to be issued shall be subject to the approval of the SECP

k) Only one Director, Mr. Pervez Ahmed, is interested to the extent of issue of new shares against the outstanding loan amount and advance for issue of shares. The following Directors of the Company are also Directors of Pervez Ahmed Capital (Pvt.) Ltd:

i. Mr. Pervez Ahmed

ii. Mr. Ali Pervez Ahmed

The documents related to the proposed issue of shares have been placed at the Registered Office of the Company which could be inspected on any working days during business hours till the date of Annual General Meeting ("AGM").

DIRECTORS' REPORT

The Board of Directors of D.S. Industries Limited is pleased to present the Company's Thirty-Sixth Annual Report which includes the Audited Financial Statements of the Company together with the Auditor's report thereon for the year ended June 30, 2016.

Financial Results of the Company

During the year ended June 30, 2016 your Company has incurred gross loss of Rs. 59.745 million as compared to gross loss of Rs. 47.604 million in the last year. Whereas loss before taxation for the year was amounting to Rs. 33.138 million as compared to profit before taxation of Rs. 139.977 million in last year. Financial results of the company has been affected mainly due to under utilization of company's production facilities, decline in demand of yarn and depressed yarn prices in local market.

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 no divided 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 28, 2016 to November 02, 2016 (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 27, 2016 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, 2016, 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

The textile sector is a significant pillar of Pakistan's economy. Due to adverse business conditions prevailing in Pakistan, this sector has sufferred substantial losses accross the board. Increasing production cost, and dumping of indian yarn in local market have made it very difficult for the textile industry to survive and compete in the market. 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

Five meetings of the Board of Directors were held during the year ended June 30, 2016 and the attendance of the directors is as follows:

Mr. Pervez Ahmed	Chief Executive	5 attendance
Mr. Ali Pervez Ahmed	Director	5 attendance
Mr. Hassan Ibrahim Ahmed	Director	5 attendance
Mr. Suleman Ahmed	Director	4 attendance
Mr. Atta ur Rehman	Director	5 attendance
Mr. Muhammad Yousuf	Director	5 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 Rehman Sarfaraz Rahim Iqbal Rafiq - Chartered Accountants retire and offer themselves for the reappointment. The Audit Committee of the Board has recommended the reappointment of M/s Rehman Sarfaraz Rahim Iqbal Rafiq - Chartered Accountants as auditors for the financial year ending June 30, 2017.

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, 2016 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. 16.530 million during the year and has accumulated losses of Rs. 787.865 million as at the balance sheet date. The current liabilities of the Company exceeds its current assets by Rs. 518.690 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.

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.

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

For & on behalf of the Board

Lahore
October 10, 2016

Pervez Ahmed
Chief Executive

FINANCIAL HIGHLIGHTS

	2016	2015	2014	2013	2012	2011
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**	**Rupees**
PROFIT AND LOSS ACCOUNT						
Sales	635,025,614	820,090,456	1,130,585,280	1,085,828,414	943,573,213	1,225,420,154
Cost of sales	(694,770,844)	(867,695,343)	(1,117,780,808)	(922,982,731)	(904,366,622)	(1,286,566,454)
Gross Profit	(59,745,230)	(47,604,887)	12,804,472	162,845,683	39,206,591	(61,146,300)
Operating expenses:						
- Distribution cost	2,282,947	2,718,422	2,294,780	5,961,460	7,260,969	5,663,082
- Administrative expenses	21,356,090	29,711,264	39,044,110	42,059,029	22,101,885	21,728,594
	(23,639,037)	(32,429,686)	(41,338,890)	(48,020,489)	(29,362,854)	(27,391,676)
Operating (Loss) / Profit	(83,384,267)	(80,034,573)	(28,534,418)	114,825,194	9,843,737	(88,537,976)
Finance cost	(1,458,056)	(2,286,489)	(2,675,550)	(33,567,924)	(42,922,672)	(102,170,425)
Other operating expenses	(1,871,722)	(21,010,741)	(9,358,678)	(4,323,136)	(7,160,599)	(382,173)
(Impairment loss) / reversal of impairment on investment in associates - net	-	-	(23,157,422)	16,595,128	530,735	(6,819,894)
Other income	81,029,382	237,040,996	1,239,342	1,364,786	14,170,275	1,183,659
Notional Income / (Notional Interest)	(26,638,748)	26,638,748				
Share of net profit of associated companies	(815,389)	(20,370,674)	16,862,535	32,855,523	(2,517,278)	(2,173,120)
(Loss) / Profit before Taxation	(33,138,800)	139,977,267	(45,624,191)	127,749,571	(28,055,802)	(198,899,929)
Taxation	49,668,989	27,908,971	(2,766,647)	14,278,522	6,195,060	6,867,634
Net (Loss) / Profit for the Year	16,530,189	167,886,238	(48,390,838)	142,028,093	(21,860,742)	(192,032,295)
Dividend	0	0	0	0	0	0
Bonus	0	0	0	0	0	0
BALANCE SHEET						
Share Capital	600,000,000	600,000,000	600,000,000	600,000,000	600,000,000	600,000,000
Long term loans	-	151,563,805	596,917,258	678,939,561	400,342,479	325,313,426
Property, plant and equipment	544,306,154	398,938,588	436,192,675	437,429,417	480,092,648	538,857,398
Capaital work in progress	-	-	-	19,169,784	-	-
Current assets	88,456,586	85,981,512	114,164,666	160,902,382	85,161,523	131,778,104
Current liabilities	607,147,446	506,624,153	461,883,147	387,426,188	663,543,708	873,105,546
KEY FINANCIAL RATIOS						
Gross profit / (loss) ratio (%)	(9.41)	(5.80)	1.13	15.00	4.16	(4.99)
Operating (loss) / profit ratio (%)	(13.13)	(9.76)	(2.52)	10.57	1.04	(7.23)
Net (loss) / profit ratio (%)	2.60	20.47	(4.28)	13.08	(2.32)	(15.67)
(Loss) / earning per share	0.28	2.80	(0.81)	2.37	(0.36)	(3.20)
Fixed assets turnover	1.17	2.06	2.59	2.48	1.97	2.27

Statement Of Compliance With The Code Of Corporate Governance For the year ended June 30, 2016

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No 5.19 of Rule Book of Pakistan Stock Exchange Limited 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 in the following manner:

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

Category	Name
Independent Director	Muntazir Mehdi
Executive Directors	Pervez Ahmed Ali Pervez Ahmed Hassan Ibrahim Ahmed
Non-Executive Directors	Suleman Ahmed Atta ur Rehman Muhammad Yousaf

The independent director meets the criteria of independence under clause 5.19.1(b) of the Code.

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 resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker 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/shareholders.

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 and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. remuneration and terms and conditions of employment.

10. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

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

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

14. The board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors including the chairman of the committee.

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

16. The board has formed an HR and Remuneration Committee. It comprises three members, of whom all are non-executive directors including the chairman of the committee.

17. The board has set up an effective internal audit function.

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

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

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

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

22. We confirm that all other material principles enshrined in the Code have been complied with, except the following:

    a. the Board is in the process of developing mechanism for annual evaluation of the performance of the Board

    b. None of the Directors of the Company have obtained any certification in any Directors Training Program

For and on behalf of
Board of Directors

Lahore.
October 10, 2016

Pervez Ahmed
Chief Executive

Review Report on Statement of Compliance with Best practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ('the Code') prepared by the Board of Directors of D.S. INDUSTERIES LIMITED for the year ended June 30, 2016 to comply with the requirements of Regulation No 5.19 of the Rule Book of Pakistan Stock Exchange Limited where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance

Reference	**Description**
Paragraph 22(a)	The Board is in process of developing a comprehensive mechanism for annual evaluation of its performance.
Paragraph 22(b)	None of the Directors of the Company have obtained any certification in any Directors Training Program.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Engagement Partner: ZUBAIR IRFAN MALIK

Lahore: OCTOBER 07, 2016

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of D.S. INDUSTRIES LIMITED ("the Company") as at June 30, 2016 and the related profit and loss account, statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

a) in our opinion, proper books of 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 accounts and are further in accordance with 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 profit or loss and other 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, 2016 and of the profit, other 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 2.2 to the financial statements which refers to the fact that the Company has incurred gross loss of Rs. 59.75 million and loss before taxation of Rs. 33.14 million during the year ended June 30, 2016. As at June 30, 2016, the Company has accumulated losses of Rs. 787.87 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 518.69 million. The Company has been unable to repay its long debts on due dates. These factors raise doubts about the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis for reasons explained in note 2.2. Our opinion is not qualified in respect of this matter.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Engagement Partner: ZUBAIR IRFAN MALIK

Lahore: OCTOBER 10, 2016

BALANCE SHEET AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
100,000,000 (2015: 100,000,000) ordinary shares of Rs. 10 each		**1,000,000,000**	1,000,000,000
Issued, subscribed and paid-up capital	6	**600,000,000**	600,000,000
Accumulated losses		**(787,865,190)**	(813,991,466)
		(187,865,190)	(213,991,466)
Advance against issue of ordinary shares	7	**63,017,255**	63,017,255
TOTAL EQUITY		**(124,847,935)**	(150,974,211)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	8	**225,389,518**	94,952,304
NON-CURRENT LIABILITIES			
Long term finances - s*ecured*	9	**-**	106,233,444
Employees retirement benefits	10	**18,982,138**	18,430,488
Deferred taxation	11	**5,769,525**	10,069,188
		24,751,663	134,733,120
CURRENT LIABILITIES			
Trade and other payables	12	**344,819,003**	365,152,906
Accrued interest/markup		**226,244**	238,220
Short term borrowings	13	**110,912,675**	8,099,710
Current portion of non-current liabilities	9	**151,189,524**	133,133,317
		607,147,446	506,624,153
TOTAL LIABILITIES		**631,899,109**	641,357,273
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		**732,440,692**	585,335,366

The annexed notes 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

BALANCE SHEET AS AT JUNE 30, 2016

	Note	2016	2015
		Rupees	Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	**544,306,154**	398,938,588
Long term investments	16	**80,605,558**	81,342,872
Long term deposits - *unsecured, considered good*	17	**19,072,394**	19,072,394
		643,984,106	499,353,854
CURRENT ASSETS			
Stores, spares and loose tools	18	**1,036,779**	1,241,537
Stock in trade	19	**20,210,575**	18,192,527
Trade debts - *unsecured, considered good*	20	**38,470,837**	54,781,293
Advances, prepayments and other receivables	21	**22,295,327**	6,468,558
Short term investments	22	**753,460**	1,132,567
Advance income tax/income tax refundable		**4,707,434**	2,862,120
Bank balances	23	**982,174**	1,302,910
		88,456,586	85,981,512
TOTAL ASSETS		**732,440,692**	585,335,366

The annexed notes 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		Rupees	*Rupees*
Turnover - ***net***	24	**635,025,614**	820,090,456
Cost of sales	25	**(694,770,844)**	(867,695,343)
Gross loss		**(59,745,230)**	(47,604,887)
Selling and distribution expenses	26	**(2,282,947)**	(2,718,422)
Administrative and general expenses	27	**(21,356,090)**	(29,711,264)
Other expenses	28	**(1,871,722)**	(21,010,741)
		(25,510,759)	(53,440,427)
		(85,255,989)	(101,045,314)
Other income	29	**81,029,382**	237,040,996
Operating (loss)/profit		**(4,226,607)**	135,995,682
Finance cost	30	**(1,458,056)**	(2,286,489)
Notional interest	9.2	**(26,638,748)**	26,638,748
Share of loss of associates	16	**(815,389)**	(20,370,674)
(Loss)/profit before taxation		**(33,138,800)**	139,977,267
Taxation	31	**49,668,989**	27,908,971
Profit after taxation		**16,530,189**	167,886,238
Earnings per share - ***basic and diluted***	32	**0.28**	2.80

The annexed notes 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used in)/generated from operations	33	**(58,703,483)**	19,877,685
Payments for:			
Employees retirement benefits		**(7,646,015)**	(5,152,976)
Interest/markup		**(415,562)**	(1,433,859)
Income tax		**(2,474,887)**	(431,125)
Net cash (used in)/generated from operating activities		**(69,239,947)**	12,859,725
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		-	(4,619,500)
Proceeds from sale of investments		-	24,203,395
Net cash generated from investing activities		-	19,583,895
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term finances		**(33,893,754)**	(94,669,065)
Loan from related parties obtained		-	52,711,922
Net increase/(decrease) in short term borrowings		**102,812,965**	8,099,710
Net cash (used in)/generated from financing activities		**68,919,211**	(33,857,433)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(320,736)**	(1,413,813)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**1,302,910**	2,716,723
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	34	**982,174**	1,302,910

The annexed notes 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		Rupees	Rupees
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified to profit or loss			
Incremental depreciation	8	**9,678,696**	8,248,107
Remeasurements of defined benefit obligation	10.4	**(119,723)**	(537,108)
Taxation relating to remeasurements of defined benefit obligation	11	**37,114**	171,875
		9,596,087	7,882,874
Other comprehensive income		**9,596,087**	7,882,874
Profit for the year		**16,530,189**	167,886,238
Total comprehensive income		**26,126,276**	175,769,112

The annexed notes 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Issued subscribed and paid-up capital	Accumulated profit	Total equity
	Rupees	*Rupees*	*Rupees*
Balance as at July 01, 2014	600,000,000	(989,760,578)	(389,760,578)
Comprehensive loss			
Profit after taxation	-	167,886,238	167,886,238
Other comprehensive income	-	7,882,874	7,882,874
Total comprehensive loss	-	175,769,112	175,769,112
Transactions with owners	-	-	-
Balance as at June 30, 2015	600,000,000	(813,991,466)	(213,991,466)
Balance as at July 01, 2015	**600,000,000**	**(813,991,466)**	**(213,991,466)**
Comprehensive income			
Profit after taxation	**-**	**16,530,189**	**16,530,189**
Other comprehensive income	**-**	**9,596,087**	**9,596,087**
Total comprehensive income	**-**	**26,126,276**	**26,126,276**
Transactions with owners	**-**	**-**	**-**
Balance as at June 30, 2016	**600,000,000**	**(787,865,190)**	**(187,865,190)**

The annexed notes 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

1 REPORTING ENTITY

D.S. Industries Limited ('the Company') is incorporated in Pakistan as a Private Limited Company under the repealed Companies Act, 1913 (now the Companies Ordinance, 1984) and was subsequently converted into a Public Limited Company. The Company is listed on Pakistan Stock Exchange Limited The Company is a spinning unit engaged in the manufacture and sale of yarn. The registered office of the Company is situated at 20-K, Gulberg II, Lahore. The manufacturing facility is located at 11 KM, Sheikhupura Faisalabad Road, Sheikhupura, in the Province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the Companies Ordinance, 1984

2.2 Going concern assumption

The Company has been facing operational losses since the previous year mainly due to decrease in selling prices in local as well as international markets, the on-going power crises, dumping of Indian yarn at low prices along with other factors, including economic instability and unfavourable textile policy of the Government, affecting the textile industry. The Company has not been able to utilize its production capacity at an optimum level due to which the desired profitability remained unachieved.

As a result, the Company has incurred gross loss of Rs. 59.75 millionand loss before taxation of Rs. 33.14 millionduring the year ended June 30, 2016. As at June 30, 2016, the Company has accumulated losses of Rs. 787.87 millions at the reporting date. Its current liabilities exceed its current assets by Rs. 518.69 million. The Company has been unable to repay its long term debts on due dates. These factors raise doubts about the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis based on the following:

a) Management is optimistic that the government will ban the dumping of Indian yarn in our local markets to help the local industry. Meanwhile the textile sector, through APTMA forum has also forwarded a petition to impose anti-dumping and anti-subsidy duty on Indian yarn.

b) The Company has continued financial support of its related parties in the form of interest free loans. During the year, related parties provided financial support amounting to Rs. 123.65 millionin the form of long term interest free loans. (see note 13).

c) The Company is making efforts to repay its long term finances in accordance with the repayment schedules to avail the interest/markup waiver offered by the lending banks. During the year, Rs. 80.922 million was waived-off by Burj Bank Limited on full repayment of principal. Other banks have also agreed to waive off an aggregate amount of Rs. 108 million subject to timely repayment of principal liabilities.

d) The waiver of interest/markup is expected to make available sufficient working capital to the Company which will allow the Company to achieve its target of sustainable capacity utilization.

The management is confident that through above measures, the Company will turnaround into a profitable company, subject to impact, if any, of uncontrollable circumstances including power crises and global market conditions.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employees retirement benefits liabilities measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been

2.4 Judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. There are no estimation uncertainties as at the reporting date. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.4.1 *Depreciation method, rates and useful lives of operating fixed assets (see note 5.1.1)*

The Company reassesses useful lives, depreciation method and rates for each item of operating fixed assets annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

2.4.2 *Recoverable amount and impairment (see note 5.22)*

The management of the Company reviews carrying amounts of its assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.4.3 *Obligation under defined benefit plan (see note 5.5.2)*

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent

2.4.4 *Taxation (see note 5.18)*

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

2.4.5 *Provisions (see note 5.12)*

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a

2.4.6 *Revaluation of property, plant and equipment (see note 5.2)*

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

2.4.7 *Net realizable values of stock in trade (see note 5.4)*

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

2.5 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.

The following new/revised standards/interpretations and amendmentsare effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company other than presentation and disclosures.

IFRS 10 - Consolidated Financial Statements (2011)

The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special

IFRS 11 - Joint Arrangements (2011)

The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers.

IFRS 12 - Disclosure of Interests in Other Entities (2011)

The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 - Fair Value Measurement (2011)

The standard establishes a single framework for measuring fair value where that is required by other standards.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities)

The amendmentsprovide transitional relief by limitingthe requirementto provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

Investment Entities (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statement)

The amendments provide exemption from consolidation of particular subsidiaries by certain entities defined as "Investment Entities" and require additional disclosures where such subsidiaries are excluded from consolidation

4 NEW AND REVISED STANDARDS/INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments (2014)	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts (2014)	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers (2014)	January 01, 2018
IFRS 16 – Leases (2016)	January 01, 2019
Equity method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)	January 01, 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS11 – Joint Arrangements)	January 01, 2016
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets)	January 01, 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 28 - Accounting for Investments in Associates and Joint Ventures)	January 01, 2016
Agriculture: Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipmentand IAS 41 – Agriculture)	January 01, 2016
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 -	January 01, 2017
Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)	January 01, 2016
Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)	January 01, 2017
Classification and Measurement of Share-based Payment Transactions	January 01, 2018
Clarifications to IFRS 15 - Revenue from Contracts with Customers	January 01, 2018

	Effective date (annual periods beginning on or after)
Applying IFRS9 - Financial Instruments with IFRS4 - Insurance Contracts (Amendments to IFRS 4 - Insurance Contracts	January 01, 2018
Annual Improvements 2012-2014 cycle	January 01, 2016

The Company intends to adopt these new/revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 234 of the Companies Ordinance, 1984 regarding their adoption. The management anticipates that, except as stated below, the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

IFRS 9 – Financial Instruments: Classification and Measurement (2014)

IFRS9 replaces IAS 39 - Financial Instruments: *Recognition and Measurement.* The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their cash flow characteristics. The standard introduces a 'fair value through comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to measurement of entity's own credit
- **Impairment:** IFRS9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit loss to have occurred before a credit loss is recognized.
- **Hedge accounting:** IFRS9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposure.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from

Adoption of this IFRS9 may result in material adjustment to carrying amounts of financial assets and liabilities. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)

The amendments clarify the following:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to deductible temporary differences regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax laws restrict utilization of tax losses, an entity would assess a deferred tax asset in combination with deferred tax assets of the

Adoption of this amendment may result in material adjustment to deferred tax assets. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial

5.1 Property, plant and equipment

5.1.1 Operating fixed assets

Operating fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is stated at revalued amount, and buildings on freehold land, plant and machinery and electric installation, which are carried at revalued amounts less accumulated depreciation. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Major renewals and improvements to operating fixed assets are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss
The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 15.1 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

5.1.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended

5.2 Surplus / deficit arising on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is carried on balance sheet after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously carried on balance sheet, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit every year, through statement of other comprehensive income.

5.3 Stores, spares and loose tools

These are generally held for internal use and are valued at cost. Cost is determined on the basis of weighted average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil. Spare parts held exclusively for capitalization are classified as property, plant and equipment.

5.4 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	Weighted average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

5.5 Employee benefits

5.5.1 Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

5.5.2 Post-employment benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss with the exception of remeasurements which are recognized in other comprehensive income. The amount recognized on balance sheet represents the present value of defined benefit obligation. The details of the scheme are referred to in note 10 to the financial statements.

5.6 Financial instruments

5.6.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

5.6.2 Classification

The Company classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities at initial recognition.

(a) ***Loans and receivables***

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets.

(b) ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are financial assets that are either designated as such on initial recognition or are classified as held for trading. Financial assets are designated as financial assets at fair value through profit or loss if the Company manages such assets and evaluates their performance based on their fair value in accordance with the Company's risk management and investment strategy. Financial assets are classified as held for trading when these are acquired principally for the purpose of selling and repurchasing in the near term, or when these are part of a portfolio of identified financial instruments that are managed together and for which there is a recent actual pattern of profit taking, or where these are derivatives, excluding derivatives that are financial guarantee contracts or that are designated and effective hedging instruments. Financial assets in this

(c) ***Financial liabilities at amortized cost***

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

5.6.3 Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each

5.6.4 De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is

5.6.5 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has 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.

5.6.6 "Regular way" purchases and sales of financial assets

All regular way purchases and sales of financial assets are recognized on trade date. Regular way purchases or sales of financial assets are those contracts which require delivery of assets within the time frame generally established by the regulation or convention in the market.

5.7 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

5.8 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

5.9 Finance leases

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'operating fixed assets'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for operating fixed assets. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and 'loans and receivables' respectively, however, since they fall outside the scope of measurement requirements of IAS 39 'Financial Instruments - Recognition and Measurement', these are measured in accordance with the requirements of IAS 17 'Leases'. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

5.10 Operating leases

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight line basis over the lease term.

5.11 Trade and other payables

5.11.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

5.11.2 Non-financial liabilities

These, both on initial recognition and subsequently, are measured at cost.

5.12 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

5.13 Trade and other receivables

5.13.1 Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

5.13.2 Non-financial assets

These, both on initial recognition and subsequently, are measured at cost.

5.14 Investments in equity securities

5.14.1 Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associates have been incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried at cost as adjusted for post acquisition changes in the Company's share of net assets of the associates, less any impairment in the investment. Losses of an associates in excess of the Company's interest in that associate are recognized only to the extent that the Company has incurred legal or constructive obligation or made payment on behalf of the associate.

5.14.2 Other investments

Investment in other equity securities, on initial recognition, are measured at cost and classified as "financial assets at fair value through profit or loss". Subsequent to initial recognition these are measured at fair value. Gains and losses resulting from changes in fair value are recognized in profit or loss.

5.15 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred

Return on bank deposits is recognized using effective interest method.

Capital gain on sale of investments is recognized when sale of shares is confirmed by the broker.

5.16 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of profit or loss and other comprehensive income'.

5.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

5.18 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

5.18.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is

5.18.2 Deferred taxation

Deferred tax is accounted for using the' balance sheet approach' providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by The Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be

5.19 Earnings per share ('EPS')

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential

5.20 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. These are classified as 'loans and receivables' and are carried at cost.

5.21 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit

5.22 Impairment

5.22.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairmenton an individual basis. The remainingfinancial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future

An impairmentloss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairmentloss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairmentloss was recognized. An impairmentloss is reversed only to the extent that the financial asset's carrying amountafter the reversal does not exceed the carrying amountthat would have been determined, net of amortization, if no impairment loss had been recognized.

5.22.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determinewhether there is any indication of impairment.If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimatedfuture cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairmentloss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairmentlosses are recognized in profit or loss. Impairmentlosses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairmentloss is reversed if there has been a change in the estimates used in determiningthe recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if

5.23 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

	Note	2016 Rupees	2015 Rupees
6 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Ordinary shares of Rs. 10 each			
30,000,000 (2015: 30,000,000) ordinary shares issued for cash		**300,000,000**	300,000,000
30,000,000 (2015: 30,000,000) ordinary shares issued as fully paid bonus shares		**300,000,000**	300,000,000
		600,000,000	600,000,000
7 ADVANCE AGAINST ISSUED OF ORDINARY SHARES			
As at beginning of the year		**63,017,255**	-
Obtained during the year		**-**	52,711,922
Transferred from short term borrowings	13	**-**	10,305,333
As at end of the year	7.1	**63,017,255**	63,017,255

7.1 This represents advance against issue of ordinary shares given by sponsors and other related parties. Shares will be issued against these advances when the Boards of Directors of the Company decide subject to shareholders' and relevant regulatory approvals. Accordingly, no interest has been charged on these advances.

	Note	2016 Rupees	2015 Rupees
8 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
As at beginning of the year		**94,952,304**	101,987,403
Surplus recognized during the year			
Surplus for the year		**186,151,923**	-
Deferred taxation		**(47,127,726)**	-
		139,024,197	-
Incremental depreciation transferred to accumulated profits			
Incremental depreciation for the year		**(14,027,096)**	(12,129,569)
Deferred taxation		**4,348,400**	3,881,462
		(9,678,696)	(8,248,107)
Deferred tax adjustment attributable to changes in tax rates		**1,091,713**	1,213,008
Deficit in excess of revaluation surplus recognized in profit or loss		**-**	-
As at end of the year		**225,389,518**	94,952,304
9 LONG TERM FINANCES - SECURED			
These represent long term finances utilized under interest/markup arrangements from banking companies			
Askari Bank Limited	9.1	**17,201,332**	22,241,986
MCB Bank Limited	9.2	**133,988,192**	117,549,444
Burj Bank Limited	9.3	**-**	99,575,331
		151,189,524	239,366,761
Current maturity and overdue amounts presented under current liabilities		**(151,189,524)**	(133,133,317)
		-	106,233,444

9.1 The finance has been obtained from Askari Bank Limited on conversion of short term borrowings and accrued markup thereon amounting to Rs. 39.654 million under a restructuring arrangement with the lender. Under the restructuring arrangement, the liability was settled at Rs. 27.378 million with the remaining amount pertaining to accrued markup to be waived-off by the lender on successful repayment of liability. The liability is structured to be repaid through down payment of Rs. 1.5 million and thirty six monthly installments of Rs. 0.719 million each starting from June 2012. The finance carries interest/markup at 8.96% per annum (2015: 8.96% per annum) payable monthly. The finance is secured by charge over current assets of the Company and personal guarantees of the Company's Directors.

The Company has defaulted in the repayment of this finance during the year as the outstanding balance as at June 30, 2016 includes overdue payments of Rs. 1.69 million. The entire outstanding balance, including Rs. 15.52 million agreed to be waived by the lender on full repayment of settled liability, has been classified as current maturity and presented under current liabilities in accordance with the requirements of International Accounting Standard 1 – Presentation of Financial Statements pertaining to breach of provisons of loan agreement.

		Note	2016	2015
			Rupees	*Rupees*
9.2	Face value of term finance		**133,988,192**	144,188,192
	Unamortized notional interest		**-**	(26,638,748)
	Amortized cost		**133,988,192**	117,549,444

The finance has been obtained from MCB Bank Limited on conversion of short term borrowings and accrued markup thereon amounting to Rs. 219.351 million under a restructuring arrangement with the lender. Under the restructuring arrangement, the liability was settled at Rs. 134.308 million with the remaining amount pertaining to accrued markup to be waived-off by the lender on successful repayment of liability. The liability is structured to be repaid in five years in daily installments of Rs. 80,000 (based on 26 days a month) starting from May 2012. The lender, however, reduced the amount of installment to Rs. 500,000 per month on request of the Company for the period from April 2015 to May 2016 with the condition that the original repayment schedule will be effective from June 2016. The finance does not carry interest/markup. The finance is secured by charge over operating fixed assets and current assets of the Company, mortgage over land and building of the Company and personal guarantees of the Company's Directors.

Following the finalization of repayment schedule, including reduction in monthly installment from April 2015 to May 2016, the amortized cost of the finance was re-determined using a discount rate of 8.96% per annum, being the effective borrowing rate of the Company. The difference between the amortized cost and maturity amount was recognized in profit

However, the Company has defaulted in the repayment of this finance during the year as the outstanding balance as at June 30, 2016 includes overdue payments of Rs. 21.905 million. The entire outstanding balance, including Rs. 85.04 million agreed to be waived by the lender on full repayment of settled liability, has been classified as current maturity and presented under current liabilities in accordance with the requirements of International Accounting Standard 1 – Presentation of Financial Statements pertaining to breach of provisions of loan agreement. The entire unamortized notional interest has been derecognized and charged to profit or loss.

9.3 The finance has been obtained from Burj Bank Limited on conversion of short term borrowings and accrued markup thereon amounting to Rs. 222.475 million under a restructuring arrangement with the lender. Under the restructuring arrangement, the liability was settled at Rs. 141.103 million with the remaining amount pertaining to accrued markup to be waived-off by the lender on successful repayment of liability. The finance did not carry interest/markup was secured by charge over operating fixed assets of the Company. The finance has been fully settled during the year with an amount of Rs. 80.922 million waived by the lender and written back in accordance with the restructuring arrangement.

9.4 For mortgages and charges on assets as security for liabilities, refer to note 40 to the financial statements.

10 EMPLOYEES RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme, a defined benefit plan, for all its employees who have completed the minimum qualifying service period. Under the scheme, the Company pays a lump-sum benefit equal to last drawn monthly gross salary for each year of service to scheme members whereas the members of the scheme are not required to make any contributions to the scheme. The scheme is administered by the management of the Company under the supervision and directions of the Board of Directors of the Company. The amount recognized on balance sheet

The amount recognized on balance sheet represents present value of defined benefit obligation.

		Note	2016	2015
			Rupees	*Rupees*
10.1	**Movement in present value of defined benefit obligation**			
	As at beginning of the year		**18,430,488**	15,125,814
	Charged to profit or loss for the year	*10.2*	**8,077,942**	7,920,542
	Benefits paid during the year		**(7,646,015)**	(5,152,976)
	Remeasurements recognized in other comprehensive income	*10.4*	**119,723**	537,108
	As at end of the year		**18,982,138**	18,430,488

		Note	2016	2015
			Rupees	*Rupees*
10.2	**Charge to profit or loss**			
	Current service cost		**6,653,713**	6,257,756
	Interest cost		**1,424,229**	1,662,786
			8,077,942	7,920,542

10.3 The charge to profit or loss has been allocated as follows

Cost of sales	*25.2*	**6,412,278**	6,336,454
Administrative and general expenses	*27.1*	**1,665,664**	1,584,108
		8,077,942	7,920,562

10.4 Remeasurements recognized in other comprehensive income

Actuarial loss arising from changes in:		
Experience adjustments	**119,723**	537,108
	119,723	537,108

10.5 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries. The principal assumptions used in determining present value of defined benefit obligation are:

	2016	2015
Discount rate	**7.25%**	13.25%
Expected rates of increase in salary	**6.25%**	12.25%
Expected average remaining working lives	**6 years**	6 years

10.6 Average duration of the defined benefit obligation

The average duration of the defined benefit obligation is six years.

10.7 Expected charge to profit or loss for the next financial year

The expected charge to profit or loss for the year ending June 30, 2017 amounts to Rs. 6.44 million.

10.8 Sensitivity analysis

An analysis of sensitivity for discount rate and expected rate of increase in salary used to determine the present value of defined benefit obligation as at the reporting date showing how the defined benefit obligation would have been affected by changes in relevant actuarial assumption that were reasonably possible at that date is as follows:

	2016		2015	
	Change in actuarial assumption	**Defined benefit obligation**	Change in actuarial assumption	Defined benefit obligation
		Rupees		*Rupees*
Discount rate	+ 1%	17,031,496	+ 1%	17,005,330
	- 1%	21,269,930	- 1%	20,130,913
Expected rate of increase in salary	+ 1%	21,269,930	+ 1%	20,130,913
	- 1%	16,997,276	- 1%	16,981,108

A change in expected remaining working lives of employees is not expected to have a material impact on the present value of defined benefit obligation. Accordingly, the sensitivity analysis for the same has not been carried out.
The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of defined benefit obligation as at the reporting date has been calculated using projected unit credit method, which is the same as that applied in calculating the defined benefit obligation to be recognized in these financial statements.

10.9 Risk factors

The defined benefit plan exposes the Company to the following actuarial risks:

Interest risk: The discount rate used in determination of present value of defined benefit obligation has been determined by reference to market yield at the reporting date on Pakistan Investment Bonds since there is no deep market in long term corporate bonds in Pakistan. An increase in market yield resulting in a higher discount rate will decrease in the defined

Longevity risk: The present value of defined benefit obligation is calculated by reference to the best estimate of the expected remaining working lives of the employees. An increase in the expected remaining working lives will increase the defined benefit obligation. However, the increase is not expected to be material.

Salary risk: The present value of defined benefit obligation is calculated by reference to future salaries of employees. An increase in salary of employees will increase the defined benefit obligation.

	Note	2016 *Rupees*	2015 *Rupees*
11 DEFERRED TAXATION			
Deferred tax liability on taxable temporary differences	*11.1*	**122,021,057**	86,029,090
Deferred tax asset on deductible temporary differences	*11.1*	**(116,251,532)**	(75,959,902)
		5,769,525	10,069,188

11.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2016			
	As at July 01, 2015 ***Rupees***	**Recognized in profit or loss** ***Rupees***	**Recognized in equity** ***Rupees***	**As at June 30, 2016** ***Rupees***
Deferred tax liabilities				
Operating fixed assets	**86,029,090**	**(10,044,046)**	**46,036,013**	**122,021,057**
Deferred tax assets				
Employees retirement benefits	**(5,897,756)**	**50,407**	**(37,114)**	**(5,884,463)**
Provisions	**(4,662,152)**	**169,895**	**-**	**(4,492,257)**
Unused tax losses and credits	**(65,399,994)**	**(40,474,818)**	**-**	**(105,874,812)**
	(75,959,902)	**(40,254,516)**	**(37,114)**	**(116,251,532)**
	10,069,188	**(50,298,562)**	**45,998,899**	**5,769,525**

	2015			
	As at July 01, 2014	Recognized in profit or loss	Recognized in equity	As at June 30, 2015
	Rupees	*Rupees*	*Rupees*	*Rupees*
Deferred tax liabilities				
Operating fixed assets	98,705,784	(11,463,686)	(1,213,008)	86,029,090
Deferred tax assets				
Employees retirement benefits	(4,991,519)	(734,362)	(171,875)	(5,897,756)
Provisions	-	(4,662,152)	-	(4,662,152)
Unused tax losses and credits	(65,657,076)	257,082	-	(65,399,994)
	(70,648,595)	(5,139,432)	(171,875)	(75,959,902)
	28,057,189	(16,603,118)	(1,384,883)	10,069,188

11.2 Deferred tax has been calculated at 31% (2015: 32%) of the temporary differences as at the reporting date based on tax rates notified by the Government of Pakistan for future tax years.

11.3 Unsued tax losses and credit represent unabosrbed depreciation which is available for use against future taxable profits fo an infinite period. Taxable profits are expected to be available in future against which the other recognized deferred tax assets could be utilized.

	Note	2016	2015
		Rupees	*Rupees*
12 TRADE AND OTHER PAYABLES			
Trade creditors - *unsecured*		**56,445,349**	69,908,995
Payable to stock broker - *unsecured*		**171,189,424**	171,189,424
Accrued liabilities		**31,391,726**	33,116,426
Advances from customers - *unsecured*		**65,481,673**	71,752,636
Workers' Profit Participation Fund	*12.1*	**8,928,238**	9,208,714
Workers' Welfare Fund	*28*	**2,717,171**	2,717,171
Tax deducted at source		**4,936,391**	5,179,196
Sales tax payable		**3,391,468**	1,742,781
Unclaimed dividend		**337,563**	337,563
		344,819,003	365,152,906
12.1 Workers' Profit Participation Fund			
As at beginning of the year		**9,208,714**	4,312,965
Interest on funds utilized by the Company	*12.1.1*	**917,976**	149,858
Charged to profit or loss for the year	*28*	**-**	7,150,450
Paid during the year		**(1,198,452)**	(2,404,559)
As at end of the year		**8,928,238**	9,208,714

12.1.1 Interest is charged at 11.46% (2015: 10.5%) per annum.

13 SHORT TERM BORROWINGS - UNSECURED

These represent temporary loans obtained from related parties and are unsecured and interest free. Details are as

	Note	2016	2015
		Rupees	*Rupees*
As at beginning of the year		**8,099,710**	10,305,333
Obtained during the year		**123,646,732**	8,099,710
Transferred to advance against issued of ordinary shares	7	**-**	(10,305,333)
Repaid during the year		**(20,833,767)**	-
As at end of the year		**110,912,675**	8,099,710

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

The Company and others have filed a petition before the Lahore High Court ('LHC') against the levy of Gas Infrastructure Development Surcharge ('GIDC') amounting. The Lahore High Court has provided an interim relief to the petitioners by staying the levy of GIDC.The petition is pending for final arguments for which no date has yet been fixed by the LHC. The amount of potential liability is Rs. 14.48 millionas at June 30, 2016. However, on the basis of the advice of the Company's legal advisors, the management expects a favourable outcome.

14.2 Commitments

There are no known commitments as at the reporting date.

	Note	2016	2015
		Rupees	*Rupees*
15 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	*15.1*	**544,306,154**	398,938,588
Capital work in progress	*15.2*	**-**	-
		544,306,154	398,938,588

15.1 PROPERTY, PLANT AND EQUIPMENT

	2016												
	COST / REVALUED AMOUNTS						DEPRECIATION						Net book
	As at July 01, 2015	Additions	Revaluation	Disposals	Transfer	As at June 30, 2016	Rate	As at July 01, 2015	For the year	Revaluation	Disposal	As at June 30, 2016	value as at June 30, 2016
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	%	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Freehold land	26,098,000	-	34,127,000	-	-	60,225,000	-	-	-	-	-	-	60,225,000
Buildings on freehold land													
Factory	128,715,200	-	76,034,350	-	-	204,749,550	10	12,871,520	12,949,626	12,735,754	-	38,556,900	166,192,650
Colony/office block	15,792,000	-	7,919,712	-	-	23,711,712	10	1,579,200	1,559,460	1,326,552	-	4,465,212	19,246,500
Plant and machinery	254,210,500	-	94,949,938	-	-	349,160,438	10	25,335,308	24,435,264	15,874,491	-	65,645,063	283,515,375
Electric installations	10,464,000	-	3,672,937	-	-	14,136,937	10	1,046,400	1,000,545	615,217	-	2,662,162	11,474,775
Furniture and fixtures	206,900	-	-	-	-	206,900	10	139,865	6,704	-	-	146,569	60,331
Office and other equipment	1,212,555	-	-	-	-	1,212,555	10	691,568	52,099	-	-	743,667	468,888
Vehicles	9,817,475	-	-	-	-	9,817,475	20	5,914,181	780,659	-	-	6,694,840	3,122,635
	446,516,630	-	216,703,937	-	-	663,220,567		47,578,042	40,784,357	30,552,014	-	118,914,413	544,306,154

2015													
COST / REVALUED AMOUNTS							DEPRECIATION						Net book
As at July 01, 2014	Additions	Revaluation	Disposals	Transfer	As at June 30, 2015	Rate	As at July 01, 2014	For the year	Revaluation	Disposal	As at June 30, 2015	value as at June 30, 2015
Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	%	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
26,098,000	-	-	-	-	26,098,000	-	-	-	-	-	-	26,098,000
128,715,200	-	-	-	-	128,715,200	10	-	12,871,520	-	-	12,871,520	115,843,680
15,792,000	-	-	-	-	15,792,000	10	-	1,579,200	-		1,579,200	14,212,800
249,591,000	-	-	-	4,619,500	254,210,500	10	-	25,335,308	-	-	25,335,308	228,875,192
10,464,000	-	-	-	-	10,464,000	10	-	1,046,400	-	-	1,046,400	9,417,600
206,900	-	-	-	-	206,900	10	132,417	7,448	-	-	139,865	67,035
1,212,555	-	-	-	-	1,212,555	10	633,680	57,888	-	-	691,568	520,987
9,817,475	-	-	-	-	9,817,475	20	4,938,358	975,823	-	-	5,914,181	3,903,294
441,897,130	-	-	-	4,619,500	446,516,630		5,704,455	41,873,587	-	-	47,578,042	398,938,588

	Note	2016	2015
		Rupees	*Rupees*

15.1.2 The depreciation charge for the year has been allocated as follows:

	Note	2016	2015
Cost of sales	*25*	**39,944,895**	40,832,428
Administrative and selling expenses	*27*	**839,462**	1,041,159
		40,784,357	41,873,587

15.1.3 Most recent valuation of land, building, plant and machinary was carried out by an independent valuer Messrs Excel Enterprises as on March 31, 2016. For basis of valuation and other fair value measurement disclosures, refer to note 39.

Had there been no revaluation, the cost, accumulated depreciation and net book value of revalued items would have been as follows:

	2016		
	Cost	**Accumulated depreciation**	**Net book value**
	Rupees	***Rupees***	***Rupees***
Freehold land	**5,382,168**	**-**	**5,382,168**
Buildings on freehold land	**129,490,940**	**82,855,467**	**46,635,473**
Plant and machinery	**468,167,430**	**290,018,552**	**178,148,878**
Electric installation	**23,915,115**	**15,439,275**	**8,475,840**

	2015		
	Cost	Accumulated depreciation	Net book value
	Rupees	*Rupees*	*Rupees*
Freehold land	5,382,168	-	5,382,168
Buildings on freehold land	129,490,940	77,673,748	51,817,192
Plant and machinery	468,167,430	270,224,232	197,943,198
Electric installation	23,915,115	14,497,515	9,417,600

15.2 Capital work in progress

	2016			
	As at July 01, 2015	**Additions**	**Transfers**	**As at June 30, 2016**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Plant and machinery	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**

	2015			
	As at July 01, 2014	Additions	Transfers	As at June 30, 2015
	Rupees	*Rupees*	*Rupees*	*Rupees*
Plant and machinery	-	4,619,500	(4,619,500)	-
	-	4,619,500	(4,619,500)	-

16 LONG TERM INVESTMENTS

This represents investment in ordinary shares of associates. The investments has been accounted for by using equity method. The details are as follows:

	Note	2016	2015
		Rupees	*Rupees*
Pervez Ahmed Securities Limited	16.1	-	-
Pervez Ahmed Capital (Private) Limited	16.2	**80,605,558**	81,342,872
		80,605,558	81,342,872

16.1 Pervez Ahmed Securities Limited

	2016	2015
Cost of investment	**3,412,243**	3,412,243
Share of post acquisition losses	**(1,442,519)**	(1,364,444)
Share of post acquisition changes in equity	**(160,258)**	(160,258)
Accumulated impairment	**(1,809,466)**	(1,887,541)
	-	-
	No. of shares	*No. of shares*
Number of shares held	**61,550**	61,550
	% age	*% age*
Percentage of ownership interest	**0.03**	0.03
	Rupees	*Rupees*
Market value per share	**1.66**	2.39

16.1.1 Extracts of financial statements of Pervez Ahmed Securities Limited

The assets and liabilities of Pervez Ahmed Securities Limited as at the reporting date and related revenue and profit for the year then ended based on the audited financial statements are as follows:

	2016	2015
	Rupees	*Rupees*
Assets	**425,414,913**	662,331,591
Liabilities	**676,744,491**	677,003,398
Loss for the year	**(236,657,771)**	(15,665,635)
Share of loss	**(78,075)**	(332,367)

16.2 Pervez Ahmed Capital (Private) Limited

	2016	2015
Cost of investment	**85,000,000**	85,000,000
Share of post acquisition (losses)/profits	**(608,127)**	129,187
Accumulated impairment	**(3,786,315)**	(3,786,315)
	80,605,558	81,342,872

	2016	2015
	No. of shares	*No. of shares*
Number of shares held	**7,727,000**	7,727,000
	% age	*% age*
Percentage of ownership interest	**44.88**	44.88
	Rupees	*Rupees*
Break-up value per share	**10.43**	10.53

16.2.1 Extracts of financial statements of Pervez Ahmed Capital (Private) Limited

The assets and liabilities of Pervez Ahmed Capital (Private) Limited as at the reporting date and related revenue and profit for the year then ended based on the audited financial statements are as follows:

	2016	2015
	Rupees	*Rupees*
Assets	**179,736,699**	184,755,820
Liabilities	**131,409**	3,507,647
Loss for the year	**(1,642,883)**	(44,648,634)
Share of loss	**(737,314)**	(20,038,307)

17 LONG TERM DEPOSITS

These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

	Note	2016	2015
		Rupees	*Rupees*
18 STORES, SPARES AND LOOSE TOOLS			
Stores		**597,846**	792,265
Spares		**438,933**	449,272
		1,036,779	1,241,537

18.1 There are no spare parts exclusively held for capitalization as at the reporting date.

19 STOCK IN TRADE

		2016	2015
Raw material		**4,887,245**	1,861,769
Work in process		**10,751,777**	12,663,970
Finished goods		**3,948,741**	2,618,220
Waste		**622,812**	1,048,568
		20,210,575	18,192,527

19.1 Entire stock in trade, with exception of stock of waste, is carried at cost being lower than net realizable value.

19.2 Details of stock pledged as security are referred to in note 40 to the financial statements.

	Note	2016	2015
		Rupees	*Rupees*
20 TRADE DEBTS -*UNSECURED*			
Considered good	*20.1*	**38,470,837**	54,781,293
Considered doubtful		**8,895,369**	8,895,369
		47,366,206	63,676,662
Impairment allowance for trade debts considered doubtful		**(8,895,369)**	(8,895,369)
		38,470,837	54,781,293

20.1 This includes receivable from D.S. Textiles Limited, a related party, amounting to Rs. 19,579,478 (2015: Rs. 37,367,212 against sale of goods. The analysis of age is as follows:

		2016	2015
		Rupees	*Rupees*
Due by 0 to 180 days		**19,579,478**	37,367,212
Due by 181 days to one year		**-**	-
Due by more than one year		**-**	-
		19,579,478	37,367,212

21 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to suppliers - *unsecured, considered good*		**19,749,858**	4,592,941
Advances to employees	*21.1*	**2,500,523**	1,161,059
Prepayments		**44,946**	215,209
Due from related party	*21.2*	**-**	499,349
		22,295,327	6,468,558

21.1 These represent advances to employees for expenses on behalf of the Company and those against salaries in accordance with the Company policy. No advances have been given to any of the directors or executives of the

21.2 This represents receivable from Infinite Securities Limited, a related party, against sale of shares.

22 SHORT TERM INVESTMENT

This represents investment in listed equity securities held for trading and has been classified as 'financial asset at fair value through profit or loss'. The particulars of investment are as follows:

	2016	2015
	Rupees	*Rupees*
Askari General Insurance Company Limited 36,558 (2015: 36,558) ordinary shares of Rs. 10 each Market value per share: Rs. 20.61 (2015: Rs. 30.98)		
Cost of investment	**1,462,530**	1,462,530
Accumulated changes in fair value	**(709,070)**	(329,963)
	753,460	1,132,567

23 BANK BALANCES

Current accounts	**596,914**	596,640
Saving/deposit accounts	**385,260**	706,270
	982,174	1,302,910

23.1 Effective markup rate in respect of saving and deposit accounts ranges from 3% to 5% (2015: 3% to 5%) per annum.

		Note	2016 Rupees	2015 Rupees
24	**TURNOVER - NET**			
	Yarn		**554,724,249**	815,478,918
	Conversion		**636,540**	5,226,000
	Fabric		**9,060,268**	-
	Waste		**13,604,814**	23,477,980
	Cotton		**83,702,938**	-
			661,728,809	844,182,898
	Sales tax		**(26,703,195)**	(24,092,442)
			635,025,614	820,090,456
25	**COST OF SALES**			
	Raw material consumed	*25.1*	**354,820,529**	533,973,237
	Cost of cotton sold		**82,355,341**	-
	Cost of fabric sold		**9,060,268**	-
	Stores and spares consumed		**13,388,510**	24,215,798
	Salaries, wages and benefits	*25.2*	**88,813,383**	103,942,495
	Power and fuel		**100,868,585**	156,811,671
	Traveling and conveyance		**599,879**	736,248
	Repair and maintenance		**1,448,429**	964,309
	Insurance		**978,006**	1,202,532
	Entertainment		**741,229**	1,277,552
	Depreciation	*15.1.2*	**39,944,895**	40,832,428
	Others		**744,362**	327,817
	Manufacturing cost		**693,763,416**	864,284,087
	Work in process			
	As at beginning of the year		**12,663,970**	15,982,699
	As at end of the year		**(10,751,777)**	(12,663,970)
			1,912,193	3,318,729
	Cost of goods manufactured		**695,675,609**	867,602,816
	Finished goods			
	As at beginning of the year		**2,618,220**	3,211,900
	As at end of the year		**(3,948,741)**	(2,618,220)
			(1,330,521)	593,680
	Waste			
	As at beginning of the year		**1,048,568**	547,415
	As at end of the year		**(622,812)**	(1,048,568)
			425,756	(501,153)
			694,770,844	867,695,343
25.1	**Raw material consumed**			
	As at beginning of the year		**1,861,769**	7,613,655
	Purchased during the year		**440,201,346**	528,221,351
	Sold during the year		**(82,355,341)**	-
	As at end of the year		**(4,887,245)**	(1,861,769)
			354,820,529	533,973,237

25.2 These include charge in respect of employees retirement benefits amounting to Rs. 6,412,278 (2015: Rs. 6,336,434).

		Note	2016 Rupees	2015 Rupees
26	**SELLING AND DISTRIBUTION EXPENSES**			
	Salaries and benefits		**385,000**	394,685
	Insurance		**297,970**	295,940
	Advertising and publicity		**33,210**	96,840
	Freight and forwarding		**972,627**	1,296,436
	Commission		**594,140**	634,521
			2,282,947	2,718,422
27	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Salaries and benefits	*27.1*	**13,144,911**	17,487,443
	Communication		**494,709**	1,370,604
	Traveling and conveyance		**527,168**	696,673
	Printing and stationery		**254,470**	366,222
	Repair and maintenance		**396,475**	535,029
	Vehicles running and maintenance		**1,550,988**	2,791,255
	Rent, rates and taxes		**388,928**	105,000
	Entertainment		**472,369**	619,972
	Insurance		**370,331**	465,996
	Legal and professional charges		**1,198,263**	1,154,800
	Utilities		**482,183**	1,463,102
	Fee and subscription		**589,768**	690,125
	Auditors' remuneration	*27.2*	**645,000**	600,000
	Depreciation	*15.1.2*	**839,462**	1,041,159
	Others		**1,065**	323,884
			21,356,090	29,711,264

27.1 These include charge in respect of employees retirement benefits amounting to Rs. 1,665,664 (2015: Rs. 1,584,108).

		Note	2016 Rupees	2015 Rupees
27.2	**Auditor's remuneration**			
	Annual statutory audit		**525,000**	500,000
	Half yearly review		**105,000**	90,000
	Out of pocket expenses		**15,000**	10,000
			645,000	600,000
28	**OTHER EXPENSES**			
	Loss on financial instruments			
	Loss on sale of investments		**-**	8,217,565
	Changes in fair value of financial assets at fair value through profit or loss	*22*	**379,107**	-
			379,107	8,217,565
	Other expenses			
	Donations	*28.1*	**1,492,615**	2,925,555
	Workers' Welfare Fund	*12*	**-**	2,717,171
	Workers' Profit Participation Fund	*12.1*	**-**	7,150,450
			1,492,615	12,793,176
			1,871,722	21,010,741

28.1 None of the directors or their spouses had any interest in donations made by the Company.

		Note	2016 Rupees	2015 Rupees
29	**OTHER INCOME**			
	Gain on financial instruments			
	Return on bank deposits		**29,076**	230,193
	Liabilities written back		**-**	306
	Reversal of impairment of investment in associates		**78,075**	75,011
	Waiver of debt finances and accrued markup thereon	*29.1*	**80,922,231**	236,242,684
	Changes in fair value of financial assets at fair value through profit or loss	*22*	**-**	492,802
			81,029,382	237,040,996

29.1 This represents long term finance and markup thereon waived by banking companies on settlement in accordance with a restructuring arrangement (see note 9.3).

		Note	2016 Rupees	2015 Rupees
30	**FINANCE COST**			
	Interest / markup on long term finances		**403,586**	1,136,979
	Interest on workers' profit participation fund		**917,976**	149,858
	Bank charges and commission		**136,494**	999,652
			1,458,056	2,286,489
31	**TAXATION**			
	Current taxation			
	for current year	*31.1*	**-**	-
	for prior year		**629,573**	(11,305,853)
			629,573	(11,305,853)
	Deferred taxation	*11.1*		
	attributable to origination and reversal of temporary differences		**(51,075,613)**	(16,965,908)
	attributable to changes in tax rates		**777,051**	362,790
			(50,298,562)	(16,603,118)
			(49,668,989)	(27,908,971)

31.1 Provision for taxation has been made under section 113 (2015: section 113) of the Income Tax Ordinance, 2001 ("the Ordinance"). The provision for the year is Rs. nil as the Company has incurred gross loss during the year. There is no relationship between tax expense and accounting profit. Accordingly, no numerical reconciliation has been presented.

31.2 Assessments for the tax years up to 2015 have either been finalized or are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filed by the Company.

31.3 The Government of Pakistan vide Finance Act 2015 notified a reduced tax rate of 32% for tax year 2016 as compared 33% applicable to previous year for Companies.

		Unit	2016	2015
32	**EARNINGS PER SHARE - BASIC AND DILUTED**			
	Profit attributable to ordinary shareholders	*Rupees*	**16,530,189**	167,886,238
	Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**60,000,000**	60,000,000
	Earnings per share - *Basic*	*Rupees*	**0.28**	2.80

There is no dilutive effect on the basic (loss)/earnings per share of the Company.

	Note	2016	2015
		Rupees	Rupees

33 CASH GENERATED FROM OPERATIONS

(Loss)/profit before taxation		**(33,138,800)**	139,977,267
Adjustments for non-cash and other items			
Interest/markup on borrowings		**403,586**	1,136,979
Notional interest		**26,638,748**	(26,638,748)
Liabilities written back		**-**	(306)
Waiver of debt finances and accrued markup thereon		**(80,922,231)**	(236,242,684)
Loss on sale of investments		**-**	8,217,565
Reversal of impairment/impairment loss on investment in associates		**(78,075)**	(75,011)
Changes in fair value of financial assets at fair value through profit or loss		**379,107**	(492,802)
Share of loss/(profit) of associates		**815,389**	20,370,674
Provision for employees retirement benefits		**8,077,942**	7,920,542
Depreciation		**40,784,357**	41,873,587
		(3,901,177)	(183,930,204)
Operating loss before changes in working capital		**(37,039,977)**	(43,952,937)
Changes in working capital			
Stores, spares and loose tools		**204,758**	130,900
Stock in trade		**(2,018,048)**	9,163,142
Trade debts		**16,310,456**	17,849,182
Advances, prepayments and other receivables		**(15,826,769)**	(2,189,424)
Trade and other payables		**(20,333,903)**	38,876,822
		(21,663,506)	63,830,622
Cash (used in)/generated from operations		**(58,703,483)**	19,877,685

34 CASH AND CASH EQUIVALENTS

Cash and bank balances	*23*	**982,174**	1,302,910
		982,174	1,302,910

35 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise sponsors of the Company, associated companies and undertakings and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company.

Transactions with sponsors are limitedto provision of interest free loans to the Companyand those with key management personnel are limitedto payment of short term employee benefits only. The Company in the normal course of business carries out various transactions with associates and associated undertakings and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an arm's length transaction, with the exception of borrowings, which are interest free.

Details of transactions and balances with related parties is as follows:

35.1 Transactions with related parties

Nature of relationship	Nature of transactions	Note	2016 Rupees	2015 Rupees
Associated companies and associated undertakings	Purchase of goods and services		**45,062,504**	1,713,235
	Sale of goods and services		**83,488,559**	6,073,657
	Short term borrowings obtained - *net*		**28,334,412**	2,800,000
Sponsors	Short term borrowings obtained - *net*		**74,478,553**	5,299,710
Key management personnel	Short-term employee benefits		**6,700,000**	7,700,000
	Post employment benefits		**-**	-

		Note	2016 Rupees	2015 Rupees
35.2 Balances with related parties				
Nature of relationship	**Nature of balance**			
Associated companies and associated undertakings	Trade debts		**19,579,478**	37,367,212
	Receivable against sale of shares		**-**	499,349
	Advance against issue of ordinary shares		**35,266,664**	35,266,664
	Short term borrowings		**31,134,412**	2,800,000
Key management personnel	Short-term employee benefits payable		**15,277,236**	5,895,046
	Post employment benefits payable		**-**	-
Sponsors	Advance against issue of ordinary shares		**27,750,591**	27,750,591
	Short term borrowings		**79,778,263**	5,299,710

	Note	2016 Rupees	2015 Rupees
36 FINANCIAL INSTRUMENTS			
36.1 Financial instruments by class and category			
36.1.1 Financial assets			
Loans and receivables			
Long term deposits	*17*	**19,072,394**	19,072,394
Trade debts	*20*	**38,470,837**	54,781,293
Due from related party	*21*	**-**	499,349
Bank balances	*23*	**982,174**	1,302,910
Financial assets at fair value through profit or loss			
Short term investments	*22*	**753,460**	1,132,567
		59,278,865	76,788,513
36.1.2 Financial liabilities			
Financial liabilities at amortized cost			
Long term finances	*9*	**151,189,524**	239,366,761
Trade creditors	*12*	**56,445,349**	69,908,995
Accrued liabilities	*12*	**31,391,726**	33,116,426
Unclaimed dividend	*12*	**337,563**	337,563
Accrued interest/markup		**226,244**	238,220
Short term borrowings	*13*	**110,912,675**	8,099,710
		350,503,081	351,067,675

37 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses and assets and liabilities of the Company.

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

37.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its

	Note	2016	2015
		Rupees	*Rupees*

37.1.1 Maximum exposure to credit risk

Credit risk principally arises from loans and receivables. The maximum exposure to credit risk as at the reporting date is as

	Note	2016 Rupees	2015 Rupees
Loans and receivables			
Long term deposits	*17*	**19,072,394**	19,072,394
Trade debts	*20*	**38,470,837**	54,781,293
Due from related party	*21*	**-**	499,349
Bank balances	*23*	**982,174**	1,302,910
		58,525,405	75,655,946

37.1.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximumexposure to credit risk by type of counterparty is as follows:

	2016	2015
	Rupees	*Rupees*
Customers	**38,470,837**	54,781,293
Banking companies and financial institutions	**982,174**	1,302,910
Utility companies and regulatory authorities	**19,072,394**	19,072,394
Others	**-**	499,349
	58,525,405	75,655,946

37.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates.

(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to 'bank balances'. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company.

(b) Counterparties without external credit ratings

These include customers which are counter parties to 'trade debts', utility companies and regulatory authorities which are counter parties to 'long term deposits' and others which are counter parties to due from related party. The deposits placed with utility companies and regulatory authorities do not carry any significant credit risk. Due from related party represents amount receivable against sale of shares and is considered to be immaterial as at the reporting date. The analysis of ages of trade debts as at the reporting date is as follows:

	2016		2015	
	Gross carrying amount	**Accumulated Impairment**	Gross carrying amount	Accumulated Impairment
	Rupees	***Rupees***	*Rupees*	*Rupees*
Due by 0 to 180 days	**33,110,478**	**-**	39,420,934	-
Due by 181 to one year	**5,360,359**	**-**	7,993,514	-
Due by more than one year	**8,895,369**	**8,895,369**	16,262,214	8,895,369
	47,366,206	**8,895,369**	63,676,662	8,895,369

The Company's three (2015: two) significant customers account for Rs. 32.42 million (2015: Rs. 45.28 million) of trade debts as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (2015: 10%) of trade debts as at the reporting date. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected.

37.1.4 Collateral held

The Company does not hold any collateral to secure its financial assets.

37.1.5 Credit risk management

The Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis.

37.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

37.2.1 Exposure to liquidity risk

The followings is the analysis of contractual maturities of financial liabilities, including estimated interest payments.

	2016				
	Carrying amount *Rupees*	**Contractual cash flows** *Rupees*	**One year or less** *Rupees*	**One to five years** *Rupees*	**More than five years** *Rupees*
Long term finances	**151,189,524**	**151,189,524**	**151,189,524**	**-**	**-**
Trade creditors	**56,445,349**	**56,445,349**	**56,445,349**	**-**	**-**
Accrued liabilities	**31,391,726**	**31,391,726**	**31,391,726**	**-**	**-**
Unclaimed dividend	**337,563**	**337,563**	**337,563**	**-**	**-**
Accrued interest/markup	**226,244**	**226,244**	**226,244**	**-**	**-**
Short term borrowings	**110,912,675**	**110,912,675**	**110,912,675**	**-**	**-**
	350,503,081	**350,503,081**	**350,503,081**	**-**	**-**

	2015				
	Carrying amount *Rupees*	Contractual cash flows *Rupees*	One year or less *Rupees*	One to five years *Rupees*	More than five years *Rupees*
Long term finances	239,366,761	239,661,963	239,661,963	-	
Trade creditors	69,908,995	69,908,995	69,908,995	-	-
Accrued liabilities	33,116,426	33,116,426	33,116,426	-	-
Unclaimed dividend	337,563	337,563	337,563	-	-
Accrued interest/markup	238,220	238,220	238,220	-	-
Short term borrowings	8,099,710	8,099,710	8,099,710	-	-
	351,067,675	351,362,877	351,362,877	-	-

37.2.2 Overdue financial liabilities

During the year, the Company has defaulted in repayment of its long term finances in accordance with the repayment schedule. However, the management of the Company is optimistic that these will be settled in the ensuing year.

37.2.3 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company has continued support of its sponsors and other related parties in respect of any

37.3 Market risk

37.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to currency risk as at the reporting date.

37.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Company is not exposed to interest rate risk as at the reporting date as the Company only has fixed rate instruments which are not accounted for a fair value through profit or loss.

37.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of 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 instruments. The Company is not exposed to price risk in respect of its short term investments in listed equity securities.

A ten percent appreciation in market prices of investments in listed equity securities as at reporting date would have increased the profit for the year by Rs. 75,346 (2015: 113,257). A one percent diminutionin market prices of investments in mutual funds as at reporting date would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables remain constant and ignores the impact, if any, on provision for taxation for the year.

38 CAPITAL MANAGEMENT

The objectives of the Company, while managing capital are to ensure that it continues to meet the going concern assumption, enhance shareholders' wealth and meet stakeholders' expectations. The Company's objective is to ensure its sustainable growth viz. maintainingoptimalcapital structure, keeping its finance cost low, exercising option of issuing right shares or, where possible, repurchasing shares, selling surplus property, plant and equipment without affecting the optimalproduction and operating level and regulating dividend payout. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances, including current maturity. Total capital employed includes equity, as shown in the balance sheet plus surplus on revaluation of property, plant and equipment, and

	Unit	**2016**	2015
Total debt	*Rupees*	**151,189,524**	239,366,761
Total equity	*Rupees*	**100,541,583**	(56,021,907)
		251,731,107	183,344,854
Gearing	*% age*	**60.06%**	130.56%

There were no changes in the Company's approach to capital managementduring the year. The Company is not subject to any other externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finances.

39 FAIR VALUE MEASUREMENTS

39.1 Financial Instruments

The Company measures some of its assets at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value hierarchy of assets measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

39.1.1 Financial instruments measured at fair value

a) Recurring fair value measurements

Nature of asset	Hierarchy	Valuation techniques/Key inputs	2016	2015
			Rupees	*Rupees*
Financial assets at fair value through profit or loss				
Short term investments	Level 1	Quoted prices in an active	**753,460**	1,132,567

b) Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

39.1.2 Financial instruments not measured at fair value

The management considers the carrying amount of all financial instruments not measured at fair value to approximate their carrying values.

39.2 Assets and liabilities other than financial instruments.

39.2.1 Recurring fair value measurements

For recurring fair value measurements, the fair value hierarchy and information about how the fair values are determined is as follows:

	Level 1	Level 2	Level 3	2016	2015
				Rupees	*Rupees*
Freehold land	-	60,225,000	-	**60,225,000**	26,098,000
Buildings	-	-	185,439,150	**185,439,150**	130,056,480
Plant and machinery	-	-	283,515,375	**283,515,375**	228,875,192
Electric installations	-	-	11,474,775	**11,474,775**	9,417,600

For fair value measurements categorised into Level 2 and Level 3 the following information is relevant:

	Valuation technique	Significant inputs	Sensitivity
Buildings	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would results in a significant increase in fair value of buildings by Rs. 9.27 million(2015: Rs. 6.50 million).
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would results in a significant increase in fair value of plant and machinery by Rs. 14.176 million (2015: Rs. 11.444 million).

	Valuation technique	Significant inputs	Sensitivity
Electric installation	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would results in a significant increase in fair value of electric installation by Rs. 573,739 (2015: Rs. 470,880).

Reconciliation of fair value measurements categorized in Level 3 is presented in note 15.1.

There were no transfers between fair value hierarchies during the year.

39.2.2 Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

	2016	2015
	Rupees	*Rupees*
40 RESTRICTION ON TITLE AND ASSETS PLEDGED/MORTGAGED AS SECURITY		
Mortgages and charges		
Charge over current assets	**311,330,000**	311,330,000
Charge over operating fixed assets	**700,000,000**	700,000,000

41 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives of the Company on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such

	2016		
	Chief Executive	**Directors**	**Executives**
	Rupees	***Rupees***	***Rupees***
Managerial remuneration	**645,161**	**3,677,424**	**-**
Allowances and perquisites	**354,839**	**2,022,576**	**-**
Post employment benefits	**-**	**-**	**-**
	1,000,000	**5,700,000**	**-**
Number of persons	**1**	**2**	**-**

	2015		
	Chief Executive	Directors	Executives
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	1,290,322	3,677,424	-
Allowances and perquisites	709,678	2,022,576	-
Post employment benefits	-	-	-
	2,000,000	5,700,000	-
Number of persons	1	2	-

42 SEGMENT INFORMATION

42.1 The Company is a single reportable segment.

42.2 All non-current assets of the Company are situated in Pakistan.

42.3 All sales of the Company have originated from Pakistan.

42.4 There are three (2015: two) significant external customers to whom sales in excess of 10% of the Company's total sales amounting to Rs. 292.64 million (2015: Rs. 357.65 million) were made during the year.

43 SHARES IN THE COMPANY HELD BY ASSOCIATED UNDERTAKINGS AND RELATED PARTIES

Ordinary shares in the Company held by associated undertakings and related parties, other than chief executive and directors, are as follows:

	2016	2015
	No. of shares	*No. of shares*
Pervez Ahmed Securities Limited	**3,614,000**	3,614,000
D.S. Textiles Limited	**2,944,221**	2,944,221
D.S. Apparel (Private) Limited	**6,000**	755,790
Ali Pervez Capital (Private) Limited	**18**	18
Infinite Securities Limited	**1,156,500**	1,156,500
Pervez Ahmed Capital (Private) Limited	**1,548,000**	1,548,000
	9,268,739	10,018,529

44 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	**2016**	2015
Number of spindles installed	*No.*	**40,320**	40,320
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	**11,125,727**	11,125,727
Actual production converted into 20s count	*Kgs*	**7,023,873**	7,658,981

It is difficult to precisely compare production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist etc. It would also vary according to the pattern of production adopted in a particular year. Further, power

45 NUMBER OF EMPLOYEES

Total number of employees of the Company as at the reporting date are 349 (2015: 620). Average number of persons employed by the Company during the year are 485 (2015: 629).

46 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period which may require adjustment of and/or disclosure in these

47 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, subject to the appropriateness of going concern assumption, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial

48 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 10, 2016 by the Board of Directors of the Company.

49 GENERAL

49.1 Figures have been rounded off to the nearest rupee.

49.2 Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.

CHIEF EXECUTIVE **DIRECTOR**

D S Industries Limited
Pattern of Shareholding
As At June 30, 2016

Number of Shareholders	Shareholding From	To	Total Number of Shares Held	%age
181	1	100	8,178	0.014
190	101	500	81,502	0.136
289	501	1,000	281,850	0.470
547	1,001	5,000	1,702,679	2.838
241	5,001	10,000	2,047,478	3.412
78	10,001	15,000	1,019,931	1.700
65	15,001	20,000	1,210,775	2.018
56	20,001	25,000	1,346,315	2.244
20	25,001	30,000	577,700	0.963
10	30,001	35,000	325,245	0.542
14	35,001	40,000	551,283	0.919
11	40,001	45,000	480,700	0.801
24	45,001	50,000	1,171,218	1.952
13	50,001	55,000	695,545	1.159
8	55,001	60,000	467,000	0.778
2	60,001	65,000	125,500	0.209
6	65,001	70,000	415,500	0.693
3	70,001	75,000	215,861	0.360
2	75,001	80,000	156,500	0.261
4	80,001	85,000	330,201	0.550
3	85,001	90,000	266,500	0.444
2	90,001	95,000	184,290	0.307
16	95,001	100,000	1,599,500	2.666
1	100,001	105,000	103,500	0.173
1	105,001	110,000	108,500	0.181
6	110,001	115,000	677,000	1.128
1	115,001	120,000	120,000	0.200
3	120,001	125,000	365,000	0.608
1	125,001	130,000	130,000	0.217
5	135,001	140,000	690,148	1.150
2	145,001	150,000	296,000	0.493
1	150,001	155,000	152,500	0.254
2	165,001	170,000	340,000	0.567
1	170,001	175,000	175,000	0.292
1	175,001	180,000	178,000	0.297
1	180,001	185,000	185,000	0.308
1	190,001	195,000	191,000	0.318
2	195,001	200,000	400,000	0.667
4	210,001	215,000	854,656	1.424
2	215,001	220,000	436,677	0.728
1	235,001	240,000	238,000	0.397
1	270,001	275,000	274,500	0.458
1	320,001	325,000	320,500	0.534
1	325,001	330,000	325,500	0.543
1	340,001	345,000	344,882	0.575
1	345,001	350,000	350,000	0.583
1	350,001	355,000	352,000	0.587
1	360,001	365,000	364,000	0.607
1	365,001	370,000	370,000	0.617
1	385,001	390,000	386,575	0.644
1	470,001	475,000	471,000	0.785
1	540,001	545,000	540,339	0.901
2	700,001	705,000	1,405,500	2.343
1	705,001	710,000	707,800	1.180
1	720,001	725,000	723,000	1.205
1	1,120,001	1,125,000	1,121,500	1.869
1	1,125,001	1,130,000	1,127,736	1.880
1	1,155,001	1,160,000	1,156,500	1.928
1	1,500,001	1,505,000	1,505,000	2.508
1	1,545,001	1,550,000	1,548,000	2.580
1	2,030,001	2,035,000	2,034,721	3.391
1	2,100,001	2,105,000	2,101,500	3.503
1	2,175,001	2,180,000	2,175,975	3.627
1	3,160,001	3,165,000	3,163,500	5.273
2	3,610,001	3,615,000	7,224,667	12.041
1	4,490,001	4,495,000	4,490,573	7.484
1	4,510,001	4,515,000	4,512,500	7.521
1849			**60,000,000**	**100.000**

D S Industries Limited
Categories of Shareholders
As At June 30, 2016

Categories	Number	Shares Held	Percentage
Associated Companies & Related Parties			
Pervez Ahmed Securities Limited	1	3,614,000	6.023
D.S.Textiles Limited	1	2,944,221	4.907
D.S.Apparel (Pvt.) Limited	1	6,000	0.010
Ali Pervez Capital (pvt.) Limited	1	18	0.000
Infinite Securities Limited	1	1,156,500	1.928
Pervez Ahmed Capital (Pvt.) Limited	1	1,548,000	2.580
Chief Executive & Directors			
Mr. Pervez Ahmed - Chief Executive	1	7,914,000	13.190
Mr. Ali Pervez Ahmed	1	3,610,667	6.018
Mr. Hassan Ibrahim Ahmed	1	2,564,717	4.275
Mr. Suleman Ahmed	1	1,174,166	1.957
Mr. Atta Ur Rehman	1	2,000	0.003
Mr. Muntazir Mehdi	1	500	0.001
Mr. Muhammad Yousaf	1	1,000	0.002
Mrs. Rahana Pervez Ahmed	1	1,825,500	3.043
NIT & ICP	1	344,882	0.575
Banks, DFI and NBFI	4	546,088	0.910
Insurance Companies	1	31,985	0.053
General Public (Local)	1,781	31,830,475	53.051
General Public (Foreign)	29	639,730	1.066
Joint Stock Companies	17	161,501	0.269
Others	2	84,050	0.140
Total	**1849**	**60,000,000**	**100.000**

Detail of Shareholding of 5% and above.	Shares Held	Percentage
Pervez Ahmed Securities Limited - Associated Undertaking	3,614,000	6.023
Mr. Pervez Ahmed - Chief Executive	7,914,000	13.190
Mr. Ali Pervez Ahmed - Director	3,610,667	6.018

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 2016

Signed this -- day of ---2016

Witnesses:

Signature	____________	____________
Name	____________	____________
Address	____________	____________
CNIC No./ Passport No.	____________	____________

Five
Rupees
Revenue
Stamp

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.
   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.

Registered Office: 20-K Gulberg II, Lahore.

Ph: (042) 3575 9621, 3575 9464, 3571 4810

Fax: (042) 3571 0312