2014

ANNUAL REPORT

D.S INDUSTRIES LIMITED

CONTENTS

COMPANY INFORMATION

Board of Directors	Mr. Pervez Ahmed Mr. Ali Pervez Ahmed Mr. Hassan Ibrahim Ahmed Mr. Suleman Ahmed Mr. Atta ur Rehman Mr. Muhammad Yousuf Mr. Muntazir Mehdi	Chief Executive
Audit Committee	Mr. Atta ur Rehman Mr. Muhammad Yousuf Mr. Muntazir Mehdi	Chairman
HR and Remuneration Committee	Mr. Ali Pervez Ahmed Mr. Atta ur Rehman Mr. Muntazir Mehdi	Chairman
Chief Financial Officer	Mr. Qamar ul Zaman	
Company Secretary	Mr. Salman Farooq	
Auditors	M/s Horwath Hussain Chaudhury & Co. Chartered Accountants	
Legal Advisor	Cornelius, Lane & Mufti Advocates & Solicitors	
Banks	Burj Bank Limited MCB Bank Limited Habib Bank Limited Askari Bank Limited KASB Bank Limited Meezan Bank Limited Bank Al-Falah Limited Bank Al-Habib Limited NIB Bank Limited Al Baraka Bank (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-forth 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 Friday October 31, 2014 at 4:00 p.m. to transact the following business:-

1 To confirm the minutes of last Annual General Meeting held on October 31, 2013.

2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2014 together with Directors' and Auditors' reports thereon.

3. To appoint Auditors of the Company for the year 2014-2015 and to fix their remuneration. The present Auditors M/s Horwath Hussain Chaudhury & Co. - Chartered Accountants, retire and being eligible offered themselves for the re-appointment.

BY ORDER OF THE BOARD

Lahore
October 09, 2014

Salman Farooq
(Company Secretary)

Notes:-

1 The share transfer books of the Company will remain close from October 25, 2014 to October 31, 2014 (BOT DAYS INCLUSIVE)

2 A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend the meeting and vote for him / her. Proxies in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.

3 Shareholders are required to immediately notify the Registrar of any change in their postal addresses.

4 Account holders and sub-account holders holding book entry securities in respect of the shares of the Company in Central Depository Company of Pakistan Limited, who wish to attend the General Meeting are requested to bring their original Computerized National Identity Cards for identification purpose.

DIRECTORS' REPORT

DIRECTORS' REPORT

The Board of Directors of D.S. Industries Limited is pleased to present the Company's Thirty-Fourth Annual Report which includes the Audited Financial Statements of the Company together with the Auditor's report thereon for the year ended June 30, 2014.

Financial Results of the Company

Overall financial results of the Company were depressing than the last year mainly due to decrease in yarn prices and increase in raw material prices. Moreover, there is an increase of 27% in power cost in spite of electricity loadsheding which suffered our production. During the year ended June 30, 2014 the Company earned gross profit of Rs. 12.804 million as compared to gross profit of Rs. 162.846 million in the last year, whereas loss before taxation for the year was amounting to Rs. 45.624 million as compared to profit of Rs. 127.75 million in last year.

Dividend

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

Book Closure

The Share Transfer Books of the Company will remain closed and no transfer of shares will be accepted for registration from October 25, 2014 to October 31, 2014 (both days inclusive). Transfer received by our Shares Registrar, M/s THK Associates (Pvt.) Limited - Ground Floor, State Life Building No 3, Dr. Ziauddin Ahmed Road, Karachi at the close of business on October 24, 2014 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, 2014, 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 industry is the most important manufacturing sector of Pakistan and has the longest production chain, with inherent potential for value addition at each stage of processing. Although there are adverse business conditions in Pakistan, but this sector has contributed upto a significant extent towards the foreign currency inflows. Increase in production cost, prolonged power & gas shut downs have made it very difficult for the industry to survive and compete. However, the management foresee favourable condition coming ahead.

Number of Board Meetings Held

Five meetings of the Board of Directors were held during the year ended June 30, 2014 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	4 attendance
Mr. Suleman Ahmed	Director	4 attendance
Mr. Atta ur Rehman	Director	5 attendance
Mr. Muhammad Yousuf	Director	5 attendance
Mr. Muntazir Mehdi	Director	4 attendance

Statement of Ethics & Business Practices

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

Auditors

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

Audit Committee

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

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

Meetings of the Audit Committee were held during the year ended June 30, 2014 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 incurred net loss of Rs. 48.391 million during the year and has accumulated losses of Rs. 989.761 million as at the balance sheet date. The current liabilities of the Company exceeds its current assets by Rs. 347.718 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 9, 2014

Pervez Ahmed
Chief Executive

FINANCIAL HIGHLIGHTS

	2014 Rupees	2013 Rupees	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees
PROFIT AND LOSS ACCOUNT						
Sales	1,130,585,280	1,085,828,414	943,573,213	1,225,420,154	913,016,420	653,735,563
Cost of sales	(1,117,780,808)	(922,982,233)	(904,366,622)	(1,286,566,454)	(803,135,078)	(652,940,299)
Gross Profit	12,804,472	162,846,181	39,206,591	(61,146,300)	109,881,342	795,264
Operating expenses:						
- Distribution cost	2,294,780	5,961,460	7,260,969	5,663,082	6,014,064	1,245,047
- Administrative expenses	39,044,110	42,058,904	22,101,885	21,728,594	19,305,063	20,959,913
	(41,338,890)	(48,020,364)	(29,362,854)	(27,391,676)	(25,319,127)	(22,204,960)
Operating (Loss) / Profit	(28,534,418)	114,825,817	9,843,737	(88,537,976)	84,562,215	(21,409,696)
Finance cost	(2,675,550)	(33,567,924)	(42,922,672)	(102,170,425)	(88,072,228)	(130,200,472)
Other operating expenses	(9,358,678)	(4,323,136)	(7,160,599)	(382,173)	(715,455)	(491,336,268)
(Impairment loss) / reversal of impairment on investment in associates - net	(23,157,422)	19,568,789	530,735	(6,819,894)	(18,323,616)	(224,044,697)
Other income	1,239,342	1,364,786	14,170,275	1,183,659	332,623	319,232
Share of net profit of associated companies	16,862,535	29,881,862	(2,517,278)	(2,173,120)	(6,420,719)	(121,404,372)
(Loss) / Profit before Taxation	(45,624,191)	127,750,194	(28,055,802)	(198,899,929)	(28,637,180)	(988,076,273)
Taxation	(2,766,647)	14,278,310	6,195,060	6,867,634	5,255,241	3,941,169
Net (Loss) / Profit for the Year	(48,390,838)	142,028,504	(21,860,742)	(192,032,295)	(23,381,939)	(984,135,104)
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	486,196,255	592,438,557	340,951,167	325,313,426	321,028,217	309,261,000
Property, plant and equipment	436,192,675	437,429,417	480,092,648	538,857,398	596,566,149	610,505,310
Capaital work in progress	-	19,169,784	-	-	-	40,994,253
Current assets	114,164,666	160,902,382	85,161,523	131,778,104	122,465,926	139,877,013
Current liabilities	461,883,147	387,426,188	663,543,708	873,105,546	746,861,564	641,746,028
KEY FINANCIAL RATIOS						
Gross profit / (loss) ratio (%)	1.13	15.00	4.16	(4.99)	12.03	0.12
Operating (loss) / profit ratio (%)	(2.52)	10.57	1.04	(7.23)	9.26	(3.27)
Net (loss) / profit ratio (%)	(4.28)	13.08	(2.32)	(15.67)	(2.56)	(150.54)
(Loss) / earning per share	(0.81)	2.37	(0.36)	(3.20)	(0.39)	(16.40)
Fixed assets turnover	2.59	2.48	1.97	2.27	1.53	1.07

Statement of Compliance With Best Practices of Code of Corporate Governance For The Year Ended June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (CoCG) contained in Listing Regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Company has applied the principles contained in the Code of Corporate Governance in the following manner:

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

   Name of Director and Category

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

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI or being a member of a stock exchange has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the board during the year.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non executive directors, have been taken by the board.

8. The meetings of the board were presided over by the Chairman and in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the Board meetings, along with agenda were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Directors' training program was not conducted during the year, however the management has taken steps to ensure that directors certify this program this year.

10. The Board has not yet put in place a mechanism for annual evaluation of its own performance. But is in the process of finalization.

11. The directors' report for this year has been prepared in compliance with the requirements of the CoCG 2012 and fully describes the salient matters required to be disclosed.

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

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CoCG.

15. The board has formed an Audit Committee which comprises of three members who are Non-Executive Directors.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CoCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed Human Resource and Remuneration Committee and is comprises on three Non-Executive Directors including the chairman of the committee.

18. The Board has set-up an effective internal audit function.

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

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

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

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

23. There were no new appointments of CFO, Company Secretary or head of internal audit during the year.

24. We confirm that all material principles contained in the CoCG been complied with.

For and on behalf of
Board of Directors

Lahore.
October 9, 2014

Pervez Ahmed
Chief Executive

Crowe Horwath.

Horwath Hussain Chaudhury & Co.
Member Crowe Horwath International

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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the 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. Industries Limited for the year ended June 30, 2014 to comply with requirements of the Listing Regulation No. 35 (Chapter XI) of both the Karachi Stock Exchange and Lahore Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code 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 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 the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

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

Serial No.:	**Description**
9	Directors' training program was not conducted during the year.
10	The Board has yet not put in place a mechanism for annual evaluation of its own performance.

Horwath Hussain Ch Co.

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

Lahore
Dated : October 9, 2014

(Engagement Partner: Muhammad Nasir Muneer)

Crowe Horwath.

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of D.S. Industries Limited as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion;

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the loss, total comprehensive loss, 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).

Audit | Tax | Advisory | Consulting | Outsourcing

Crowe Horwath.

We draw attention to Note 1.2 to the financial statements, which indicates that the Company has incurred net loss of Rs. 48.391 million during the year and has accumulated losses of Rs. 989.761 million as at the balance sheet date. The current liabilities of the Company exceed its current assets by Rs. 347.718 million and its total liabilities exceed its total assets by Rs. 287.773 million as at the balance sheet date. These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified with regard to this matter.

Horwath Hussain Ch Co.

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

Lahore
Dated : October 9, 2014

(Engagement Partner: Muhammad Nasir Muneer)

BALANCE SHEET AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees Restated	2012 Rupees Restated
CAPITAL AND LIABILITIES				
Share Capital and Reserves				
Authorized capital: 100,000,000 (2013: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital	5	600,000,000	600,000,000	600,000,000
Accumulated loss		(989,760,578)	(950,643,725)	(1,101,607,672)
		(389,760,578)	(350,643,725)	(501,607,672)
Surplus on Revaluation of Property, Plant and Equipment	6	101,987,403	99,821,719	107,472,387
Non Current Liabilities				
Long term financing	7	486,196,255	592,438,557	340,951,167
Staff retirement benefits	8	15,125,814	14,104,069	9,967,785
Deferred tax liability	9	28,057,189	33,781,551	54,902,921
		529,379,258	640,324,177	405,821,873
Current Liabilities				
Trade and other payables	10	339,321,191	294,790,830	246,544,515
Accrued mark up on long term financing	11	535,100	706,817	112,998,228
Short term borrowings	12	-	-	220,175,526
Current and overdue portion of long term financing	7	110,721,003	86,501,004	74,391,312
Provision for taxation	13	11,305,853	5,427,537	9,434,127
		461,883,147	387,426,188	663,543,708
Contingencies and Commitments	14	-	-	-
		703,489,230	776,928,359	675,230,296

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

CHIEF EXECUTIVE

BALANCE SHEET AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees Restated	2012 Rupees Restated
ASSETS				
Non Current Assets				
Property, plant and equipment	15	436,192,675	456,599,201	480,092,648
Long term investments	16	134,059,495	140,354,382	90,903,731
Long term deposits	17	19,072,394	19,072,394	19,072,394
		589,324,564	616,025,977	590,068,773
Current Assets				
Stores and spares	18	1,372,437	1,413,376	464,981
Stock in trade	19	27,355,669	37,454,353	26,823,270
Trade debts	20	72,630,475	49,445,960	23,808,901
Advances and prepayments	21	4,177,123	4,545,957	3,912,191
Short term investment	22	639,765	455,620	219,417
Tax refunds due from the Government	23	5,272,474	7,814,832	14,209,867
Cash and bank balances	24	2,716,723	59,772,284	15,722,896
		114,164,666	160,902,382	85,161,523
		703,489,230	776,928,359	675,230,296

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees Restated
Sales	25	1,130,585,280	1,085,828,414
Cost of sales	26	(1,117,780,808)	(922,982,233)
Gross Profit		12,804,472	162,846,181
Operating expenses			
- Distribution cost	27	2,294,780	5,961,460
- Administrative expenses	28	39,044,110	42,058,904
		(41,338,890)	(48,020,364)
Operating (Loss) / Profit		(28,534,418)	114,825,817
Finance cost	29	(2,675,550)	(33,567,924)
Other operating expenses	30	(9,358,678)	(4,323,136)
(Impairment loss) / reversal of impairment on investment in associates - net	16	(23,157,422)	19,568,789
Other income	31	1,239,342	1,364,786
Share of net profit of associated companies	16	16,862,535	29,881,862
		(17,089,773)	12,924,377
(Loss) / Profit before Taxation		(45,624,191)	127,750,194
Taxation	32	(2,766,647)	14,278,310
Net (Loss) /Profit for the Year		(48,390,838)	142,028,504
(Loss) / Earning per Share - Basic and Diluted	33	(0.81)	2.37

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

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	Rupees	Rupees Restated
Net (Loss) / Profit for the Year	(48,390,838)	142,028,504
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Remeasurement of retirement benefits liability - net of tax	1,040,053	(77,211)
Total Comprehensive (Loss) / Income for the Year	(47,350,785)	141,951,293

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

CHIEF EXECUTIVE **DIRECTOR**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	2014 Rupees	2013 Rupees Restated
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(45,624,191)	127,750,194
Adjustments for:		
- Depreciation	43,404,136	46,024,231
- Impairment loss / (reversal of impairment) on investment in associates - net	23,157,422	(16,595,128)
- Gain on disposal of property plant and equipment	(357,761)	-
- Gain on remeasurement of investment at fair value through profit or loss	(184,145)	(236,203)
- Provision for gratuity	7,945,753	7,029,661
- Provision for doubtful debts	8,895,369	
- Excess markup written back	-	(661,999)
- Share of net profit of associated companies	(16,862,535)	(32,855,523)
- Interest on workers' (profit) participation fund	409,829	-
- Loss on revaluation in excess of revaluation surplus	43,309	-
- Provision for workers' (profit) participation fund	-	3,903,136
- Finance cost	2,265,721	33,567,924
	68,717,098	40,176,099
Operating Profit before Working Capital Changes	23,092,907	167,926,293
(Increase) / decrease in current assets:		
- Stores and spares	40,938	(948,395)
- Stock in trade	10,098,684	(10,631,083)
- Trade debts	(32,079,884)	(25,637,059)
- Advances and prepayments	368,834	(633,766)
- Tax refunds due from the Government	1,696,323	407,188
Increase / (decrease) in current liabilities:		
- Trade and other payables	44,120,532	44,457,373
	24,245,427	7,014,258
Cash Generated from Operations	47,338,334	174,940,551
Income tax paid	(4,583,107)	(3,475,192)
Finance cost paid	(2,437,438)	(995,790)
Gratuity paid	(5,371,688)	(2,995,213)
Workers' (profit) participation fund paid	-	(114,194)
	(12,392,233)	(7,580,389)
Net Cash generated from Operating Activities	34,946,101	167,360,162
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	-	(3,361,000)
Capital work in progress	(10,459,359)	(19,169,784)
Proceeds from disposal of property, plant and equipment	480,000	-
Net Cash used in Investing Activities	(9,979,359)	(22,530,784)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing	(82,022,303)	(100,779,990)
Net Cash used in Financing Activities	(82,022,303)	(100,779,990)
Net (Decrease) / Increase in Cash and Cash Equivalents	(57,055,561)	44,049,388
Cash and cash equivalents at the beginning of the year	59,772,284	15,722,896
Cash and Cash Equivalents at the End of the Year	2,716,723	59,772,284

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

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Share Capital	Accumulated Loss	Total
	Rupees	Rupees	Rupees
Balance as at June 30, 2012 as previously reported	600,000,000	(1,100,957,741)	(500,957,741)
Effect of change in accounting policy (Note - 3)	-	(649,931)	(649,931)
Restated balance as at June 30, 2012	600,000,000	(1,101,607,672)	(501,607,672)
Net profit for the year ended June 30, 2013	-	142,028,504	142,028,504
Other comprehensive income for the year ended June 30, 2013	-	(77,211)	(77,211)
Total comprehensive income for the year	-	141,951,293	141,951,293
Transfer from surplus on revaluation of property, plant and equipment (net of deferred tax) in respect of incremental depreciation - net of deffered tax for the year ended June 30, 2013.	-	9,012,654	9,012,654
Restated balance as at June 30, 2013	600,000,000	(950,643,725)	(350,643,725)
Balance as at June 30, 2013 as previously reported	600,000,000	(949,916,994)	(349,916,994)
Effect of change in accounting policy (Note - 3)	-	(726,731)	(726,731)
Restated balance as at June 30, 2013	600,000,000	(950,643,725)	(350,643,725)
Net loss for the year ended June 30, 2014	-	(48,390,838)	(48,390,838)
Other comprehensive income for the year ended June 30, 2014	-	1,040,053	1,040,053
Total comprehensive income for the year	-	(47,350,785)	(47,350,785)
Transfer from surplus on revaluation of property, plant and equipment (net of deferred tax) in respect of incremental depreciation - net of deffered tax for the year ended June 30, 2014.	-	8,233,932	8,233,932
Balance as at June 30, 2014	600,000,000	(989,760,578)	(389,760,578)

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

CHIEF EXECUTIVE **DIRECTOR**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 1
The Company and its Activities

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

1.2 Going concern assumption

The Company has incurred net loss of Rs. 48.391 million during the year and has accumulated loss of Rs. 989.761 million (2013: Rs. 950.644 million) as at the balance sheet date. The current liabilities of the Company exceed its current assets by Rs. 347.718 million (2013: Rs. 226.524 million) and its total liabilities exceed its total assets by Rs. 287.773 million (2013: 250.822 million) as at the balance sheet date. These factors raise doubts about the Company being a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

However, any adjustments relating to the recoverability of recorded assets and liabilities have not been incorporated in these financial statements as the management is confident to obtain continuous support from its sponsoring directors. Further, the directors have injected Rs. 29.250 million in the Company, subsequent to the balance sheet date, to repay the outstanding liability of KASB Bank Limited (refer to Note 7.1). Moreover, suits filed by KASB Bank Limited and Askari Bank Limited have also been withdrawn in the favour of the Company owing to the repayment of long term financing as per the repayment schedule. Keeping in view all these factors, the going concern assumption is considered appropriate and, therefore, these financial statements have been prepared on a going concern basis.

Note 2
Basis of Preparation

2.1 Statement of compliance

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

Note 2, Basis of preparation - Contd...

2.2 Basis of measurement

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

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

2.3 Use of estimation and judgments

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

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

2.4 Functional and presentation currency

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

2.5 Changes in accounting standards, interpretations and pronouncements

2.5.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year and relevant

Revision / improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IAS 1, Presentation of financial statements	January 1, 2013
- IAS 16, Property, plant and equipment	January 1, 2013
- IAS 32, Financial instruments: Presentation	January 1, 2013
- IAS 34, Interim financial reporting	January 1, 2013
- IAS 19, Employee Benefits (Amendements)	January 1, 2013

Note 2, Basis of preparation - Contd...

2.5.2 Standards, interpretations and amendments to approved accounting standards which became effective during the year but are not relevant

Revision / improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IAS 27 (Revised), 'Separate financial statements'	January 1, 2013
- IAS 28 (Revised), 'Associates and joint ventures'	January 1, 2013
- IFRS 1 (Amendment), 'First time adoption' on government loans	January 1, 2013
- IFRS 7 (Amendment), 'Financial instruments: Disclosures' on offsetting financial assets and financial liabilities	January 1, 2013

The following new standards have been issued by the IASB and notified by the SECP for application in Pakistan but their applicability starts from the annual period beginning on or after January 01, 2015.

- IFRS 10, 'Consolidated financial statements'	January 1, 2013
- IFRS 11, 'Joint arrangements'	January 1, 2013
- IFRS 12, 'Disclosures of interest on other entities'	January 1, 2013
- IFRS 13, 'Fair value measurement'	January 1, 2013

2.5.3 Standards, interpretations and amendments to approved accounting standards that are relevant but not yet effective

Revision / improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IFRIC 21, 'Levies'	January 1, 2014
- IAS 32 (Amendment), 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities	January 1, 2014
- IAS 36 (Amendment), 'Impairment of assets'	January 1, 2014
- Annual improvements 2012 cycle	July 1, 2014
- IAS 24 (Amendment), 'Related parties'	July 1, 2014

2.5.4 Standards, interpretations and amendments to approved accounting standards that are not relevant and not yet effective

Revision / improvements / amendments to IFRS and	Effective Date (Period beginning on or after)
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' on novation of derivatives and hedge accounting	January 1, 2014
- Annual improvements 2010-2012 and 2011-2013 cycle	July 1, 2014
- IFRS 9, 'Financial instruments'	January 1, 2015
- IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
- IFRS 15, 'Revenue from contracts'	January 1, 2017
- Agriculture: Bearer plants [amendment to IAS 16 and IAS 41]	January 1, 2016

Note 3

Change in Accounting Policy

Except fo: the changes stated below, the Company has consistently applied the accounting policies, as set out in Note 4, to all periods presented in these financial statements. The Company has adopted the amendments in IAS-19 (Employee Benefits), including any consequential amendments to other standards, effective from July 01, 2013 that has resulted in change in accounting policy. Major changes introduced by the revised Standard are as follows:

i) Past service cost to be recognized immediately in the profit and loss account.

ii) Interest cost on defined benefit obligation and the expected return on plan assets with a net interest cost based on net defined benefit asset or liability and the discount rate to be measured at the beginning of the year.

iii) Remeasurement of net defined benefit liability / asset comprising the actuarial gain / losses and the difference between the actual return on investments and return implied by net interest cost.

iv) Recognition of remeasurement immediately in other comprehensive income.

The management has adopted IAS-19 - Employee Benefits (revised) and changed its accounting policy retrospectively in accordance with IAS-8 'Accounting Policies, Changes in Accounting Estimates and Errors' resulting in restatement of financial statements of prior periods. Corresponding period adjustments and restatements have been incorporated in the balance sheet, statement of comprehensive income and statement of changes in equity. The effect of change in the accounting policy is as under:

	2013	2012
	Rupees	Rupees
Effect on Balance Sheet		
Reserves		
As previously reported	(949,916,994)	(1,100,957,741)
Effect of change in accounting policy	(726,731)	(649,931)
As restated	(950,643,725)	(1,101,607,672)
Staff retirement benefits		
As previously reported	13,002,962	8,967,891
Effect of change in accounting policy	1,101,107	999,894
As restated	14,104,069	9,967,785
Deferred taxation		
As previously reported	34,155,927	55,252,884
Effect of change in accounting policy	(374,376)	(349,963)
As restated	33,781,551	54,902,921

Note 3, Change in Accounting Policy - Contd...

	2013	2012
	Rupees	Rupees
Effect on other comprehensive income		
Remeasurement of defined benefit liability recognised in other comprehensive income	(101,836)	(999,894)
Less: Related deferred tax	24,625	349,963
	(77,211)	(649,931)
Effect on the profit and loss account		
Reversal of actuarial gain recognised during the year	623	-
Less: Related deferred tax	(212)	-
	411	-

Note 4

Summary of Significant Accounting Policies

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

4.1 Provisions

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

4.2 Staff retirement benefits

The Company operates an unapproved and unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under this scheme after the completion of a prescribed qualifying period of service. The Company's obligation under the scheme is determined through actuarial valuations carried out under the "Projected Unit Credit Method". Actuarial valuations are carried out annually and the latest valuation was carried out as at June 30, 2014. Based upon this actuarial valuation the Company has accounted for the provision for gratuity and current service cost.

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

Discount rate	13.25%
Expected rate of salary increase in future years	12.25%
Average expected remaining working life time of employees	5.59 years
Expected mortality for active members	As per SLIC (2001-05) mortality table
Actuarial valuation method	Projected Unit Credit Method

4.3 Taxation

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

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

Current

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

Deferred

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

4.4 Trade and other payables

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

4.5 Property, plant and equipment

Owned

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

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

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

Capital work-in-progress

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

4.6 Impairment

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

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

4.7 Investments

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

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

Investment in associates

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

Other investments

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

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

At fair value through profit and loss

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

Held to maturity

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

Available for sale

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

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

4.8 Stores and spares

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

4.9 Stock in trade

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

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

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

4.10 Trade debts

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

4.11 Cash and cash equivalents

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

4.12 Borrowing costs

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

4.13 Foreign currency transactions and translation

Transactions denominated in foreign currencies are initially recorded at Pak Rupees by applying the foreign exchange rate ruling on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rate prevailing at the balance sheet date. Exchange differences are included in income currently.

4.14 Financial instruments

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

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

4.15 Off-setting of financial assets and financial liabilities

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

4.16 Segment reporting

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

4.17 Related party transactions

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices determined in accordance with the Company's policy.

4.18 Revenue recognition

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

4.19 Dividend

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

Note 5

Issued, Subscribed and Paid up Capital

2014	2013		2014	2013
Number of Shares			Rupees	Rupees
30,000,000	30,000,000	Ordinary shares of Rs. 10 each fully paid in cash	300,000,000	300,000,000
30,000,000	30,000,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	300,000,000	300,000,000
60,000,000	60,000,000		600,000,000	600,000,000

5.1 10,268,739 (2013: 10,707,554) shares of the Company are held by its associates.

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

Note 6

Surplus on Revaluation of Property, Plant and Equipment

	2014	2013
	Rupees	Rupees
Land		
Opening balance	18,707,832	18,707,832
Revaluation during the year	2,008,000	-
	20,715,832	18,707,832
Building		
Opening balance	24,390,426	26,689,860
Effect of change in deferred tax liability due to change in tax rate	369,552	410,613
Incremental depreciation - net of deferred tax	(2,475,998)	(2,710,047)
Revaluation during the year - net of deferred tax	35,960,824	-
	58,244,804	24,390,426
Plant and machinery		
Opening balance	54,255,477	59,374,039
Effect of change in deferred tax liability due to change in tax rate	818,485	909,824
Incremental depreciation - net of deferred tax	(5,507,396)	(6,028,386)
Revaluation during the year - net of deferred tax	(26,539,799)	-
	23,026,767	54,255,477
Electric installations		
Opening balance	2,467,984	2,700,656
Effect of change in deferred tax liability due to change in tax rate	37,394	41,549
Incremental depreciation - net of deferred tax	(250,538)	(274,221)
Revaluation during the year - net of deferred tax	(2,283,857)	-
Revaluation loss in excess of revaluation surplus charged to profit and loss account - net of deferred tax	29,017	-
	-	2,467,984
	101,987,403	99,821,719

6.1 Revaluation of property, plant and equipment was carried out by an independent valuer as on June 30, 2014 that resulted in revaluation surplus of Rs. 12.660 million. The following basis of revaluation were used for this purpose:

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

Note 7
Long Term Financing

	Note	2014 Rupees	2013 Rupees
Loan from banking companies - Secured			
Restructured term finance - KASB Bank Limited:	7.1		
- Outstanding principal		150,357,668	176,857,494
- Freezed mark up		120,532,928	120,592,928
		270,890,596	297,450,422
Restructured term finance - Askari Bank Limited:	7.2		
- Outstanding principal		17,872,550	25,099,197
- Freezed mark up		12,276,262	12,276,262
		30,148,812	37,375,459
Restructured demand finance - MCB Bank Limited:	7.3		
- Outstanding principal		80,225,608	100,165,608
- Freezed mark up		85,042,584	85,042,584
		165,268,192	185,208,192
Restructured musharika finance - Burj Bank Limited:	7.4		
- Outstanding principal		108,203,100	133,203,100
- Freezed mark up		21,372,231	21,372,231
		129,575,331	154,575,331
Term loan facility - Habib Bank Limited	7.5	1,034,327	4,330,157
		596,917,258	678,939,561
Less: Current and overdue portion		(110,721,003)	(86,501,004)
		486,196,255	592,438,557

7.1 This represents short term borrowings from KASB Bank Limited that were restructured into term finance during the year 2013. The bank restructured the outstanding principal and associated mark-up on the following terms and conditions:

- The entire outstanding principal and mark up shall be settled at Rs. 77.143 million and the liabilities of Rs. 220.307 million shall be waived off on successful repayment of this amount.
- The outstanding balance of Rs. 77.143 million shall be repayable in 24 monthly installments of Rs. 1.60 million each starting from September 2012. The balance amount of Rs. 38.743 million shall be repayable on August 30, 2014 in lump sum.
- 90 days grace period shall be allowed for any late payment failing which the total liability shall become due and payable.
- This facility is secured against quoted shares portfolio of the Company and ranking charge over present and future current assets to the extent of Rs. 267 million.
- The outstanding principal of Rs. 34.643 million has been paid off subsequent to the balance sheet date.

Note 7, Long Term Financing - Contd...

7.2 This represents short term borrowings from Askari Bank Limited that were restructured in 2013 into term finance. The bank restructured the outstanding principal and associated mark-up on the following terms and conditions:

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

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

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

The facility is secured against :

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

Note 7, Long Term Financing - Contd...

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

- Rs. 40 million was repaid to the bank till July 2012 and the remaining liability was to be repaid in monthly installments of Rs. 2.5 million each commencing from August 2012. Upon repayment of Rs. 141.103 million, Rs. 60 million outstanding principal shall be waived off by the bank.

- Markup till January 31, 2012 amounting to Rs. 21.372 shall be freezed and no further markup shall be recorded. Freezed mark up shall be waived off subject to timely repayment of principal liability of Rs. 141.103 million.

- If default is made in repayment of installments according to repayment schedule, the bank shall withdraw the entire financial relief provided and recover entire principal along with outstanding markup.

- The facility is secured against first pari passu hypothecation charge over plant and machinery upto Rs. 268 million.

7.5 This term loan facility was created as a result of restructuring of outstanding balance of short term running finance of Rs. 9.43 million by Habib Bank Limited during the year 2013. It carries mark up at 7% (2013: 7%) per annum, payable on monthly basis. The facility is repayable in 15 monthly installments commencing from April 2010. In 2013, the bank has revised the repayment plan to 24 monthly installments commencing from September 2012.

Note 8
Staff Retirement Benefits

	Note	2014 Rupees	2013 Rupees Restated
Staff retirement benefits	8.1	15,125,814	14,104,069

8.1 Latest actuarial valuation in respect of employees' gratuity scheme was carried out as at June 30, 2014 by an independent actuary using the significant assumptions mentioned in Note 4.2. Closing liability and charge for the current year have been provided on the basis of actuarial estimates provided by the actuary.

8.2 Company's liability

	Note	2014	2013
Opening balance		14,104,069	9,967,785
Remeasurement chargeable in other comprehensive income		(1,552,320)	101,836
Charge for the year	8.4	7,945,753	7,029,661
		20,497,502	17,099,282
Benefits paid to outgoing employees		(5,371,688)	(2,995,213)
Closing balance		15,125,814	14,104,069

Note 8, Staff Retirement Benefits - Contd...

		2014	2013
		Rupees	Rupees Restated
8.3	**Present value of defined benefit obligation**	15,125,814	14,104,069
8.4	**Charge for the year**		
	Current service cost	6,662,247	5,833,527
	Interest cost	1,283,506	1,196,134
		7,945,753	7,029,661
8.5	**Allocation of charge**		
	Cost of Sales	6,356,602	5,623,729
	Administrative expenses	1,589,151	1,405,932
		7,945,753	7,029,661

8.6 Year end sensitivity analysis on defined benefit obligation

Reasonably possible changes at the balance sheet date to one of the relevant actuarial assumptions, holding other assumptions constant, would have resulted in defined benefit obligation as stated below.

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption Rupees	Decrease in assumption Rupees
Discount rate	1%	14,274,845	16,096,301
Salary increase	1%	16,171,888	14,192,787

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

Year	Present Value of Defined Benefits Obligation	Plan Assets	Deficit
	Rupees	Rupees	Rupees
2014	15,125,814	-	15,125,814
2013	14,104,069	-	14,104,069
2012	8,967,891	-	8,967,891
2011	7,215,551	-	7,215,551
2010	3,825,496	-	3,825,496

Note 9

Deferred Tax Liability

	2014 Rupees	2013 Rupees Restated
Credit / (debit) balance arising in respect of:		
- Accelerated tax depreciation	58,806,770	62,569,369
- Surplus on revaluation of property, plant and equipment	39,899,014	41,664,641
- Recognized losses	(65,657,076)	(65,657,076)
- Staff retirement benefits	(4,991,519)	(4,795,383)
	28,057,189	33,781,551

9.1 The Company, being prudent, has not accounted for deferred tax asset amounting to Rs. 61.046 million (2013: Rs. 38.160 million) on tax losses, investment in associates and provision for doubtful debts.

Note 10

Trade and Other Payables

	Note	2014 Rupees	2013 Rupees
Creditors		91,179,386	40,443,959
Payable to stock broker		171,189,424	171,189,424
Accrued liabilities		29,730,197	44,225,642
Advances from customers		23,840,640	29,131,345
Due to associated undertakings		10,305,333	-
Workers' (profit) participation fund	10.1	4,312,965	3,903,136
Income tax withheld		5,686,215	3,108,784
Sales tax payable		2,739,468	2,450,977
Dividend payable		337,563	337,563
		339,321,191	294,790,830

10.1 Workers' (profit) participation fund

	2014	2013
Opening balance	3,903,136	114,194
Charge for the year	-	3,903,136
Interest on funds utilized in the Company's business	409,829	-
	4,312,965	4,017,330
Payment made during the year	-	(114,194)
	4,312,965	3,903,136

Note 11

Accrued Mark up

	2014 Rupees	2013 Rupees
Long term financing:		
- Habib Bank Limited	214,650	706,817
- Askari Bank Limited	320,450	-
	535,100	706,817

11.1 Owing to the restructuring of short term borrowing in the year 2013, the accrued mark up was transferred to long term financing (refer to Note 7.1 and 7.2).

Note 12
Short Term Borrowings

	Note	2014 Rupees	2013 Rupees
Banking companies - secured			
KASB Bank Limited	12.1	-	-
Askari Bank Limited	12.2	-	-
		-	-

12.1 KASB Bank Limited

	2014 Rupees	2013 Rupees
Opening balance	-	192,857,494
Transferred to long term financing (refer to Note 7.1)	-	(192,857,494)
Closing balance	-	-

12.2 Askari Bank Limited

	2014 Rupees	2013 Rupees
Opening balance	-	27,318,032
Transferred to long term financing (refer to Note 7.2)	-	(27,318,032)
Closing balance	-	-

Note 13
Provision for Taxation

	2014 Rupees	2013 Rupees
Opening balance	5,427,537	9,434,127
Add: Charge for the year	11,305,853	5,429,142
	16,733,390	14,863,269
Less: Payments / adjustments against advance tax	(5,427,537)	(9,435,732)
	11,305,853	5,427,537

13.1 Income tax assessments are deemed to be finalized up to Tax Year 2013 as these returns have been filed under self assessment scheme.

Note 14
Contingencies and Commitments

Contingencies

There are no material contingencies outstanding as at the balance sheet date (2013: Rs. 273.241 million).

Commitments

There are no material commitments outstanding as at the balance sheet date (2013: Nil).

Note 15
Property, Plant and Equipment

	Note	2014 Rupees	2013 Rupees
Operating fixed assets		436,192,675	437,429,417
Capital work-in progress	15.3	-	19,169,784
		436,192,675	456,599,201

Year ended June 30, 2014

Particulars	Cost / Revalued Amounts				Rate	Accumulated Depreciation				Written Down Value
	As at 01.07.2013	Additions / (Disposals)	Revaluation adjustments	As at 30.06.2014		As at 01.07.2013	Charge for the year	Revaluation adjustments	As at 30.06.2014	as at30.06.2014
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees
Land - freehold	24,090,000	-	2,008,000	26,098,000	-	-	-	-	-	26,098,000
Buildings on freehold land:										
- Factory	148,488,301	-	44,810,380 (64,583,481)	128,715,200	10	55,260,723	9,322,758	(64,583,481)	-	128,715,200
- Colony / Office block	15,636,210	-	8,862,492 (8,706,702)	15,792,000	10	7,936,757	769,945	(8,706,702)	-	15,792,000
Plant and machinery	462,496,760	29,629,143	(39,611,640) (202,923,263)	249,591,000	10	172,473,062	30,450,201	(202,923,263)	-	249,591,000
Electric installations	25,000,000	-	(3,408,742) (11,127,258)	10,464,000	10	9,585,842	1,541,416	(11,127,258)	-	10,464,000
Furniture and fixtures	206,900	-	-	206,900	10	124,141	8,276	-	132,417	74,483
Office and other equipment	1,212,555	-	-	1,212,555	10	569,360	64,320	-	633,680	578,875
Vehicles	10,354,875	(537,400)	-	9,817,475	20	4,106,299	1,247,220 (415,161)	-	4,938,358	4,879,117
Total Rupees June 30, 2014	687,485,601	29,629,143 (537,400)	12,660,490 (287,340,704)	441,897,130		250,056,184	43,404,136 (415,161)	(287,340,704)	5,704,455	436,192,675

Year ended June 30, 2013

Particulars	Cost / Revalued Amounts				Rate	Accumulated Depreciation				Written Down Value
	As at 01.07.2012	Additions / (Disposals)	Revaluation adjustments	As at 30.06.2013		As at01.07.2012	Charge for the year	Revaluation adjustments	As at30.06.2013	as at30.06.2013
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees
Land - freehold	24,090,000	-	-	24,090,000	-	-	-	-	-	24,090,000
Buildings on freehold land:										
- Factory	148,488,301	-	-	148,488,301	10	44,902,103	10,358,620	-	55,260,723	93,227,578
- Colony / Office block	15,636,210	-	-	15,636,210	10	7,081,262	855,495	-	7,936,757	7,699,453
Plant and machinery	462,496,760	-	-	462,496,760	10	140,248,207	32,224,855	-	172,473,062	290,023,698
Electric installations	25,000,000	-	-	25,000,000	10	7,873,158	1,712,684	-	9,585,842	15,414,158
Furniture and fixtures	206,900	-	-	206,900	10	114,945	9,196	-	124,141	82,759
Office and other equipment	1,212,555	-	-	1,212,555	10	497,894	71,466	-	569,360	643,195
Vehicles	6,993,875	3,361,000	-	10,354,875	20	3,314,384	791,915	-	4,106,299	6,248,576
Total Rupees June 30, 2013	684,124,601	3,361,000	-	687,485,601		204,031,953	46,024,231	-	250,056,184	437,429,417

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

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

	Note	2014 Rupees	2013 Rupees
Cost of sales	26	42,084,320	45,151,654
Administrative expenses	28	1,319,816	872,577
		43,404,136	46,024,231

15.3 Capital work-in progress

	2014	2013
Opening balance	19,169,784	19,169,784
Additions during the year	10,459,359	-
	29,629,143	19,169,784
Transfer to operating fixed assets	(29,629,143)	-
Closing balance	-	19,169,784

15.4 Disposal of property, plant and equipment

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain	Particulars of buyers	Mode of Disposal
	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles							
- Suzuki Alto	537,400	415,161	122,239	480,000	357,761	Shahid Imran Ansari	Negotiation

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

15.5 Revaluation of land, building, plant and machinery and electric installations was carried out by an independent valuer on June 28, 2014. Had there been no revaluation, the cost, accumulated depreciation and book values of revalued assets would have been as under:

	As at June 30, 2014		
	Cost	**Accumulated Depreciation**	**Book value**
	Rupees	Rupees	Rupees
Land - freehold	5,382,168	-	5,382,168
Buildings on freehold land	129,490,939	71,916,283	57,574,656
Plant and machinery	463,692,920	248,325,239	215,367,681
Electric installations	23,915,115	13,407,805	10,507,310

Note 16

Long Term Investments

	Note	2014 Rupees	2013 Rupees
Investment in associates under equity method			
Pervez Ahmed Securities Limited	16.1	32,677,008	34,876,422
Pervez Ahmed Capital (Private) Limited	16.2	101,382,487	105,477,960
		134,059,495	140,354,382

16.1 Pervez Ahmed Securities Limited

7,855,050 (2013: 7,855,050) ordinary shares of Rs. 10 each including 3,301,169 bonus shares (2013: 3,301,169 shares) Percentage of equity held 4.21% (2013: 4.21%)

Opening balance	34,876,422	13,196,484
Share of profit from associate	20,958,008	2,111,149
(Recognition) / Reversal of impairment	(23,157,422)	19,568,789
	32,677,008	34,876,422

16.1.1 The market value of investment as at June 30, 2014 is Rs. 32.677 million (2013: Rs. 34.876 million).

16.1.2 This investment is pledged with banking companies having an aggregate value of Rs. 32.421 million (2013: Rs. 34.603 million).

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

Total liability	686,071,623	674,947,376
Total assets	687,065,451	178,126,292
Operating loss	(2,468,774)	(8,833,255)
Net profit after tax	497,814,912	50,146,055

Note 16, Long Term Investments - Contd...

	2014	2013
	Rupees	Rupees
16.2 Pervez Ahmed Capital (Private) Limited		
7,727,000 (2013: 7,727,000) ordinary shares of Rs. 10 each Percentage of equity held 44.88% (2013: 44.88%)		
Opening balance	105,477,960	77,707,247
Share of (loss) / profit after tax of associate	(4,095,473)	27,770,713
	101,382,487	105,477,960

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

	2014	2013
Total liability	199,497	94,903
Total assets	226,096,304	235,117,095
Operating profit / (loss)	694,112	(3,596)
Net (loss) / profit after tax	(9,125,385)	61,877,703

Note 17
Long Term Deposits

	Note	2014 Rupees	2013 Rupees
Utilities	17.1	18,672,394	18,672,394
Others		400,000	400,000
		19,072,394	19,072,394

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

Note 18
Stores and Spares

	2014 Rupees	2013 Rupees
Stores	1,034,111	1,082,783
Spares	338,326	330,593
	1,372,437	1,413,376

18.1 There are no significant stores and spares which were held for specific capitalization (2013: Nil).

Note 19
Stock in Trade

	2014 Rupees	2013 Rupees
Raw materials	7,613,655	21,145,082
Work in process	15,982,699	9,426,862
Finished goods	3,211,900	4,045,986
Wastes	547,415	2,836,423
	27,355,669	37,454,353

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

19.2 Inventories recognized as an expense include Rs. 620,550 (2013: Nil) in respect of write-down of inventories to net realizable value.

Note 20
Trade Debts

	Note	2014 Rupees	2013 Rupees
Local debts (Unsecured - Considered good)	20.1	81,525,844	49,445,960
Less: Provision for doubtful debts		(8,895,369)	-
		72,630,475	49,445,960

20.1 Aging of related party's balance

	1 Year Rupees	1 - 2 Years Rupees	2- 5 Years Rupees
D. S. Textiles Limited	33,737,486	-	-

Note 21
Advances and Prepayments

	Note	2014 Rupees	2013 Rupees
Advances - (Unsecured - Considered good)			
- To suppliers		1,870,054	1,668,777
- To staff - against salaries	21.1	732,620	1,874,400
- against expenses		689,099	661,960
Prepayments		885,350	340,820
		4,177,123	4,545,957

21.1 Amount due from chief executive, directors and executives was Rs. Nil (2013: Nil).

Note 22

Short Term Investment

	2014	2013
	Rupees	Rupees
Investment at fair value through profit or loss		
Askari General Insurance Company Limited		
- 36,558 (2013: 23,980) fully paid ordinary shares of Rs. 10 each including 12,578 (2013: 12,578) bonus shares		
- Market value per share Rs. 17.5 (2013: Rs. 19.0)		
- Cost of investment Rs. 1.463 million (2013: Rs. 1.463 million)	639,765	455,620

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

Note 23

Tax Refunds Due from the Government

	Note	2014 Rupees	2013 Rupees
Taxation - payments	23.1	2,430,995	3,277,030
Sales tax refundable		2,841,479	4,537,802
		5,272,474	7,814,832

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

Note 24

Bank Balances

	Note	2014 Rupees	2013 Rupees
Cash at banks in:			
- Current accounts	24.1	2,111,961	39,494,722
- Saving accounts	24.2	604,762	20,277,562
		2,716,723	59,772,284

24.1 This includes Rs. 0.56 million held in the form of cash deposits receipt in the name of the Company as at the June 30, 2014.

24.2 These accounts yield profit ranging from 3% to 5% per annum, approximately.

Note 25
Sales

	2014 Rupees	2013 Rupees
Local sale - Yarn	1,120,428,122	1,072,514,314
Conversion income	6,952,838	6,911,916
Waste sale	26,121,574	14,870,462
	1,153,502,534	1,094,296,692
Less: Sales Tax	(22,917,254)	(8,468,278)
	1,130,585,280	1,085,828,414

Note 26
Cost of Sales

	Note	2014 Rupees	2013 Rupees
Raw materials consumed		724,082,050	574,312,805
Stores and spares consumed		27,621,571	29,111,748
Salaries, wages and benefits		107,967,638	107,511,125
Fuel and power		214,854,277	169,423,759
Travelling and conveyance		753,898	720,344
Repairs and maintenance		782,579	1,173,434
Insurance		1,229,141	1,181,291
Entertainment		1,299,622	807,887
Miscellaneous		538,456	374,485
Depreciation	15.2	42,084,320	45,151,654
		1,121,213,552	929,768,532
Work in process			
- Opening stock		9,426,862	7,033,162
- Closing stock		(15,982,699)	(9,426,862)
		(6,555,837)	(2,393,700)
		1,114,657,715	927,374,832
Finished goods			
- Opening stock		6,882,408	2,489,809
- Closing stock		(3,759,315)	(6,882,408)
		3,123,093	(4,392,599)
		1,117,780,808	922,982,233

Note 27
Distribution Cost

	2014 Rupees	2013 Rupees
Salaries	300,000	500,000
Insurance	295,940	182,725
Advertising and publicity	52,775	60,777
Freight and forwarding	1,646,065	5,217,958
	2,294,780	5,961,460

Note 28

Administrative Expenses

	Note	2014 Rupees	2013 Rupees
Salaries and benefits		24,015,761	28,219,454
Communication		1,392,006	1,254,355
Travelling and conveyance		593,465	427,460
Printing and stationery		255,612	319,762
Repairs and maintenance		436,576	696,905
Vehicles' running and maintenance		3,381,811	2,764,064
Rent, rates and taxes		430,000	775,640
Entertainment		683,793	626,151
Insurance		291,777	195,570
Legal and professional charges		1,055,200	1,518,700
Utilities		1,455,826	1,105,979
Fees and subscription		619,389	508,294
Donations	28.1	2,855,709	2,525,627
Depreciation	15.2	1,319,816	872,577
Miscellaneous		257,369	248,366
		39,044,110	42,058,904

28.1 Donations include an amount of Rs. 1,405,440 (2013: Rs. 1,320,352) contributed by the Company for the rentals of a school building being run by the Group Company on a service towards community education.

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

Note 29

Finance Cost

	2014 Rupees	2013 Rupees
Mark up on:		
- Long term financing	2,148,345	11,683,246
- Short term borrowings	-	21,744,653
	2,148,345	33,427,899
Interest on workers' (profit) participation fund	409,829	-
Bank charges and commission	117,376	140,025
	2,675,550	33,567,924

Note 30

Other Operating Expenses

	2014 Rupees	2013 Rupees
Auditors' remuneration:		
- Audit fee	320,000	320,000
- Half yearly review and certifications	100,000	100,000
	420,000	420,000
Workers' (profit) participation fund	-	3,903,136
Loss on revaluation in excess of revaluation surplus	43,309	-
Provision for doubtful debts	8,895,369	-
	9,358,678	4,323,136

Note 31
Other Income

	Note	2014 Rupees	2013 Rupees
Income from financial assets:			
- Exchange gain		2,750	69,843
- Profit on bank deposit		694,686	396,741
- Gain on remeasurement of short term investment at fair value through profit or loss		184,145	236,203
Income from non financial assets:			
Excess markup on bank liabilities written back	31.1	-	661,999
Gain on disposal of Property, Plant and Equipment		357,761	-
		1,239,342	1,364,786

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

Note 32
Taxation

	2014 Rupees	2013 Rupees
Provision for current period	11,305,853	5,429,142
Deferred tax	(8,540,811)	(19,734,759)
Prior year adjustment	1,605	27,307
	2,766,647	(14,278,310)

32.1 Reconciliation of tax expense

	2014	2013
(Loss) / Profit before tax	(45,624,191)	127,750,194
Tax expense @ 34%	-	44,712,568
Minimum tax	11,305,853	5,429,142
Adjustment of brought forward tax losses	-	(44,712,568)
Deferred tax	(8,540,811)	(19,734,759)
Prior year adjustment	1,605	27,307
	2,766,647	(14,278,310)

Note 33

Earnings per Share

		2014	2013
		Rupees	Rupees
Net (loss) / profit for the year	Rupees	(48,390,838)	142,028,504
Outstanding weighted average ordinary shares	Number	60,000,000	60,000,000
(Loss) / Earning per share - Basic	Rupees	(0.81)	2.37

Diluted earnings per share

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

Note 34

Transactions with Related Parties

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

	2014	2013
	Rupees	Rupees
Associates		
Purchase of materials, goods and services	848,796	-
Sale of materials, goods and services	22,112,463	100,145,259
Loan repaid to directors	-	(15,000,000)

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

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

Note 35

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

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

	2014			2013		
	Chief Executive	**Director**	**Executive**	**Chief Executive**	**Director**	**Executive**
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	7,741,932	1,838,700	-	5,935,484	1,820,228	-
House rent allowance	3,483,876	827,424	-	2,670,968	819,103	-
Utilities	774,192	183,876	-	593,548	182,023	-
Bonus	-	-	-	10,000,000	-	-
	12,000,000	2,850,000	-	19,200,000	2,821,354	-
Number of persons	1	1	-	1	1	

35.1 No meeting fee has been paid during the year.

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

Note 36

Segment Reporting

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

	2014	2013
Information about products:	Percentage	Percentage
- Yarn	97.13%	98.01%
Major customers:		
4 customers (2013: 3 customers)	47.60%	57.89%
Revenue from external customers attributed to foreign countries	-	-

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

Note 37

Financial Risk Management

37.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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

(ii) Price risk

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

Sensitivity analysis

A change of 5% in the value of investments at fair value through profit or loss would have increased / decreased profit or loss by Rs. 0.032 million (2013: Rs. 0.023 million) on the basis that all other variables remain constant.

Fair value hierarchy

Financial instruments carried at fair value are categorized as follows:

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

Note 37, Financial Risk Management - Contd...

The Company held following financial instruments measured at fair value:

	2014			
	Total	Level 1	Level 2	Level 3
	............Rupees............			
Investment at fair value through profit or loss				
Askari General Insurance Company Limited	639,765	639,765	-	-

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

(iii) Interest rate risk

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

	2014	2013
	Rupees in thousands	
Floating rate instruments		
Financial liabilities		
Long term financing	249,490	306,452
Financial assets		
Bank balances - saving accounts	605	20,278

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the balance sheet date, fluctuate by 1% higher / lower with all other variables held constant, loss before taxation for the year would have been Rs. 2.489 million (2013: Rs. 2.862 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding as at the balance sheet date were outstanding for the whole year.

(b) Credit risk

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

	2014	2013
	Rupees in thousands	
Long term deposits	19,072	19,072
Trade debts	72,630	49,446
Short term investments	640	456
Bank balances	2,717	59,772

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

Past due 0 - 30 days	18,158	12,362
Past due 31 - 60 days	29,052	19,778
More than 60 days	25,420	17,306
	72,630	49,446

Note 37, Financial Risk Management - Contd...

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

	Rating		Rating		
	Short term	Long term	Agency	2014	2013
				Rupees in thousands	
MCB Bank Limited	A1+	AAA	PACRA	1,176	480
Bank Alfalah Limited	A1+	AA	PACRA	313	5,964
Bank Al - Habib Limited	A1+	AA+	PACRA	108	498
NIB Bank Limited	A1+	AA-	PACRA	62	10,037
KASB Bank Limited	A3	BBB	PACRA	50	50
Meezan Bank Limited	A-1+	AA	JCR-VIS	614	14,126
Dubai Islamic Bank Limited	A-1	A+	JCR-VIS	76	16,290
Silk Bank Limited	A-2	A-	JCR-VIS	175	4,525
Summit Bank Limited	A-3	A-	JCR-VIS	-	32
National Bank of Pakistan	A-1+	AAA	JCR-VIS	5	1,961
Al-Baraka Bank Limited	A1	A	PACRA	138	5,809
				2,717	59,772

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs. 2.717 million (2013: Rs. 59.772 million) cash and bank balances. Despite the Company having a negative working capital position as at the balance sheet date, the management believes its liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. Contractual maturities of financial liabilities as at June 30, 2014:

	Carrying Amount	On Demand	Contractual Cash Flows	Within 1 Year	1-2 Years	2-5 Years
		....	Rupees in thousands	....		
Long-term finances *	596,917	-	181,979	110,721	45,972	25,286
Trade and other payables	302,404	-	302,404	302,404	-	-
Accrued interest	535	-	535	535	-	-
	899,856	-	484,918	413,660	45,972	25,286

*Rs. 414.938 million represents the principal amount and freezed mark-up that will be waived off subject to the payment of outstanding principal and mark up in accordance with the rescheduling agreements (Refer to Note 7).

Contractual maturities of financial liabilities as at June 30, 2013:

	Carrying Amount	On Demand	Contractual Cash Flows	Within 1 Year	1-2 Years	2-5 Years
		....	Rupees in thousands	....		
Long-term finances	678,940	-	427,793	88,231	179,991	159,571
Trade and other payables	256,197	-	256,197	256,197	-	-
Accrued interest	707	-	707	707	-	-
	935,844	-	684,697	345,135	179,991	159,571

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark up rates effective as at the balance sheet date. Rates of mark up have been disclosed in Note 7 to the financial statements.

37.2 Financial instruments by categories

Financial assets as at June 30, 2014

	Cash and Cash Equivalents	Loans and advances	Available for sale	Assets at fair value through profit or loss	Total
	----------	Rupees in thousands	----------		
Long term deposits	-	19,072	-	-	19,072
Short term investments	-	-	-	640	640
Trade debts	-	72,630	-	-	72,630
Cash and bank balances	2,717	-	-	-	2,717
	2,717	91,702	-	640	95,059

Note 37, Financial Risk Management - Contd...

Financial assets as at June 30, 2013

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

Financial liabilities at amortized cost

	2014	2013
	Rupees in thousand	
Long term financing	596,917	678,940
Trade and other payable	302,404	256,197
Accrued markup	535	707
	899,856	935,844

37.3 Fair values of financial assets and liabilities

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

Note 38
Capital Risk Management

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

Note 39
Plant Capacity and Production

		2014	2013
No. of spindles installed	No.	40,320	40,320
Actual production converted into 20/S count	Kgs	9,107,549	12,637,220

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

Note 40
Number of Employees

	2014		
	Permanent		Total
	Head office	Mills	
	Number	Number	Number
Employees as at the year end	29	608	637
Average employees during the year	28	621	649

	2013		
	Permanent		Total
	Head office	Mills	
	Number	Number	Number
Employees as at the year end	27	634	661
Average employees during the year	27	611	638

Note 41
Authorization of Financial Statements

These financial statements have been authorized for issue by the Board of Directors of the Company on October 09, 2014.

Note 42
General

Corresponding figures have been re-arranged wherever necessary to facilitate comparison. The following rearrangement have been made in these financials statements:

Nature	From	To	Amount (Rupees)
(Impairment loss) / reversal of impairment on investment in associates - net	Other income	Face of the profit and loss account	16,595,128
Rentals of school building being run by Group Company	Rent, rates and taxes	Donations	1,320,352

CHIEF EXECUTIVE **DIRECTOR**

Categories of Shareholders
As At June 30, 2014

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	1,006,000	1.677
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	7,459,000	12.432
Mr. Ali Pervez Ahmed	1	4,385,667	7.309
Mr. Hassan Ibrahim Ahmed	1	3,198,584	5.331
Mr. Suleman Ahmed	1	1,621,666	2.703
Mr. Atta Ur Rehman	1	2,000	0.003
Mr. Muntazir Mehdi	1	500	0.001
Mr. Muhammad Yousaf	1	1,000	0.002
Banks, DFI and NBFI	5	996,088	1.660
Insurance Companies	1	31,985	0.053
Modarbas and Mutual Funds	1	389,882	0.650
General Public (Local)	1,825	29,430,942	49.052
General Public (Foreign)	21	294,720	0.491
Joint Stock Companies	27	1,835,177	3.059
Others	2	84,050	0.140
Total	**1895**	**60,000,000**	**100.001**

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	7,459,000	12.432
Mr. Ali Pervez Ahmed - Director	4,385,667	7.309
Mr. Hassan Ibrahim Ahmed - Director	3,198,584	5.331

Pattern of Shareholding
As At June 30, 2014

Number of Shareholders	Shareholding From	Shareholding To	Total Number of Shares Held	%age
155	1	100	6,811	0.011
222	101	500	95,581	0.159
305	501	1,000	299,056	0.498
614	1,001	5,000	1,937,301	3.229
218	5,001	10,000	1,827,477	3.046
86	10,001	15,000	1,128,962	1.882
56	15,001	20,000	1,054,846	1.758
44	20,001	25,000	1,065,815	1.776
26	25,001	30,000	735,960	1.227
14	30,001	35,000	464,485	0.774
13	35,001	40,000	506,346	0.844
9	40,001	45,000	379,768	0.633
21	45,001	50,000	1,033,719	1.723
6	50,001	55,000	316,666	0.528
8	55,001	60,000	467,000	0.778
9	60,001	65,000	568,000	0.947
4	65,001	70,000	275,500	0.459
3	70,001	75,000	220,361	0.367
2	75,001	80,000	156,500	0.261
3	80,001	85,000	246,701	0.411
4	85,001	90,000	357,500	0.596
4	90,001	95,000	370,852	0.618
13	95,001	100,000	1,295,500	2.159
1	105,001	110,000	105,500	0.176
1	115,001	120,000	119,500	0.199
3	120,001	125,000	364,000	0.607
1	130,001	135,000	131,500	0.219
2	135,001	140,000	277,648	0.463
3	145,001	150,000	450,000	0.750
1	150,001	155,000	152,500	0.254
1	170,001	175,000	175,000	0.292
1	185,001	190,000	190,000	0.317
1	195,001	200,000	196,500	0.328
2	205,001	210,000	416,166	0.694
1	235,001	240,000	238,000	0.397
1	250,001	255,000	253,677	0.423
1	265,001	270,000	265,500	0.443
1	270,001	275,000	271,000	0.452
1	290,001	295,000	294,000	0.490
1	300,001	305,000	304,480	0.507
1	315,001	320,000	320,000	0.533
1	340,001	345,000	340,354	0.567
2	345,001	350,000	700,000	1.167
1	365,001	370,000	368,500	0.614
1	370,001	375,000	375,000	0.625
1	385,001	390,000	389,882	0.650
1	420,001	425,000	423,500	0.706
1	425,001	430,000	428,500	0.714
1	445,001	450,000	450,000	0.750
2	455,001	460,000	918,000	1.530
1	540,001	545,000	540,339	0.901
1	595,001	600,000	600,000	1.000
1	695,001	700,000	700,000	1.167
1	700,001	705,000	703,500	1.173
1	705,001	710,000	707,800	1.180
1	945,001	950,000	949,500	1.583
1	995,001	1,000,000	1,000,000	1.667
1	1,085,001	1,090,000	1,090,000	1.817
1	1,120,001	1,125,000	1,121,500	1.869
1	1,155,001	1,160,000	1,156,500	1.928
1	1,220,001	1,225,000	1,223,000	2.038
1	1,320,001	1,325,000	1,324,236	2.207
1	1,355,001	1,360,000	1,360,000	2.267
1	1,545,001	1,550,000	1,548,000	2.580
1	1,600,001	1,605,000	1,602,750	2.671
1	2,030,001	2,035,000	2,034,721	3.391
1	3,460,001	3,465,000	3,463,500	5.773
2	3,610,001	3,615,000	7,224,667	12.041
1	3,755,001	3,760,000	3,757,500	6.263
1	4,160,001	4,165,000	4,163,073	6.938
1895			**60,000,000**	**100.005**

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 2014

Signed this -- day of ---2014

Witnesses:

Signature	____________	____________	
Name	____________	____________	Five Rupees Revenue Stamp
Address	____________	____________	
CNIC No./ Passport No.	____________	____________	

Signature should be agreed with the Specimen Signatures wi th 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 hold er 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.