

ANNUAL REPORT 2014



**DEWAN SALMAN FIBRE LIMITED**



**YD** | A YOUSUF DEWAN COMPANY







## CONTENTS

Company Information	2
Mission Statement	3
Notice of Annual General Meeting	4
Directors' Report	6
Financial Highlights	9
Statement of Compliance with the Best Practices of Corporate Governance	10
Review Report To The members on Statement of Compliance with Best Practices of Code of Corporate Governance	12
Auditors' report	13
Balance Sheet	15
Profit and Loss Account	17
Statement of other Comprehensive Income	18
Cash Flow Statement	19
Statement of Changes in Equity	21
Notes to the Financial Statements	22
Pattern of Share Holding	49
Form of Proxy	

## COMPANY INFORMATION

<b>BOARD OF DIRECTORS</b>	
EXECUTIVE DIRECTOR	: DEWAN MUHAMMAD YOUSUF FAROOQUI CEO & CHAIRMAN BOARD OF DIRECTORS
NON-EXECUTIVE DIRECTORS	: DEWAN ABDUL REHMAN FAROOQUI DEWAN ABDUL BAQI FAROOQUI MR. HAROON IQBAL SYED MUHAMMAD ANWAR MR. ISHTIAQ AHMED
INDEPENDENT DIRECTOR	: MR. AZIZ-UL-HAQUE
AUDIT COMMITTEE	: MR. AZIZ-UL-HAQUE-CHAIRMAN MR. HAROON IQBAL-MEMBER DEWAN ABDUL REHMAN FAROOQUI-MEMBER
HUMAN RESOURCE & REMUNERATION COMMITTEE	: MR. HAROON IQBAL-CHAIRMAN DEWAN MUHAMMAD YOUSUF FAROOQUI-MEMBER DEWAN ABDUL REHMAN FAROOQUI-MEMBER
CHIEF FINANCIAL OFFICER	: ZAFAR ASIM
COMPANY SECRETARY	: SYED MUHAMMAD SAH UDDIN
AUDITORS	: FARUQ ALI & CO. CHARTERED ACCOUNTANTS
	: FERQZE SHARIF TARIQ & CO CHARTERED ACCOUNTANTS
LEGAL ADVISORS	: KHALID ANWER & COMPANY ADVOCATES
TAX ADVISORS	: SHARIF & COMPANY ADVOCATES
FACOTRY OFFICE	: PLOT NO 1, DEWAN FAROOQUE INDUSTRIAL PARK, LIATTAR, DISTRICT HARIPUR, (KPK)
HEAD OFFICE	: FINANCE & TRADE CENTRE, BLOCK-A, 8 <sup>TH</sup> FLOOR, SHAHRAH-E-FAISAL, KARACHI
REGISTERED OFFICE	: DEWAN CENTRE, 58 MAIN MARGALLA ROAD, F-7/2 ISLAMABAD
SHARE REGISTRAR & TRANSFER AGENTS	: BMF CONSULTANTS PAKISTAN (PRIVATE) LIMITED ANUM ESTATE BUILDING, ROOM NO. 310 & 311, 3 <sup>RD</sup> FLOOR, 49, DARUL AMAN SOCIETY, MAIN SHAHRAH-E-FAISAL, ADJACENT TO BALOCH COLONY BRIDGE, KARACHI, PAKISTAN.
BANKERS	: AL-BARAKA ISLAMIC INVESTMENT BANK LIMITED ALLIED BANK LIMITED ASKARI BANK LIMITED BANK ALFALAH LIMITED BANK OF KHYBER LIMITED BANK OF PUNJAB LIMITED FAYSAL BANK LIMITED HABIB BANK LIMITED HABIB METROPOLITAN BANK LIMITED HONG KONG & SHANGHAI BANKING CORPORATION KASB BANK LIMITED MEEZAN BANK LIMITED SUMMIT BANK LIMITED MCB BANK LIMITED NATIONAL BANK OF PAKISTAN LIMITED NIB BANK LIMITED STANDARD CHARTERED BANK LIMITED (PAKISTAN) SILK BANK LIMITED SONERI BANK LIMITED UNITED BANK LIMITED



## THE MISSION STATEMENT

\*-THE MISSION OF DEWAN SALMAN FIBRE LIMITED IS TO BE THE LEADER IN SYNTHETIC FIBRE MANUFACTURING IN PAKISTAN AND BECOME A GLOBAL PLAYER IN THE FIELD.

\* TO ASSUME LEADERSHIP ROLE IN THE TECHNOLOGICAL ADVANCEMENT OF THE INDUSTRY AND TO ACHIEVE THE HIGHEST LEVEL OF QUALITATIVE AND QUANTITATIVE INDIGENIZATION.

\* TO BE THE FINEST ORGANIZATION IN ITS INDUSTRY AND TO CONDUCT ITS BUSINESS RESPONSIBILITY AND IN A STRAIGHT FORWARD MANNER.

\* TO SEEK LONG-TERM AND GOOD RELATIONS WITH OUR SUPPLIERS AND CUSTOMERS WITH FAIR, HONEST AND MUTUALLY PROFITABLE DEALINGS.

\* TO ACHIEVE THE BASIC AIM OF BENEFITING OUR CUSTOMERS, EMPLOYEES, SHAREHOLDERS, OTHER STAKE HOLDERS AND TO FULLFIL US COMMITMENTS TO OUR SOCIETY.

\* TO CREATE A WORK ENVIRONMENT HIGHLIGHTING TEAM WORK, WHICH MOTIVATES, RECOGNIZES AND REWARDS ACHIEVEMENTS AT ALL LEVELS OF THE ORGANIZATION, BECAUSE "IN ALLAH WE TRUST AND BELIEVE" AND HUMAN RESOURCE IS OUR CAPITAL AND ASSET.

\* TO BE HONEST AND BE ABLE TO RESPOND EFFECTIVELY TO CHANGES IN ALL ASPECTS OF LIFE INCLUDING TECHNOLOGY, CULTURE PROACTIVE AND ENVIRONMENT.

\* TO BE A CONTRIBUTING CORPORATE CITIZEN FOR THE BETTERMENT OF SOCIETY AND TO EXHIBIT A SOCIALLY RESPONSIBLE BEHAVIOR.

\* TO CONDUCT BUSINESS WITH INTEGRITY AND STRIVE TO BE THE BEST."

## NOTICE OF THE TWENTY FIFTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty Fifth Annual General Meeting of **Dewan Salman Fibre Limited** ("**DSFL**" or "**the Company**") will be held on **Friday, October 31, 2014, at 11:30 a.m.** at Dewan Centre, House No. 58, Margallah Road, F-7/2, Islamabad, Pakistan; to transact the following businesses upon recitation from Holy Qur'aan and other religious recitals:

1. To confirm the minutes of the preceding Annual General Meeting of the Company held on Thursday, October 31, 2013;
2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2014, together with the Directors' and Auditors' Reports thereon;
3. To appoint the Statutory Auditors' of the Company for the ensuing year, and to fix their remuneration;
4. To consider any other business with the permission of the Chair.

*By Order of the Board*



**Syed Muhammad Salahuddin**  
*Company Secretary*

Dated: September 26, 2014  
Place : Karachi.

### NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from October 24, 2014 to October 31, 2014 (both days inclusive).
2. Members are requested to immediately notify change in their addresses, if any, at our Shares Registrar Transfer Agent BMF Consultants Pakistan (Private) Limited, located at Anum Estate Building, Room No. 310 & 311, 3<sup>rd</sup> Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, adjacent to Baloch Colony Bridge, Karachi, Pakistan.
3. A member of the Company entitled to attend and vote at this meeting, may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company at the above-said address, not less than 48 hours before the meeting.
4. CDC Account holders will further have to observe the following guidelines, as laid down in Circular 01 dated January 20, 2000, issued by the Securities and Exchange Commission of Pakistan:
  - a) **For Attending Meeting:**
    - i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original National Identity Card (CNIC), or original passport at the time of attending the meeting.
    - ii) In case of corporate entity, the Board of Directors' resolution/power of attorney, along with the specimen signature of the nominee, shall be produced (unless it has been provided earlier) at the time of meeting.



**b) For Appointing Proxies:**

- i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements.
- ii) Two persons, whose names, addresses, and CNIC numbers shall be mentioned on the form, shall witness the proxy.
- iii) Attested copies of CNIC or passport of the beneficial owners and proxy shall be furnished along with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney, along with the specimen signature of the nominee, shall be produced (unless it has been provided earlier) along with the proxy form to the Company.

## DIRECTORS' REPORT

IN THE NAME OF ALLAH; THE MOST GRACIOUS AND MERCIFUL

IF YE GIVE THANKS, I WILL GIVE YOU MORE (HOLY QURAN)

Your directors present to you the Twenty Fifth Report of the company together with the Audited Accounts for the year ending June 30, 2014

Despite of our best efforts, manufacturing operation of the country's largest polyester and only acrylic manufacturing plant in the current financial year could not be started. It is unfortunate that due to closure of Dewan Salman Fibre Limited (DSFL), short fall in the demand of polyester fibre and acrylic fibre is met by import of these commodities. This not only results in spending of huge foreign exchange but also deprives people of the country to earn honorable livings.

Management of your company has made various proposals for the restructuring of the company and all these proposals have been discussed with financial institutions to make it workable but unfortunately positive results have not yet emerged.

### OPERATING AND FINANCIAL RESULTS

During the year under review, your company recorded turnover of Rs.Nil (2013: Nil.) There is gross loss amounting to Rs. 693.218 million.( 2013: Rs. 778.965 million)

We humbly and gratefully bow our heads before Almighty Allah, and pray for his blessings for early revival of our company during this difficult period.

### INDUSTRY OVERVIEW

Due to stagnant demand of PSF, the PSF local industry remained under pressure as the installed capacities were more than the current demand which compelled the industry to run under capacity which negatively affected their financial results. To add insult to the injury, the imported PSF share remained unchanged as it is comparatively cheaper and hence being imported by our textile industry. Under current situation the smaller players in local industry are the most affected and one of them has suspended its operations and planned to switch their production lines into filament yarn. However, the bigger players are barely managing their operations and if this situation continues then it will become a serious threat for the PSF industry.

The grant of GSP plus status to Pakistan in Jan'14 by the EU had brought some hope for the blended yarn, cloth, bed sheets and other related goods, but it was not transformed as per expectation as yet, otherwise it would have benefited the PSF industry to some extent.

The local blended yarn market went into recession in 3<sup>rd</sup> quarter of the year under review and is still continued. The spinning mills made substantial losses during this period while some of them closed down their operations as there was no other option left for them. This situation had brought down the PSF usage as well.

Under this situation there are serious doubts that DSFL operations might not be restored in the near future unless the textile industry gets out of this recession.

However, DSFL is the one of the largest industrial investments in Khyber Pakhtunkhwa and being the largest private sector employer, its contribution to the people of the area and national economy is immense.

DSFL is still a name to be reckoned with in local and International Market and we are confident that with the availability of fresh working capital lines, we can bring back the glory of Dewan which was part and parcel of its name.

### AUDITORS' OBSERVATION

Auditors of the company have qualified their report on certain instances, the para wise comments are given as under:

- a) In Para (a) of their report they did not agree with the going concern assumption used in preparation of financial statements accordingly they have given their adverse opinion on the financial statements. The management is in process of negotiation with banks and is confident that the outcome will be positive. The justifications regarding preparation of financial statements on going concern assumption are more fully explained in note 2 to the financial statement.



- b) The company has not made provision of mark-up amounting to Rs. 1,948 billion (up to June 30, 2013 Rs. 10,566 billion) on its mark-up bearing liabilities.

The management has approached its bankers/financial institutions for restructuring of its long-term and short-term obligations. The management is confident that the company's restructuring proposals will be accepted by the bankers/financial institutions. Therefore the company has not made any provision for mark-up as they will not be payable.

- c) Para (c) of the report relates to valuation and classification of investment in Dewan Petroleum (Pvt.) Ltd. using the equity method as required under International Accounting Standard 28 'Investment in associates' which the company has classified as held for sale. The auditors are of the view that since the shareholders' approval sought by the company in extra ordinary general meeting held on June 23, 2008 stands expired during the year therefore the investment should be valued using equity method. Investment has been classified as held for sale upon management's intention to sell the same within next accounting cycle in the manner to be deemed appropriate, equitable, fit and beneficial to the interests of the company, although the shareholders' approval has been expired but the management will seek further shareholder's approval before disposal of the same.
- d) Para (d) of the report relates to Trade debts amounting to Rs.2,382 billion are stagnant, not being recovered, against which a provision of Rs.470.730 million has been made so far. Since these trade debts are doubtful of recovery therefore the provision should be made there against. Had provision been made, loss for the period would have been further higher by 1,911 billion.

Management of your company making utmost efforts to recover these debts and we believe that there will be a positive response from debtors in next years.

**DIVIDEND**

In view of the closure of the company and loss after taxation due to adverse business conditions for the year under review, no dividend has been recommended by the Board of Directors.

**CODE OF CORPORATE GOVERNANCE**

The directors of your company are aware of their responsibilities under the Code of Corporate Governance, incorporated in the Listing Regulations of Stock Exchanges in the country under instructions from Security & Exchange Commission of Pakistan. We are taking all necessary steps to ensure Good Corporate Government in your company as required by the code. None of the Directors, CEO, CFO, Company Secretary, their spouses and minor children have traded in the shares of the Company.

**BOARD MEETING**

During the year six meetings of the Board of Directors were held. Directors' attendance in these meetings is as under:

<b>Name of Directors</b>	<b>No. of meetings Attended</b>
Dewan Muhammad Yousuf Farooqui	3
Dewan Asim Mushfiq Farooqui	0
Dewan Abdullah Ahmed	0
Dewan Abdul Baqi Farooqui	3
Dewan Abdul Rehman Farooqui	5
Mr. Haroon Iqbal	6
Mr. Mansur-ul-Haque	5
Mr. Aziz-ul-Haque	4
Mr. Ishtiaq Ahmed	5

**AUDIT COMMITTEE MEETING**

During the year four meetings of the audit committee were held. Members' attendance in these meetings is as under:

Name of Members	No. of meetings Attended
Mr. Aziz-ul-Haque	4
Mr. Haroon Iqbal	4
Dewan Abdul Rehman Farooqui	2

**HUMAN RESOURCE AND REMUNERATION COMMITTEE MEETING**

During the year one meeting of the human resource committee was held. Members' attendance in this meeting is as under:

Name of Members	No. of meetings Attended
Dewan Muhammad Yousuf Farooqui	1
Dewan Abdul Rehman Farooqui	1
Mr. Haroon Iqbal	1

**PATTERN OF SHARE HOLDING**

The pattern of shareholdings of the company is attached to this report.

**VOTE OF THANKS**

The Board places on record its gratitude to its valued shareholders, Federal and Provincial Government functionaries, banks, financial institutions and customers of Salsbil, whose cooperation, continued

support and patronage have enabled the company to achieve the desired results.

The Board also expresses its appreciation for the valuable services, loyalty and laudable efforts continuously rendered by the executives, staff members and workers of the company; it recognizes that they are most valuable assets of the Company.

**AUDITORS**

The Auditors of the Company, M/S Faruq Ali & Company Chartered Accountants and M/S Feroze Sharif Tariq & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment under the terms of the code of corporate governance, they have been recommended by the audit committee for re-appointment as auditors until the conclusion of the next annual general meeting.

**CONCLUSION**

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Raheem, in the name of our beloved prophet, Muhammad (Peace Be Upon Him), for continued showering of His blessings, Guidance, Strength, Health and Prosperity on our Nation, Country and also pray to Almighty Allah to bestow peace, harmony, brotherhood and unity in true Islamic spirit to the whole of Muslim Ummah, Aameen, Sunna Aameen.

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

*By and under Authority of the Board of Directors*



**Dewan Abdul Rehman Farooqui**  
Director



**Haroon Iqbal**  
Director

Statement under section 241(2) of the Companies Ordinance, 1984.

The Chief Executive / Chairman of the company is presently out of the country, therefore this report has been signed by two Directors of the company duly authorized by the Board of Directors.

Dated: September 26, 2014  
Place : Karachi.



## FINANCIAL HIGHLIGHTS

Rupees in million

	2009	2010	2011	2012	2013	2014
Turnover	4,171	137	137	184	-	-
Less: Govt. Levy & Commission	2	-	-	-	-	-
Sales (Net)	4,169	137	137	184	-	-
Gross Profit / (loss)	(4,037)	(1,272)	(1,003)	(901)	(779)	(693)
Profit (loss) before Tax	(6,364)	(1,647)	(1,395)	(1,631)	(1,257)	(1,130)
Profit (loss) after Tax	(6,234)	(1,530)	(1,269)	(1,518)	(1,151)	(1,006)
Gross Assets Employed	16,219	15,343	13,984	12,478	11,341	10,208
Return on Equity	(186.87%)	(35.49%)	(22.66%)	(21.26%)	(13.91%)	(11.15%)
Current assets	6,324	5,173	4,743	4,059	3,641	3,175
Shareholders Equity	(3,336)	(4,311)	(5,600)	(7,141)	(8,026)	(9,023)
Long Term Debts & Deferred Liabilities	2,543	1,951	1,667	1,626	1,283	1,111
Current Liabilities	17,012	17,703	17,918	17,993	18,084	18,120
Gross Profit Ratio	(96.81%)	(928.47%)	(732.12%)	(489.67%)	-	-
Net Profit Ratio	(149.51%)	(1116.79%)	(926.28%)	(825.00%)	-	-
Debt/Equity Ratio	(0.76)	0.45	(0.30)	(0.23)	(0.16)	(0.12)
Current Ratio	0.36	0.29	0.26	0.23	0.20	0.18
Earning per Share Divided (Percentage)	(17.02)	(4.18)	(3.46)	(4.14)	(3.14)	(2.75)
-Cash	-	-	-	-	-	-
-Stock	-	-	-	-	-	-
Production Volume(Tons)	25,808	-	-	-	-	-

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2014

The statement is being presented to comply with the Code of Corporate Governance ("CCG") contained in Regulation No 35 of listing regulation of Karachi, Lahore and Islamabad Stock Exchanges, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non executive directors and directors representing minority interests on its Board of Directors. At present the board includes One Independent Director, five Non-Executive Directors and one Executive Directors of the Company.
2. The condition of maximum number of seven directorships to be held by a director in listed companies as per clause ii of the CCG will be applicable after election of next Board of Directors of the Company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the board on June 27, 2014 was filled up by the directors within six days..
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by the director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified on clause (xi) of CCG, some directors are exempted from the requirement of directors' training program and rest of the Directors to be trained within specified time.
10. There was no change in the position of CFO, Company Secretary and Head of Internal Audit during the year. The Directors report for this have prepared in compliance with the requirement of the CCG and fully describes the salient matters required to be disclosed.
11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
12. The director, CEO and executives do not hold any interest in the shares of the company other than the disclosed in the pattern of shareholding.
13. The company has complied with all the corporate and financial reporting requirements of CCG.



14. The board has formed an Audit Committee. It comprises three members, one member is independent director who is also chairman of the committee and two are non-executive directors..
15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The board has formed an HR and Remuneration Committee. It comprises of three members of whom two are non-executive directors and the chairman of the committee is a non-executive director.
17. The board has set up an effective internal audit function. The staffs are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation Accountants (IFAC) guidelines on code of ethics are adopted by the ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The closed period, prior to the announcement of interim final results, and business decisions, which may materially effect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
21. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).

**Dewan Abdul Rehman Farooqui**

Director

**Haroon Iqbal**

Director

*Statement under section 241(2) of the Companies Ordinance, 1984*

The Chief Executive / Chairman of the company is presently out of the country, therefore this report has been signed by two Directors of the company duly authorized by the Board of Directors.

Dated: September 26, 2014

Place: Karachi.

**Feroze Sharif Tariq & Co.**

CHARTERED ACCOUNTANTS

4 / N / 4, BLOCK-6, P.E.C.H. SOCIETY  
KARACHI-75400**FARUQ ALI & CO.**

CHARTERED ACCOUNTANTS

222-A, Karachi Memon Cooperative  
Housing Society, Justice Inamullah Road,  
Near Hill Park, Karachi-74800.  
Email: faac@cyber.net.pk**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE  
WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Dewan Salman Fibre Limited** ('the Company') for the year ended June 30, 2014 to comply with the requirements of Listing Regulations No. 35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

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

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

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

Following instances of non-compliance with the requirements of the Code were observed which are not stated in the Statement of Compliance:

- The board includes one independent director, whereas in our view he does not meet the criteria of independence on account of his cross directorship as well as he holds position of Chief Executive in an associated company;
- Chairman of the Company has been elected from executive directors, furthermore he also holds position of Chief Executive Officer, whereas code requires that chairman shall be elected from non-executive directors and chairman and Chief Executive Officer shall not be the same person;
- The Chairman of Audit Committee is not an independent director due to the reason referred in para (a) above.

Based on our review, except for the above instances of non-compliance, 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.

Furthermore, we highlight that training programs were not arranged for directors as reflected in note 9 of the Statement of Compliance.



Chartered Accountants  
(Muhammad Ghalib)



Chartered Accountants  
(Muhammad Faisal Nini)

Karachi: September 26, 2014

## ***Feroze Sharif Tariq & Co.***

**CHARTERED ACCOUNTANTS**

4 / N / 4, BLOCK-6, P.E.C.H. SOCIETY  
KARACHI-75400

## ***FARUQ ALI & CO.***

**CHARTERED ACCOUNTANTS**

222-A, Karachi Memon Cooperative  
Housing Society, Justice Inamullah Road,  
Near Hill Park, Karachi-74800.  
Email: faac@cyber.net.pk

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

We have audited the annexed balance sheet of **DEWAN SALMAN FIBRE 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 purpose of our audit.

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

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

- a) The financial statements of the company for the year ended June 30, 2014 reflect loss after taxation of Rs. 1.006 billion and as of that date it has accumulated losses of Rs. 15.126 billion which resulted in net capital deficiency of Rs. 11.101 billion and its current liabilities exceeded its current assets by Rs. 14.944 billion and total assets by Rs. 7.912 billion. The operations of the company are closed since December 2008 due to working capital constraints. Furthermore, the company has been unable to ensure timely repayments of debts owing to financial institutions due to liquidity problems and short term finance facilities have expired and not been renewed by banks. Following course, certain lenders have gone into litigation for repayment of liabilities through attachment and sale of company's hypothecated / mortgaged properties and certain lenders have also filed winding up petitions. These conditions lead us to believe that the going concern assumption used in preparation of these financial statements is inappropriate; consequently the assets and liabilities should have been stated at their realizable and settlement amounts respectively.
- b) The company has not made provision of markup for the year amounting to Rs. 1.948 billion (up to June 30, 2013: Rs.10.566 billion) (refer note 28.1) on account of restructuring proposal offered to the lenders as described in note 2 to the financial statements. Non-provisioning of markup is based on management's hope that the restructuring proposal will be accepted by lenders in the proposed manner. In our opinion, since the proposal has not been accepted by the lenders so far and the lenders, instead of accepting the restructuring proposal, have preferred filing suits against the company, therefore the provision of markup should be made in these financial statements. Had the provision of markup been made in the financial statements, the loss after taxation for the year would have been higher by Rs. 1.948 billion and markup payable would have been higher and shareholders' equity would have been lower by Rs. 12.514 billion.
- c) Investment in associate Dewan Petroleum (Private) Limited is disclosed as non-current assets held for sale (refer note 23 to the financial statements) although the resolution for the permission to sale the same has been expired during prior financial year. This investment is to be shown / valued at equity method as prescribed in International Accounting Standard 28 'Investment in associates'. We are unable to quantify the effect of the same as latest audited accounts of Dewan Petroleum (Private) Limited were not made available.

- d) Trade debts amounting to Rs.2,382 billion are stagnant, not being recovered, against which a provision of Rs.470,730 million has been made so far. Since these trade debts are doubtful of recovery therefore the provision should be made there against. Had the provision been made, loss for the year would have been further higher by Rs. 1,911 billion.
- e) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- f) in our opinion:
- i) the balance sheet and profit and loss account together with the notes thereon have not 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 accounting policies consistently applied except for the change as stated in note 3.3 with which we concur;
  - 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;
- g) in our opinion and to the best of our information and according to the explanations given to us, because of significance of matters discussed in para (a), further coupled with the effects of matter discussed in Para (b) to (d) above, 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 do not conform with approved accounting standards as applicable in Pakistan, and, do not give the information required by the Companies Ordinance, 1984, in the manner so required and respectively do not give a true and fair view of the state of the company's affairs as at June 30, 2014 and of the Loss, comprehensive loss, its cash flows and changes in equity for the year then ended; and
- h) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

*Feroze Mansif Tameer M.A.*

Chartered Accountants  
(Muhammad Ghalib)

*Fareed Nini*

Chartered Accountants  
(Muhammad Faisal Nini)

Karachi: September 26, 2014

## BALANCE SHEET

### AS AT JUNE 30, 2014

	Notes	2014	2013 (Restated) (Rupees in '000)	2012 (Restated)
<b><u>EQUITY AND LIABILITIES</u></b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Authorized Capital				
630,000,000 (2013: 630,000,000) Ordinary shares of Rs. 10/- each		6,300,000	6,300,000	6,300,000
90,000,000 (2013: 90,000,000) Preference shares of Rs. 10/- each		900,000	900,000	900,000
		<u>7,200,000</u>	<u>7,200,000</u>	<u>7,200,000</u>
Issued, subscribed and paid-up capital	4	3,663,211	3,663,211	3,663,211
Reserves	5	(14,764,048)	(13,940,127)	(12,994,987)
		<u>(11,100,837)</u>	<u>(10,276,916)</u>	<u>(9,331,776)</u>
Surplus on revaluation of property, plant and equipment	6	2,078,225	2,251,240	2,440,566
<b>NON CURRENT LIABILITIES</b>				
Long term loans	7	131,675	112,982	100,435
Deferred liabilities	8	979,319	1,169,954	1,275,598
<b>CURRENT LIABILITIES</b>				
Trade and other payables	9	7,609,671	7,557,193	7,562,988
Short term borrowings	10	7,153,055	7,153,055	7,153,055
Overdue portion of long term loans	7	3,141,774	3,142,824	3,046,224
Overdue portion of lease liabilities	11	54,145	69,724	69,724
Provision for taxation		160,864	160,864	160,864
		<u>18,119,509</u>	<u>18,083,660</u>	<u>17,992,855</u>
<b>CONTINGENCIES AND COMMITMENTS</b>				
	12	--	--	--
		<u>10,207,891</u>	<u>11,340,920</u>	<u>12,477,678</u>

	Notes	2014	2013 (Restated) (Rupees in '000)	2012 (Restated)
<b>ASSETS</b>				
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment	13	6,652,229	7,309,950	8,034,341
Long term investments	14	153,163	158,569	148,332
Long term prepayments	15	4,261	8,520	12,778
<b>CURRENT ASSETS</b>				
Stores and spares	16	970,633	1,021,719	1,037,396
Stock in trade	17	11,523	176,743	176,743
Trade debts	18	1,910,879	2,158,899	2,555,987
Advances - Considered good	19	37,544	37,089	36,873
Short term deposits and prepayments	20	160,553	161,858	162,330
Other receivables - Considered good	21	76,882	76,393	75,643
Cash and bank balances	22	7,224	8,180	14,255
		3,175,238	3,640,881	4,059,227
Non current assets held for sale	23	223,000	223,000	223,000
		<u>10,207,891</u>	<u>11,340,920</u>	<u>12,477,678</u>

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

*Statement under section 241(2) of the Companies Ordinance, 1984.*

The Chief Executive of the company is presently out of the country, therefore these financial statements have been signed by two Directors of the company duly authorized by the Board of Directors.



**Dewan Abdul Rehman Farooqui**  
Director



**Haroon Iqbal**  
Director

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

	Notes	2014	2013 (Restated)
		(Rupees in '000)	
Sales	24	--	--
Cost of sales	25	693,218	778,965
Gross loss		(693,218)	(778,965)
Operating expenses			
Distribution cost	26	4,161	8,827
Administrative expenses	27	35,934	53,791
		40,095	62,618
Operating loss		(733,313)	(841,583)
Finance cost	28	11,586	107,565
Provision for doubtful debts / advances / receivables		185,463	295,925
Provision for obsolescence and slow moving stocks and stores		216,306	15,677
Other income	29	(17,137)	(3,877)
		396,218	415,290
Loss before taxation		(1,129,531)	(1,256,873)
Taxation	30	(123,047)	(105,422)
<b>Loss after taxation</b>		<b>(1,006,484)</b>	<b>(1,151,451)</b>
Loss per share - Basic ( Rupees )	31.1	(2.75)	(3.14)
Loss per share - Diluted ( Rupees )	31.2	(2.61)	(2.98)

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**Dewan Abdul Rehman Farooqui**  
Director



**Haroon Iqbal**  
Director

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

	2014	2013 (Restated)
	(Rupees in '000)	
Net loss after taxation	(1,006,484)	(1,151,451)
<b>Other comprehensive loss</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net change in fair value of available-for-sale financial assets	(5,406)	10,237
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment	262,143	291,270
Related deferred tax	(89,129)	(101,945)
	173,014	189,325
Remeasurement of defined benefit liability	22,659	10,226
Deferred tax on remeasurement of defined benefit liability	(7,704)	(3,477)
	14,955	6,749
Total comprehensive loss for the year	<u>(823,921)</u>	<u>(945,140)</u>

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**Dewan Abdul Rehman Farooqui**  
Director



**Haroon Iqbal**  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013 (Restated)
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(1,129,531)	(1,256,873)
Adjustments for non cash and other items:		
Depreciation	657,021	730,870
Amortization of loans	(11,438)	(2,927)
Unwinding of discount	12,620	11,219
Amortization of prepayments	4,259	4,258
Dividend income	(750)	(950)
Gain on sale of fixed assets	(438)	--
Provision for gratuity	(1,694)	14,901
Provision for doubtful debts / advances / receivables	185,463	295,925
Provision for obsolescence and slow moving stocks and stores	216,306	15,677
Finance cost	(1,034)	96,640
Cash outflow before working capital changes	(69,216)	(91,260)
<b>Movement in working capital</b> (Note - A)	66,274	95,272
Cash generated from operations	(2,942)	4,012
Payments for:		
Staff gratuity	(1,570)	(8,375)
Finance cost	(13)	(40)
Taxation	(251)	(398)
	(1,834)	(8,813)
Net cash (outflow) / inflow from operating activities	(4,776)	(4,801)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	--	(6,479)
Sale proceeds of fixed assets	1,138	--
Dividend income received	750	950
Net cash inflow / (outflow) from investing activities	1,888	(5,529)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loans - Net	17,511	4,255
Short term borrowings - Net	--	--
Liabilities against assets subject to finance lease - Net	(15,579)	--
Net cash inflow from financing activities	1,932	4,255
<b>Net (decrease) in cash and cash equivalents</b>	(956)	(6,075)
<b>Cash and cash equivalents as at 1st July</b>	(2,964,715)	(2,958,640)
<b>Cash and cash equivalents as at 30th June</b> (Note - B)	(2,965,671)	(2,964,715)

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

**Note - A**

2014                      2013  
(Rupees in '000)

**Movement in Working Capital***(Increase) / decrease in current assets*

Stores and spares	--	--
Stock-in-trade	--	--
Trade debts	62,557	101,163
Advances	(455)	(216)
Short term deposits and prepayments	1,305	472
Other receivables	(238)	(352)

*Increase / (decrease) in current liabilities*

Trade and other payables	3,105	(5,795)
--------------------------	-------	---------

66,274	95,272
--------	--------

**Note - B****Cash and Cash Equivalents**

Cash and cash equivalents include:

Cash and bank balances	7,224	8,180
Short term finances:		
- Short term running finances	2,970,019	2,970,019
- Book overdraft	2,876	2,876
	(2,972,895)	(2,972,895)
	(2,965,671)	(2,964,715)

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

*Statement under section 241(2) of the Companies Ordinance, 1984.*

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**Dewan Abdul Rehman Farooqui**  
Director



**Haroon Iqbal**  
Director

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

	Issued, subscribed and paid-up capital	General Reserve	Unrealized gain due to changes in fair value of investments	Accumulated Loss	Total
	(Rupees in '000)				
Balance as on July 01, 2012 - As reported	3,663,211	350,000	7,159	(13,601,686)	(9,581,316)
Effect of adjustment (Note 7.2)	--	--	--	257,444	257,444
Effect of change in accounting policy (Note 3.3)	--	--	--	(7,904)	(7,904)
Balance as on July 01, 2012 - As restated	3,663,211	350,000	7,159	(13,352,146)	(9,331,776)
<b>Total comprehensive loss for the year</b>					
Loss for the year - Restated	--	--	--	(1,151,451)	(1,151,451)
Net change in fair value of available-for-sale financial assets	--	--	10,237	--	10,237
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment - Net of tax	--	--	--	189,325	189,325
Remeasurement of defined benefit liability - net of tax	--	--	--	6,749	6,749
	--	--	10,237	(955,377)	(945,140)
Balance as at June 30, 2013 - Restated	3,663,211	350,000	17,396	(14,307,523)	(10,276,916)
<b>Total comprehensive loss for the year</b>					
Loss for the year	--	--	--	(1,006,484)	(1,006,484)
Net change in fair value of available-for-sale financial assets	--	--	(5,406)	--	(5,406)
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment - Net of tax	--	--	--	173,014	173,014
Remeasurement of defined benefit liability - net of tax	--	--	--	14,955	14,955
	--	--	(5,406)	(818,515)	(823,921)
Balance as at June 30, 2014	3,663,211	350,000	11,990	(15,126,038)	(11,100,837)

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

*Statement under section 241(2) of the Companies Ordinance, 1984.*

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**Dewan Abdul Rehman Farooqui**  
Director



**Haroon Iqbal**  
Director

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

### 1 THE COMPANY AND ITS OPERATION

The Company was incorporated in Pakistan on October 04, 1989 and its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. It is engaged in manufacture and sale of polyester, acrylic fibre and tow products. The registered office of the Company is situated at Dewan Centre, House No. 58, Margalla Road, F-7/2, Islamabad, Pakistan.

### 2 GOING CONCERN ASSUMPTION

The financial statements for the year ended June 30, 2014 reflect loss after taxation of Rs. 1.006 billion (2013: Rs. 1.151 billion) and as of that date it has accumulated losses of Rs. 15.126 billion (2013: Rs. 14.308 billion) which have resulted in net capital deficiency of Rs. 11.101 billion (2013: Rs. 10.277 billion) and its current liabilities exceeded its current assets by Rs. 14.944 billion (2013: Rs. 14.443 billion) and total assets by Rs. 7.912 billion (2013: Rs. 6.743 billion). The operations of the company are closed since December 2008 due to working capital constraints. Further, the Company has been unable to ensure timely repayments of debts owing to financial institutions due to liquidity problems and short term finance facilities have not been renewed by banks. Following course most of the lenders have gone into litigation for repayment of liabilities through attachment and sale of company's hypothecated / mortgaged properties and certain lenders have also filed winding up petitions. These conditions indicate the existence of material uncertainty, which may cast significant doubt about company's ability to continue as going concern

These financial statements have been prepared on going concern assumption because the above conditions are temporary and would reverse. The management is confident that the outcome will be positive as the company is negotiating re-profiling of the debt with all the lenders and is expected to be closed in near future. Accordingly the company has approached its lenders for the restructuring of its entire debt in the following manner:

- a) All the debt obligations of the company be converted into Interest Bearing Long Term Loan in proportion to their respective current exposures;
- b) Principal to be repaid in 12 years in equal quarterly installments commencing from the 28th month of the restructuring date;
- c) Mark-up payable as on December 31, 2008 to be freezed and paid quarterly over a period of three years commencing after 3 months from the restructuring date;

The management believes that the restructuring proposal presented is workable and would enable the company to service its debts. Therefore, the management is confident that the proposal will be accepted by its lenders. Accordingly, these financial statements have been prepared on a going concern basis.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except as stated in note 3.3.

#### 3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except revalued assets which are stated at revalued amounts and certain investments which are carried at revalued amounts.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

- i) Staff retirement benefits
- ii) Income taxes
- iii) Revaluation of property, plant and equipment
- iv) Estimation of residual values and useful lives of property, plant and equipment.

### 3.2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan with the exception of departure of IFRS as mentioned in 28.1 to the financial statements, for which the management concludes that provisioning of markup (note 28.1) would conflict with the objective of financial statements. 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 provision of and directives issued under the Companies Ordinance, 1984. In case requirement differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

#### 3.2.1 Standards, amendments or interpretations which became effective during the year:

During the year certain amendments to standards or new interpretations became effective; however, the amendments or interpretation did not have any material effect on the financial statements of the Company except for the amendments as explained below:

#### IAS 19 'Employees Benefits', details of which are stated below:

##### Change in accounting policy

##### *Employee Benefits*

With effect from 1 January 2013, the revised IAS 19 'Employee Benefits' became effective. The revised IAS 19 requires actuarial gains and losses to be recognized immediately in other comprehensive income. Previously, actuarial gains and losses over and above the corridor limit were amortized over the expected average remaining working lives of employees. Further, any past service cost is now recognized immediately in the profit and loss account as soon as the change in the benefit plans are made and previously, only vested past service cost was recognized immediately in profit and loss account and non-vested cost was amortised to profit and loss account over the vesting period. The Standard also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year. Refer note 3.3 for revised accounting policy.

The effects of change has been accounted for retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', resulting in restatement of financial statements of prior periods. Resultantly, the cumulative effect of adjustments that arose as at 1 July 2012 has been presented and disclosed as part of the statement of changes in equity, while the corresponding period adjustment through other comprehensive income is restated and disclosed as part of the Statement of Comprehensive Income respectively. The Balance Sheet also presents the prior year numbers as restated, due to the said change.

	---- 2013 ----			---- 2012 ----		
	As previously reported	Impact due to change in policy	As Restated	As previously reported	Impact due to change in policy	As Restated
	----- RUPEES -----					
<b>Effect on balance sheet</b>						
Staff retirement benefit	254,375	1,422	252,453	248,249	7,904	256,153
Deferred taxation	917,501	--	917,501	1,019,445	--	1,019,445
Accumulated loss	11,558,997	5,930	11,564,967	13,901,686	7,904	13,609,590

	2013 RUPEES
<b>Effect on other comprehensive income</b>	
Remeasurement of defined benefit liability	10,226
Tax thereon	(3,477)
	<u>6,749</u>

This change in accounting policy has no impact on the statement of cash flows and on earnings per share.

- Amendments to IAS 1, 'Financial statement presentation' regarding other comprehensive income, emphasises on the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The application of the amendment has not affected the result or net assets of the Company as it is only concerned with presentation and disclosures.

### 3.2.2 Standards, amendments or interpretations not yet effective

The following new standards, amendments to existing standards and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2014 and the Company does not expect to have any material / significant changes in its accounting policy except for disclosures, where applicable:

- IFRIC 21- Levies 'an Interpretation on the Accounting for Levies Imposed by Governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 1 January 2014). The Amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off': and that some gross settlement systems may be considered equivalent to net settlement.
- Amendment to IAS 36 'Impairment of Assets' Recoverable Amount Disclosures for Non-Financial Assets' (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 'Impairment of Assets' address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' - Continuing Hedge Accounting after Derivative Novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 'Employee Benefits' Employee contributions – a Practical Approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets are inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 'Agriculture'. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further, IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision-maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

### 3.3 Employee benefits

The Company operates an unfunded Gratuity Scheme (the Plan) for eligible employees of the Company. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income.

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognized in profit and loss account. The latest Actuarial valuation was conducted at the balance sheet date by a qualified professional firm of actuaries.

### 3.4 Taxation

#### *Current*

Provision for current taxation is based on current rates of tax after taking into account tax credits and rebates available, if any.

#### *Deferred*

Deferred tax is recognized on all major timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

### 3.5 Trade and other payables

Short term liabilities for trade and other payables are carried at cost which is the fair value of consideration to be paid for goods and services.

### 3.6 Property, plant and equipment and depreciation

#### *Owned:*

Operating assets except freehold and leasehold land are stated at cost or revalued / adjusted amounts less accumulated depreciation. Freehold and leasehold land are stated at cost and capital work-in-progress is stated at cost. Cost of certain property, plant and equipment and capital work in progress comprises of historical cost and the cost of borrowings during construction period in respect of loans taken for specific projects.

Depreciation on additions is charged from the month of acquisition or transfer of assets from capital work in progress on proportionate basis.

An amount equal to the incremental depreciation charged on revalued property, plant and equipment is transferred from surplus on revaluation of property, plant and equipment to retained earnings.

Maintenance and normal repairs are charged to income as and when incurred; major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and Losses on disposal of Assets are taken to Profit and Loss Account.

**Leased:**

Assets subject to finance lease are initially recorded at lower of the present value of minimum lease payments under the lease agreements and the fair value of leased assets. The related obligation under the finance lease less financial charges allocated to future periods are shown as liability.

Depreciation charge is based on the reducing balance method at the rates specified in Note 13. Depreciation on additions is charged from the month of acquisition or transfer of assets from capital work in progress on proportionate basis.

Maintenance and normal repairs are charged to income as and when incurred; major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and Losses on disposal of Assets are taken to Profit and Loss Account.

**3.7 Borrowing costs**

Borrowings costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of the relevant asset.

**3.8 Investments**

**Available for sale:**

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair values (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. In case the investments in foreign currencies, fair values dominated in foreign currencies are reported using the exchange rates that existed when the values were determined. Gains and losses on remeasurement to fair value are recognized directly in equity through the statement of comprehensive income.

The company determines the appropriate classification of its investment at the time of purchase as follows:

**Long term investments**

The investment in associated company is stated at cost. Impairment loss is recognised whenever the carrying amount of investment exceeds its recoverable amount. An impairment loss is recognised in income currently. The equity method of accounting has not been followed as the effect of applying this method is immaterial.

**Investments - Held to maturity**

These are investments with fixed or determinable payments and fixed maturity with the company having positive intent and ability to hold till maturity. These are stated at amortised cost.

**Investments - At fair value through profit or loss**

Investments held for trading are classified at fair value through profit or loss account. These are measured at fair value which is re-assessed at each reporting date. In case of investments in open ended mutual funds, fair value is determined on the basis of period end Net Asset Value (NAV) as announced by the Asset Management Company. Changes in fair value are recognised in profit and loss account.

**3.9 Stores and spares**

These are valued at average cost except for those in transit, which are valued at cost.

**3.10 Stock in trade**

Raw and packing materials except for those in transit are valued at lower of average cost and net realizable value.

Work-in-process is valued at material cost only. Conversion costs are not included as these are not significant.

Finished goods are valued at lower of cost, which includes prime cost and appropriate portion of production overheads, and net realizable value.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred to make the sale.

**3.11 Trade debts**

Trade debts originated by the company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts, if any. An estimate for doubtful debt is made when collection of full amount is no longer probable. Bad debts are written off as incurred.

**3.12 Foreign currency translation**

Transactions in foreign currencies are recorded using the rates of exchange ruling at the date of transaction.

Assets and liabilities in foreign currencies are translated into Rupees at exchange rates approximating those prevailing at the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in which case the rates contracted for are used.

All other exchange differences are taken to profit and loss account.

**3.13 Transactions with related parties**

All transactions with related parties are priced on an arm's length basis using Comparable Uncontrolled Price Method.

**3.14 Revenue recognition**

- Sales are recorded on dispatch of goods to customers.
- Profit / mark-up on deposits and investments are accounted for when it becomes receivable.

**3.15 Provisions**

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

**3.16 Cash and cash equivalent**

For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank balances, net of short term running finances.

### 3.17 Financial instruments

All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

Financial instruments carried on the balance sheet include investments, receivables, cash and bank balances, creditors, borrowings and other payables. The particular recognition method adopted are disclosed in the individual policy statements associated with each item.

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

### 3.18 Non current assets held for sale

Non current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less cost to sell.

### 3.19 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment loss. Any impairment loss arising is recognized as expense in the profit and loss account.

4 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			2014	2013
			(Rupees in '000)	
2014	2013			
65,000,000	65,000,000	Ordinary shares of Rs. 10- each fully paid in cash	650,000	650,000
267,849,938	267,849,938	Ordinary shares of Rs. 10- each issued as bonus shares	2,678,499	2,678,499
1,215,345	1,215,345	Ordinary shares of Rs. 10- each issued against conversion of convertible bonds	12,154	12,154
32,255,800	32,255,800	Ordinary shares of Rs. 10- each issued in exchange for 96,767,400 shares of Rs.10- each of Dhan Fibres Limited	322,558	322,558
<u>366,321,083</u>	<u>366,321,083</u>		<u>3,663,211</u>	<u>3,663,211</u>

4.1 156,433,140 (2013: 156,433,140) shares were held by associated companies.

## 5 RESERVES

### Revenue reserves:

General reserves	350,000	350,000
Unrealized gain due to changes in fair value of investments	11,990	17,396
Accumulated loss	(15,126,038)	(14,307,523)
	<u>(14,764,048)</u>	<u>(13,940,127)</u>

6	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	2014	2013
		(Rupees in '000)	
	Opening balance	2,251,240	2,440,566
	Less : Transferred to accumulated loss in respect of incremental depreciation for the year - Net of tax	(173,015)	(189,326)
	Balance as on 30 June	<u>2,078,225</u>	<u>2,251,240</u>

The following fixed assets of the Company were revalued on June 25, 2010. The revaluation was carried out by independent valuer M/s. Asif Associates (Private) Limited (Muqadams, Evaluators & Custom Agents). Bases of revaluation are as follows:

**Land**

Valuation of land is determined by obtaining key market data from property brokers, dealers and estate agents to ascertain the asking and selling prices of the property of the same nature in the immediate neighborhood and adjoining areas.

**Building**

Revalued amount of building has been determined by reference to present depreciated replacement values after taking into consideration covered area and type of construction, age of civil and ancillary structures, physical conditions and level of preventive maintenance carried out by the Company.

**Plant and Machinery**

Revalued amount of plant and machinery has been determined by reference to present depreciated replacement values after taking into consideration the existence, level of maintenance and assessment of value of the machinery on the basis of its present conditions. Since the plant is not operational therefore assessment is carefully made to establish if the machinery can be put into operation after routine maintenance. Assessed value is determined through a computation of the remaining useful life of the assets with the present market value.

The revaluation has resulted in increase in surplus and corresponding carrying amounts of property, plant and equipment by Rs.732.864 million. The closing balance of surplus on revaluation of property, plant and equipment is not available for distribution to shareholders.

Particulars	W.D.V. of assets before revaluation	Revalued amount	Revaluation Surplus
(Rupees in '000)			
<b>PSF Units</b>			
Leasehold land	368,000	524,800	156,800
Factory building	657,909	910,515	252,606
Non-factory building	323,030	421,085	98,055
Plant and machinery	5,385,208	5,393,000	7,792
<b>Acrylic Unit</b>			
Factory building	237,237	350,600	113,363
Non-factory building	2,484	3,100	616
Plant and machinery	1,581,368	1,685,000	103,632
	<u>8,555,236</u>	<u>9,288,100</u>	<u>732,864</u>

	Note	2014	2013 (Restated)
<b>7 LONG TERM LOANS</b>			
From Bank and Financial Institutions - Secured	7.1	3,141,774	3,142,824
Less: Overdue portion - Shown under current liabilities		<u>(3,141,774)</u>	<u>(3,142,824)</u>
		-	-
From related parties - Director - Unsecured, interest free			
Original loan amount	7.2	379,645	362,134
Less: Present value adjustment		(271,809)	(260,371)
Add: Interest charged to profit and loss account		23,839	11,219
		131,675	112,982
		<u>131,675</u>	<u>112,982</u>

#### 7.1 From Bank and Financial Institutions - Secured

Financier	Installments payable	Repayment period	Mark-up rate	Note	2014 (Rupees in '000)	2013
<b>From Bank and Financial Institutions - Secured</b>						
Syndicate of banks	Half Yearly	2003-2008	3.75% over 6 months T-bill rate	7.1.1	58,333	58,333
International Finance Corporation (IFC) FCY-LOAN	Half Yearly	2005-2011	6.9% p.a.	7.1.2	1,678,750	1,679,600
International Finance Corporation (IFC) FCY-LOAN	Annual	2010	5% p.a.	7.1.3	395,000	395,200
Saudi Pak Industrial & Agricultural Investment Co. (Pvt.) Ltd.	Quarterly	2009	3% over six months KIBOR	7.1.4	49,000	49,000
National Bank of Pakistan	Quarterly	2011	2% over three months KIBOR	7.1.5	500,000	500,000
Allied Bank Limited	Monthly	2010	3.25% over three months KIBOR	7.1.6	460,691	460,691
					<u>3,141,774</u>	<u>3,142,824</u>

- 7.1.1 These represents term loans obtained from syndicate of commercial banks and are secured by way of first pari passu hypothecation charge on all the present and future property, plant and equipment of the company.
- 7.1.2 This represents US Dollars 30 million term loan obtained from IFC to finance the setting up specialty fibre project and repayment of high cost loans. This is secured by way of hypothecation charge on all the present and future property, plant and equipment of the company.
- 7.1.3 This represents the financing of US Dollars 4 million obtained under the "Convertible C Loan Agreement" dated June 16, 2003 from IFC to finance the setting up specialty fibre project and repayment of high cost loans. This is secured by way of first ranking security interests in all assets and rehis subject to the security documents.

A commitment fee shall be paid to IFC *at* 0.5 % per annum beginning on the date of this agreement until the date of disbursement on the basis of a 360-days year and the actual number of days in the relevant period.

This loan shall repay the entire outstanding amount of the C Loan on the fourteenth interest payment date *at* 5% per annum from the date of execution of this agreement i.e., February 24, 2004 unless prior to the fourteenth interest payment date, subject to any prior conversion of all or part of the C Loan pursuant to the conversion option. "The conversion option may be exercised by IFC one or several times, each time by delivering a notice of conversion. IFC shall subscribe for the conversion shares at the conversion price and shall pay by setting off with the C Loan. The conversion period commencing on the second anniversary of the date of this agreement and ending on the date when all amounts of whatsoever nature, outstanding has been paid to the entire satisfaction of IFC.

According to agreement the basic conversion price is Rs. 20/- per share. The conversion price per share obtained by applying the formula " to multiply the basic conversion price with initial number of share divided by number of issued, subscribed, paid up shares as of the settlement date." and the conversion shares calculated by applying the formula "the part of the C Loan to be converted into US / Pak Rs official rate as of the settlement date divided by conversion price per share".

There is further extension of convertible C Loan agreement with the acceptance of US 1 million dated May 14, 2004 with all the terms and conditions of the said agreement remains unchanged.

- 7.1.4 This represents loan for the purpose of working capital requirements and is secured by way of first pari passu hypothecation charge over fixed assets with 25% margin.
- 7.1.5 This represents term finance facility for the purpose of restructuring of the balance sheet of the company and is secured by way of ranking charge over fixed assets with 25% margin and first pari passu hypothecation charge over all future stocks and receivables.
- 7.1.6 This represents term finance facility for the purpose of retiring present running finance & FADB outstanding and is secured by way of first pari passu charge over fixed assets with 25% margin.
- 7.2 These interest free loans are repayable in lump sum on June 30, 2024.

The loan from director has been measured at amortized cost in accordance with International Accounting Standard 39, Financial Instruments: Recognition and Measurement, and have been discounted using the weighted average interest rate of ranging 11.17% per annum.

	Note	2014	2013 (Restated)
(Rupees in '000)			
<b>8 DEFERRED LIABILITIES</b>			
Deferred liability for staff gratuity	8.1	177,161	252,453
Deferred taxation	8.2	802,158	917,501
		979,319	1,169,954
<b>8.1 Provision for staff gratuity</b>			
Opening Balance		252,453	248,249
Less:			
Unrecognized actuarial loss transferred to equity		--	(7,904)
Remeasurement gain transferred to other comprehensive income		22,659	10,226
Transferred to final settlement payable		49,369	--
Payments during the year		1,570	8,375
		178,855	237,552
Add: Provision for the year	8.1.1	(1,694)	14,901
	8.1.2	177,161	252,453
<b>8.1.1 Charge for the year</b>			
Current service cost		2,213	12,570
Interest cost		21,605	29,661
Curtailment or settlements (gain)	8.1.1.1	(25,512)	(27,330)
	8.1.1.2	(1,694)	14,901
<b>8.1.1.1</b>	The company has made gratuity settlements for number of members during the year based on their gratuity benefits accrued up to the date of going on leave, which resulted in settlement gain because of the release of liability held against those employees for the period after the date of going on leave. The said gain has been recognized immediately during the year as per requirements of IAS - 19.		
<b>8.1.1.2 Allocation of charge for the year</b>			
Cost of sales		(1,446)	12,406
Administrative expenses		(248)	2,495
		(1,694)	14,901
<b>8.1.2 Balance sheet reconciliation</b>			
Present value of defined benefit obligations		34,826	241,519
Frozen gratuity payable to outgoing members		142,335	10,934
		177,161	252,453
<b>Principal actuarial assumption</b>			
Expected rate of increase in salaries		12.25% p.a.	9% p.a.
Discount factor used		13.25% p.a.	10% p.a.
Average expected remaining working life times of employees		8 years	10 years

	Note	2014	2013
(Rupees in '000)			
<b>8.2</b>	<b>Deferred taxation</b>		
	Liability / (asset) balances arising in respect of:		
	Accelerated tax depreciation	510,892	534,395
	Finance lease transactions	9,191	6,865
	Provisions and others	(528,831)	(594,311)
	Accumulated tax losses and available tax credits	(5,303,498)	(5,090,922)
	Deferred tax (asset)	<u>(5,312,246)</u>	<u>(5,143,973)</u>
	Deferred tax asset not recognized	<u>5,312,246</u>	<u>5,143,973</u>
		--	--
	Deferred tax liability in respect of:		
	- Revaluation net of related depreciation	802,158	917,501
		<u>802,158</u>	<u>917,501</u>
<b>9</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Trade creditors	9.1 5,506,280	5,511,269
	Markup accrued	1,813,578	1,813,578
	Accrued expenses	262,424	204,630
	Unclaimed TFC's redemption warrants	2,228	2,228
	Others	9.2 25,161	25,488
		<u>7,609,671</u>	<u>7,557,193</u>

9.1 This mainly represent amount payable to banks in respect of overdue letter of credits.

9.2 Others include Rs.20,943 million (2013: Rs.20,943 million) payable to associated companies.

## 10 SHORT TERM BORROWINGS

From banks and financial institutions - Secured			
	- Morabaha finance	621,530	621,530
	- Short term loans	3,558,630	3,558,630
	Short term running finance - Secured	2,970,019	2,970,019
	Temporary book overdraft - Unsecured	2,876	2,876
		<u>7,153,055</u>	<u>7,153,055</u>

- The facilities for various loans and finances under mark-up arrangements available from various banks amount to Rs.8,766 billion (2013: Rs.8,766 billion) and carry mark up ranging from 1% to 4% (2013: 1% to 4%) over one to six months KIBOR. These facilities are secured by hypothecation of the Company's stock-in-trade and book debts and are generally for a period of one year renewable at the end of the period. These facilities have not been renewed by the banks, however, the renewal would take place at the finalization of the financial restructuring process.

## 11 OVERDUE PORTION OF LEASE LIABILITIES

The Company entered into lease agreements with various leasing companies to acquire gas generators to reduce the power costs. The rentals under these lease agreements are payable quarterly up to the period ending June 2011. Mark up rate ranging from 13.71% to 14.38% (2013: 13.71% to 14.38%) per annum have been used as discounting factors. The cost of operating and maintaining the leased assets will be borne by the company. The Company intends to exercise its option to purchase the leased assets at its aggregate residual value of Rs.8.498 upon the completion of the respective lease periods.

During the year under consideration a settlement has been reached with a leasing company, thereby the liabilities have been settled at Rs.9.7 million and consequently case has been withdrawn and resulting gain has been taken to profit and loss account.

## 12 CONTINGENCIES AND COMMITMENTS

### 12.1 Contingencies

- (a) In respect of liabilities towards banks / financial institutions disclosed in note 7, 9, 10 and 11 to the financial statements, most of banks / financial institutions have filed suits in Honorable High Court of Sindh at Karachi for recovery of their liabilities through attachment and sale of Company's hypothecated / mortgaged properties. The aggregate suits amount is Rs. 22,297 billion, out of total suits amount four of the banks having suit to the extent of Rs. 2,435 billion has also filed winding up petition u/s 305 of the Companies Ordinance, 1984. Since the company is in dispute with banks / financial institutions therefore the estimated financial effect of litigations is not being disclosed, as it may have adverse affect on company's position in the suits.

The management has disputed the claim and is strongly contesting the cases. The management has filed counter claims alleging that the banks claims are highly exaggerated as they have charged markup on markup and other levies higher than the rate of markup agreed and other charges in violation of State Bank of Pakistan rules and all other applicable laws of Pakistan. The management is hopeful that the decision will be in favor of the company and the base less suits shall be rejected by the concerned courts. Since all the cases are pending before Honorable Courts therefore the ultimate outcome cannot be established at this stage. Since the banks / financial institutions are in litigation with the company, therefore balance confirmations have not been received therefrom.

- (b) The Company is defendant in a legal proceeding initiated by certain transporters for an aggregate amount of Rs.31.127 million (being pending bill of Rs.27.127 million and Rs.4.00 million as delayed payment charges) which is pending before Hon'able Lahore High Court (Rawalpindi Bench), the outcome of which cannot be established at this stage. The management, based on the strength of its case and the advice of its lawyers, believes that no additional liability will arise out of these proceedings; hence no provision for delayed payment charges has been made in these financial statements.
- (c) Guarantees given by the commercial banks on behalf of the company amounted to Rs.78.30 million (2013: Rs.78.30 million).

## 13 PROPERTY PLANT AND EQUIPMENT

	Note	2014	2013
		(Rupees in '000)	
Operating fixed assets	13.1	6,509,416	7,167,137
Capital work in progress	13.4	142,813	142,813
		<u>6,652,229</u>	<u>7,309,950</u>

13.1 Operating fixed assets

Particulars	2 0 1 4								Rate
	Cost/ Revaluation				Depreciation		Book Value		
	As at 01 July 2013	(Disposal)	As at 30 June 2014	As at 01 July 2013	(Disposal)	Charge for the year	As at 30 June 2014	As at 30 June 2013	
(Rupees in '000)									
<b>PSF - Units - Owned</b>									
Freehold land	95,429	--	95,429	--	--	--	--	95,429	--
Leasehold land	524,800	--	524,800	--	--	--	--	524,800	--
Islamabad office	140,383	--	140,383	60,230	--	4,015	104,245	76,138	10%
Factory building	1,800,324	--	1,800,324	1,343,748	--	65,558	1,216,306	590,018	10%
Non factory building	973,029	--	973,029	665,729	--	30,750	696,459	270,510	10%
Tank terminal	6,453	--	16,453	14,587	--	187	14,774	1,679	10%
Plant and machinery	14,750,117	--	14,750,117	10,855,615	--	389,850	11,241,163	3,568,652	10%
Vehicles	170,727	(4,297)	166,430	146,183	(3,597)	4,784	147,350	19,080	20%
Furniture and fixtures	80,027	--	80,027	60,159	--	1,987	62,146	17,881	10%
Office equipment	136,542	--	136,542	101,406	--	3,512	104,920	31,622	10%
<b>Leased Assets</b>									
Plant and machinery (Generators)	178,517	--	78,517	89,170	--	8,926	98,113	80,204	10%
<b>2014</b>	<b>18,866,348</b>	<b>(4,297)</b>	<b>18,862,051</b>	<b>13,173,836</b>	<b>(3,597)</b>	<b>509,539</b>	<b>13,679,778</b>	<b>5,182,273</b>	
<b>Acrylic Unit</b>									
Factory building	64,196	--	64,196	38,750	--	25,345	413,093	228,101	10%
Non-factory building	6,171	--	6,171	3,918	--	235	4,147	2,028	10%
Plant and machinery	4,158,750	--	4,158,750	2,940,621	--	121,817	3,062,434	1,096,316	10%
Vehicles	3,604	--	3,604	3,407	--	29	3,446	158	20%
Furniture and fixtures	896	--	896	654	--	24	678	212	10%
Office equipment	1,370	--	1,370	906	--	36	1,042	328	10%
<b>2014</b>	<b>4,811,981</b>	<b>--</b>	<b>4,811,981</b>	<b>3,337,356</b>	<b>--</b>	<b>147,482</b>	<b>3,484,838</b>	<b>1,327,143</b>	
<b>TOTAL - 2014</b>	<b>23,678,329</b>	<b>(4,297)</b>	<b>23,674,032</b>	<b>16,511,192</b>	<b>(3,597)</b>	<b>657,021</b>	<b>17,164,616</b>	<b>6,509,416</b>	

Particulars	2 0 1 3								Rate
	Cost/ Revaluation				Depreciation		Book Value		
	As at 01 July 2012	Addition	As at 30 June 2013	As at 01 July 2012	Charge for the year	As at 30 June 2013	As at 30 June 2013		
(Rupees in '000)									
<b>PSF - Units - Owned</b>									
Freehold land	95,950	6,479	95,429	--	--	--	95,429	--	
Leasehold land	524,800	--	524,800	--	--	--	524,800	--	
Islamabad office	140,383	--	140,383	95,750	1,161	100,230	40,153	10%	
Factory building	1,800,324	--	1,800,324	1,071,906	72,842	1,144,748	655,576	10%	
Non factory building	973,029	--	973,029	631,566	34,143	665,729	407,300	10%	
Tank terminal	16,453	--	16,453	14,380	207	14,587	1,560	10%	
Plant and machinery	4,750,117	--	4,750,117	10,418,448	433,167	10,851,615	3,898,502	10%	
Vehicles	170,727	--	170,727	146,047	6,136	146,183	24,544	20%	
Furniture and fixtures	80,027	--	80,027	57,981	2,208	60,159	19,868	10%	
Office equipment	136,542	--	136,542	97,507	3,904	101,406	35,116	10%	
<b>Leased Assets</b>									
Plant and machinery (Generators)	178,517	--	178,517	79,233	9,926	89,170	89,339	10%	
<b>2013</b>	<b>18,895,830</b>	<b>6,479</b>	<b>18,866,348</b>	<b>12,606,840</b>	<b>766,996</b>	<b>13,173,836</b>	<b>5,692,512</b>		
<b>Acrylic Unit</b>									
Factory building	64,196	--	64,196	38,959	28,161	387,750	253,446	10%	
Non-factory building	6,171	--	6,171	3,668	250	3,918	2,253	10%	
Plant and machinery	4,158,750	--	4,158,751	2,805,273	135,548	2,940,621	1,218,129	10%	
Vehicles	3,604	--	3,604	3,555	49	3,467	197	20%	
Furniture and fixtures	896	--	896	628	26	654	260	10%	
Office equipment	1,370	--	1,370	966	49	1,006	364	10%	
<b>2013</b>	<b>4,811,981</b>	<b>--</b>	<b>4,811,981</b>	<b>3,173,482</b>	<b>163,874</b>	<b>3,337,356</b>	<b>1,327,143</b>		
<b>TOTAL - 2013</b>	<b>23,671,850</b>	<b>6,479</b>	<b>23,678,329</b>	<b>15,780,322</b>	<b>786,870</b>	<b>16,511,192</b>	<b>7,167,137</b>		

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

	2014			2013		
	PSF - Units	Acrylic Unit	Total	PSF - Units	Acrylic Unit	Total
	(Rupees in '000)			(Rupees in '000)		
Cost of sales	506,991	146,745	653,736	564,161	163,055	727,216
Administrative expenses	2,548	737	3,285	2,835	819	3,654
	<u>509,539</u>	<u>147,482</u>	<u>657,021</u>	<u>566,996</u>	<u>163,874</u>	<u>730,870</u>

**13.3** Detail of assets disposed off during the year:

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of Disposal	Particulars of Buyer	
							Name	Status
RUPEES '000'								
<b>Vehicles:</b>								
Honda Civic (DDI-456)	761	689	12	150	438	Company policy	Mr. Zafarullah Khan Cheema	Employee
Hyundai Sonata (AKF-851)	638	544	95	95	-	Company policy	Mr. Abdul Nasseem Khan	Employee
Hyundai Sonata (SW-460)	689	587	102	102	-	Company policy	Lamara-Ull-Hasan	Employee
Mitsubishi Lancer (KY-372)	1,209	1,099	110	174	-	Company policy	Mansoor Hashiq	Employee
Mitsubishi Lancer (AKK-200)	909	682	227	317	-	Company policy	Mr. Hafeez Ahmed	Employee
<i>June 30, 2014</i>	<u>4,297</u>	<u>3,597</u>	<u>700</u>	<u>1,138</u>	<u>438</u>			

**13.4 Capital work in progress**

	2014	2013
	(Rupees in '000)	
Capital work in progress	<u>142,813</u>	<u>142,813</u>
Plant and machinery		
- Owned	56,429	56,429
- Leased	86,384	86,384
	<u>142,813</u>	<u>142,813</u>

**13.5** Had there been no revaluation the carrying amounts of revalued assets as at June 30, 2014 would have been as follows :

**PSF Units**

Freehold land	70,652	70,652
Leasehold land	2,269	2,269
Factory building	397,649	441,833
Non-factory building	67,743	75,270
Plant and machinery	1,978,744	2,198,604

**Acrylic Unit**

Factory building	82,328	91,476
Non-factory building	868	965
Plant and machinery	815,064	905,627
	<u>3,415,317</u>	<u>3,786,696</u>

	Note	2014	2013
(Rupees in '000)			
<b>14 LONG TERM INVESTMENTS</b>			
Investment in listed securities			
Meezan Balance Fund			
(585,292 unit of Rs.10/- each)		5,000	5,000
Pakistan Strategic Allocation Fund			
(2,568,612 (2013: 2,568,612) certificates of Rs.10/- each)		22,040	22,040
		27,040	27,040
Accumulated gain		3,172	8,578
		<u>30,212</u>	<u>35,618</u>
Investment in non-listed securities			
Global Securities (Pvt) Limited			
495,000 shares of Rs. 10/- each at a premium of Rs.40.92/- per share		25,205	25,205
Equity investment in Dewan Petroleum (Pvt) Limited			
12,000,000 (2013: 12,000,000) shares of Rs.10/- each at a premium of Rs.8,583/- per share	14.1	223,000	223,000
Shares application money - Dewan Petroleum (Pvt.) Ltd	14.2	97,746	97,746
		320,746	320,746
Less: Transferred to non-current assets held for sale	23	(223,000)	(223,000)
		<u>153,163</u>	<u>158,569</u>

**14.1** REPL has transferred its entire 40% working interest in Safed Koh Block to Dewan Petroleum (Private) Limited (DPL) (an associated company of DSFL). By virtue of the Company's ownership of 49% of 40% indirect working interest in Safed Koh Block through REPL, the Company has acquired 12 million ordinary shares of Rs.10/- each of the DPL (33.33% of DPL equity) in lieu of its equity investment and advance against cash calls under authority of the special resolution passed under section 208 of The Companies Ordinance, 1984 in Extra Ordinary General Meeting held on August 30, 2006.

**14.2** This represents the amounts paid against the committed investment of Rs.97.746 million to retain its proportionate shares in DPL equity under terms of a financial arrangement concluded between International Finance Corporation (IFC) and DPL. This commitment was made under authority of the special resolution passed in Extra Ordinary General Meeting held on August 30, 2006.

**15 LONG TERM PREPAYMENTS**

4,261	8,520
-------	-------

- 15.1** The company has entered in to a long term terminal services agreement with Engro Vopak Terminal Limited (EVTL) to receive Acrylonitrile (ACN), basic raw material for Unit III from ships, store this chemical and make it available for delivery to the company. The company has constructed the dedicated facilities on behalf of EVTL to be exclusively used for providing services to the company. This represents all cost and expenses incurred for constructing dedicated facilities by the company and will be considered advance payment of fixed price element for dedicated facilities for 15 years by the company to EVTL. The charge applicable to the current year has been taken to the Profit and Loss Account.

	2014	2013
	(Rupees in '000)	
<b>16 STORES AND SPARES</b>		
Consumable stores	1,009,218	1,009,218
Packing material	12,501	12,501
Chemicals	51,107	51,107
Fuel, oil and lubricants	12,288	12,288
	<u>1,085,114</u>	<u>1,085,114</u>
Less: Provision for obsolescence and slow moving items	<u>(114,481)</u>	<u>(63,395)</u>
	<u>970,633</u>	<u>1,021,719</u>
<b>17 STOCK IN TRADE</b>		
Raw materials	308,497	308,497
Work-in-process	103,879	103,879
Stock in transit	194,940	194,940
Waste	19,086	19,086
	<u>626,402</u>	<u>626,402</u>
Less: Provision for obsolescence and slow moving stocks	<u>(614,879)</u>	<u>(449,659)</u>
	<u>11,523</u>	<u>176,743</u>
<b>18 TRADE DEBTS</b>		
Considered good	1,910,879	2,158,899
Considered doubtful	470,730	796,507
	<u>2,381,609</u>	<u>2,955,406</u>
Less: Provision for doubtful debts	<u>(470,730)</u>	<u>(796,507)</u>
	<u>1,910,879</u>	<u>2,158,899</u>

- 18.1** Trade debts include Rs.122.499 million (2013: Rs.122.499 million) due from associated companies.

- 18.2** Trade debts also include a sum of Rs.21.673 million (2013: Rs. 21.673 million) receivable from Nazir of High Court of Sindh representing receivable against sales made on account auction of company's stock as per order of court. All the sale proceeds are being deposited by the successful bidder directly with Nazir of High Court. The said amount will be adjusted against liability of bank under litigation upon lifting of all pledged stock.

19	<b>ADVANCES - Considered good</b>	2014	2013
	Against expenses / employees	(Rupees in '000)	
	Considered good	37,544	37,089
	Considered doubtful	49,575	49,575
		<u>87,119</u>	<u>86,664</u>
	Less: Provision for doubtful advances	(49,575)	(49,575)
		<u>37,544</u>	<u>37,089</u>
20	<b>SHORT TERM DEPOSITS AND PREPAYMENTS</b>		
	Deposits	10,258	11,548
	Margin	150,295	150,295
	Prepayments	--	15
		<u>160,553</u>	<u>161,858</u>
21	<b>OTHER RECEIVABLES - Considered good</b>		
	Sales tax	65,420	65,182
	Duty drawback receivable	73,872	73,872
	Duties refundable	4,691	4,691
	Insurance claim receivable	14,730	14,730
	Advance income tax	2,288	2,037
		<u>161,001</u>	<u>160,512</u>
	Less: Provision for doubtful receivable	(84,119)	(84,119)
		<u>76,882</u>	<u>76,393</u>
22	<b>CASH AND BANK BALANCES</b>		
	Cash in hand	557	663
	Cash at bank:		
	- Current account	353	1,200
	- Foreign currency deposits	6,314	6,317
		<u>7,224</u>	<u>8,180</u>
23	<b>NON CURRENT ASSETS HELD FOR SALE</b>		
	Equity investment in Dewan Petroleum (Pvt) Limited		
	- 12,000,000 shares of Rs.10/- each at a		
	premium of Rs.8.583/- per share	<u>223,000</u>	<u>223,000</u>

- The above investment has been classified as held for sale upon management's intention to sell the same within next accounting cycle in the manner to be deemed appropriate, equitable, fit and beneficial to the interests of the company. For the purpose special resolution was passed by the shareholders in the Extra Ordinary General Meeting of the Company held on June 23, 2008, which was expired during the preceding financial year, however the management will seek further shareholders' approval before disposal of the same.

## 24 OPERATING RESULTS

Note	Amount in Rs. '000'						
	PSF Unit	Acrylic Unit	2014 Total	PSF Unit	Acrylic Unit	2013 Total	
	(Restated)						
Sales							
Fiber - Local	--	--	--	--	--	--	
Waste	--	--	--	--	--	--	
	--	--	--	--	--	--	
Cost of sales	25	538,811	154,407	693,218	607,064	171,901	778,965
Gross loss		(538,811)	(154,407)	(693,218)	(607,064)	(171,901)	(778,965)
Distribution cost	26	3,759	402	4,161	7,974	853	8,827
Administrative Expenses	27	32,044	3,890	35,934	48,128	5,665	53,791
		35,802	4,292	40,095	56,102	6,516	62,618
Operating loss		(574,614)	(158,699)	(733,313)	(663,166)	(178,417)	(841,583)
Finance cost	28	11,586	--	11,586	107,565	--	119,151
Provision for doubtful debts - advances - receivables		185,463	--	185,463	295,925	--	481,388
Provision for obsolescence and slow moving stocks		216,306	--	216,306	15,677	--	231,983
Other income	29	(17,137)	--	(17,137)	(3,877)	--	(21,014)
		196,218	--	196,218	415,290	--	611,508
Loss before taxation		(970,832)	(158,699)	(1,129,531)	(1,078,456)	(178,417)	(1,256,873)

## 25 COST OF SALES

Note	Amount in Rs. '000'						
	PSF Unit	Acrylic Unit	2014 Total	PSF Unit	Acrylic Unit	2013 Total	
	(Restated)						
Raw material consumed							
Opening stock	98,766	209,731	308,497	98,766	209,731	308,497	
Purchases	--	--	--	--	--	--	
	98,766	209,731	308,497	98,766	209,731	308,497	
Closing stock	(98,766)	(209,731)	(308,497)	(98,766)	(209,731)	(308,497)	
Raw material consumed	--	--	--	--	--	--	
Salaries, wages and benefits	18,466	1,975	20,441	31,180	3,334	34,514	
Electricity, fuel and power	7,121	762	7,883	6,793	726	7,519	
Storage charges of raw material	--	1,259	1,259	--	4,259	4,259	
Depreciation	13.2	506,991	146,745	653,736	564,164	163,055	727,216
Repairs and maintenance		3,398	363	3,761	1,918	205	4,679
Vehicle running expenses		1,538	164	1,702	1,817	194	2,911
General expenses		1,297	139	1,436	1,195	128	1,323
Opening stock of work-in-process		63,011	40,868	103,879	63,011	40,868	103,879
Closing stock of work-in-process		(163,011)	(40,868)	(203,879)	(63,011)	(40,868)	(203,879)
Cost of goods manufactured		538,811	154,407	693,218	607,064	171,901	778,965
Opening stock of finished goods and waste		19,086	--	19,086	19,086	--	19,086
Closing stock of finished goods and waste		(19,086)	--	(19,086)	(19,086)	--	(19,086)
		538,811	154,407	693,218	607,064	171,901	778,965

## 26 DISTRIBUTION COST

	Amount in Rs. '000'					
	PSF Unit	Acrylic Unit	2014 Total	PSF Unit	Acrylic Unit	2013 Total
	(Restated)					
Salaries and benefits	3,759	402	4,161	7,974	853	8,827

27 ADMINISTRATIVE EXPENSES

Note	Amount in Rs. '000'					
	PSF Unit	Acrylic Unit	2014 Total	PSF Unit	Acrylic Unit	2013 Total
	(Restated)					
Salaries and benefits	19,987	2,137	22,124	30,058	3,214	33,272
Entertainment	48	5	53	55	6	61
Communication	365	39	404	687	73	760
Depreciation	13.2	2,548	737	3,285	819	3,654
Vehicle running expenses	2,121	227	2,348	3,243	347	3,590
Fee and subscription	1,578	169	1,747	2,896	310	3,206
Legal and professional	45	5	50	2,973	318	3,291
Printing and stationary	732	78	810	743	80	823
Electricity, fuel and power	--	--	--	5	1	6
Repair and maintenance	269	29	298	265	28	293
Rent, rates and taxes	2,705	289	2,994	2,680	287	2,967
Traveling expenses	320	34	354	394	42	436
Auditors' remuneration	27.1	1,220	130	1,350	130	1,350
General expenses	106	11	117	74	8	82
	<u>32,044</u>	<u>3,890</u>	<u>35,934</u>	<u>48,128</u>	<u>3,663</u>	<u>53,791</u>

27.1 Auditor's remuneration

	Amount in Rs. '000'					
	Feroze Sharif Tariq & Co.	Faruq Ali & Co.	Total 2014	Feroze Sharif Tariq & Co.	Faruq Ali & Co.	Total 2013
Annual Audit Fee	500	500	1,000	500	500	1,000
Fee for Half yearly review	100	100	200	100	100	200
Other Certifications	50	50	100	50	50	100
Out of pocket	25	25	50	25	25	50
	<u>675</u>	<u>675</u>	<u>1,350</u>	<u>675</u>	<u>675</u>	<u>1,350</u>

28 FINANCE COST

	Amount in Rs. '000'					
	PSF Unit	Acrylic Unit	2014 Total	PSF Unit	Acrylic Unit	2013 Total
Bank charges	13	--	13	40	--	40
Unwinding of discount	12,620	--	12,620	11,219	--	11,219
Exchange (gain) / loss	(1,047)	--	(1,047)	96,306	--	96,306
	<u>11,586</u>	<u>--</u>	<u>11,586</u>	<u>107,565</u>	<u>--</u>	<u>107,565</u>

28.1 Company has not made the provision of markup amounting to Rs.1,948 billion (Upto June 30, 2013: Rs.10,566 billion) keeping in view of the financial restructuring proposed to the lenders as disclosed in note 2. Management is hopeful that the restructuring proposal will be accepted by the lenders. Had the provision been made the loss for the year would have been higher by Rs. 1,948 billion and accrued markup would have been higher and shareholders' equity would have been lower by Rs. 12,514 billion. The said non provisioning is departure from the requirements of IAS-23 'Borrowing Costs'.

	2014	2013
	(Rupees in '000)	
<b>29 OTHER INCOME</b>		
<i>Income from financial assets</i>		
Dividend income	750	950
<i>Income from non financial assets / others</i>		
Gain on sale of fixed assets	438	-
Amortization of interest free loans	11,438	2,927
Liabilities written back	4,511	-
	<u>17,137</u>	<u>3,877</u>
<b>30 TAXATION</b>		
Current	--	--
Deferred		
Rate adjustment	26,214	--
Current deferred tax	96,833	105,422
	<u>123,047</u>	<u>105,422</u>
<b>31 LOSS PER SHARE - Basic and diluted</b>		
<b>31.1 Basic loss per share</b>		
Loss attributable to ordinary shareholders	<u>(1,006,484)</u>	<u>(1,151,451)</u>
	<b>Number of shares</b>	
Weighted average number of ordinary shares outstanding during the year	<u>366,321,083</u>	<u>366,321,083</u>
	<b>Rupees</b>	
Loss per share - Basic	<u>(2.75)</u>	<u>(3.14)</u>
	<b>2014</b>	<b>2013</b>
		<b>(Restated)</b>
	<b>(Rupees in '000)</b>	
<b>31.2 Diluted loss per share</b>		
Loss attributable to ordinary shareholders	(1,006,484)	(1,151,451)
Dilutive effect - Net of tax	--	--
	<u>(1,006,484)</u>	<u>(1,151,451)</u>
	<b>Number of shares</b>	
Weighted average number of ordinary shares outstanding during the year	366,321,083	366,321,083
Dilutive effect	19,750,000	19,760,000
	<u>386,071,083</u>	<u>386,081,083</u>
	<b>Rupees</b>	
Loss per share - Diluted	<u>(2.61)</u>	<u>(2.98)</u>
Effect of convertible C loan shares is not included in diluted EPS calculation since the effect is anti-dilutive, result in an increase in diluted earnings per share or a decrease in diluted loss per share		

**32 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

The company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The board of directors has the overall responsibility for the establishment and oversight of company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

**32.1 Credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primary attributable to its receivables and balances with banks.

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	2014	2013
	(Rupees in '000)	
Trade debts	1,910,879	2,158,899
Deposits, loans and other receivables	237,435	238,236
Bank balance	6,667	7,517
	2,154,981	2,404,652

The Company manages credit risk of receivables through the monitoring of credit exposures and continuous assessment of credit worthiness of its customers. The company believes that it is not exposed to any major concentration of credit risk as its customers are credit worthy and dealing banks possess good credit ratings.

**32.2 Liquidity risk**

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. At present the company is facing liquidity problems and have been unable to make timely repayment of its liabilities resulting in overdue, further, the short term finance facilities have expired and not been renewed by the lenders. The following are the contractual maturities of the financial liabilities, including estimated markups:

	Carrying Amounts	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees in '000)					
<b>2014</b>						
<b>Financial Liabilities</b>						
Long term loans	3,273,449	3,403,069	3,271,394	--	--	131,675
Lease liabilities	54,145	54,145	54,145	--	--	--
Trade and other payables	7,609,671	7,609,671	7,609,671	--	--	--
Short term borrowings	7,153,055	7,685,410	7,685,410	--	--	--
	18,090,320	18,752,295	18,620,620	--	--	131,675
<b>2013</b>						
<b>Financial Liabilities</b>						
Long term loans	3,504,958	3,763,558	3,401,424	--	--	362,134
Lease liabilities	69,724	69,724	69,724	--	--	--
Trade and other payables	7,557,193	7,557,193	7,557,193	--	--	--
Short term borrowings	7,153,055	8,214,857	8,214,857	--	--	--
	18,284,930	19,605,331	19,243,197	--	--	362,134

All the financial liabilities of the Company are non derivative financial liabilities. The contractual cash flow relating to the above financial liabilities have been determined on the basis of markup rates effective as at June 30.

### 32.3 Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of financial instruments. The company is exposed to currency risk and interest rate risk only.

#### 32.3.1 Currency risk

Foreign currency risk arises mainly where receivables and payables exists due to transactions in foreign currencies. The company's financial instruments of the exposed to currency risk were as follows:

	2014	2013
	(Rupees in '000)	
<i>Assets / (liabilities)</i>		
Loan	(2,073,750)	(2,074,800)
Bank balances	6,314	6,317
	<u>(2,067,436)</u>	<u>(2,068,483)</u>

The following significant exchange rate has been applied:

USD to PKR (Reporting date rate in Rupees)	<u>98.75</u>	<u>98.80</u>
USD to PKR (Average rate in Rupees)	<u>99.05</u>	<u>96.88</u>

#### Sensitivity analysis

At reporting date if PKR against US Dollar had strengthened by 10% against the US Dollar with all other variables held constant loss / profit for the year would have been lower / higher by the amounts shown below, mainly as a result of foreign exchange gain on translation of foreign currency liabilities.

Effect on loss	<u>206,744</u>	<u>206,848</u>
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The 10% weakening of the PKR against US Dollar would have had an equal but opposite impact on the loss for the year on the basis that all other variables remain constant.

#### 32.3.2 Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The company's exposure to the risk of changes in interest rates relates primarily to the following:

Fixed rate instruments at carrying amounts:

Financial Assets		
Balance with banks	<u>6,314</u>	<u>6,317</u>
Financial liabilities		
Long term loans	<u>2,073,750</u>	<u>2,074,800</u>

	2014	2013
	(Rupees in '000)	
Variable rate instruments at carrying amounts:		
Financial liabilities		
Loans	1,068,024	1,068,024
Lease liabilities	54,145	69,724
Short term borrowings	7,150,179	7,150,179
Trade payables (overdue letter of credits)	4,928,112	4,928,112
	13,200,460	13,216,039

**Fair value sensitivity analysis for fixed rate instruments:**

The company does not account for any fixed rate financial assets at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

**Cash flow sensitivity analysis for variable rate instruments:**

Since the company has not made provision for markup on its variable rate instruments therefore cash flow sensitivity analysis is not being given.

**32.4 Fair value of the financial instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying values of financial instruments reflected in these financial statements approximate their fair values.

**32.5 Capital risk management**

The company's prime objective when managing capital is to safe guard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

**33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES**

The aggregate amount charged in the financial statements for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company was as follows:

	Amount in Rs. '000'							
	Chief Executive		Director		Executive		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Managerial remuneration	3,960	3,960	2,376	2,376	9,688	13,466	16,024	19,802
Retirement benefits	--	--	--	--	1,150	1,746	1,150	1,746
House rent allowance	1,740	1,740	1,044	1,044	4,359	6,060	7,143	8,844
Utilities	300	300	180	180	969	1,347	1,449	1,827
Conveyance		--		--	53	76	53	76
	6,000	6,000	3,600	3,600	16,219	22,695	25,819	32,295
Number of Persons	1	1	1	1	16	21	18	23

The Chief Executive, Directors and certain Executives are provided with free use of Company cars.

**34 TRANSACTION WITH RELATED PARTIES**

The related parties comprise associated undertakings, directors and key management personnel. Remuneration and benefits to chief executive directors and key management personnel under terms of their employment are disclosed in note 32 to the financial statements. Transaction with related parties other than remuneration and benefits to key management personnel are as under:

	2014	2013
	(Rupees in '000)	
<b>Director:</b>		
Long term loan received	17,511	4,255

### 35 INFORMATION ABOUT BUSINESS SEGMENTS

**35.1** For management purposes, the activities of the Company are organized into business segments based on their products and has two reportable operating segments. The PSF segment mainly relates to production and sale of Polyester Staple Fibre. ASF segment includes production and sale of Acrylic Staple Fibre. The operations of the company are closed since December 2008.

**35.2** The transaction relating to sales and collection of sales are recorded on the basis of actual sale of PSF and ASF. Conversion costs, distribution cost and administrative expenses are allocated on the basis of production capacity of PSF And ASF Unit respectively.

**35.3** All non current assets of the company as of June 30, 2014 are located in Pakistan.

### 36 TAXATION

#### 36.1 Relationship between income tax expense and accounting loss

Accounting loss as per profit and loss account	(1,129,531)	(1,256,873)
Applicable tax rate	34%	35%
Tax on accounting profit	(384,041)	(439,906)
Tax effect of accelerated tax depreciation	116,221	127,106
Tax effect of expenses that are not deductible in determining taxable income charged to profit and loss account	(131,885)	111,012
Tax (refundable) under normal rules	(399,705)	(201,788)
Minimum tax payable under Income Tax Ordinance, 2001	--	--

### 37 PLANT CAPACITY AND PRODUCTION

	2014		2013	
	Annual Capacity (tons)	Production (tons)	Annual Capacity (tons)	Production (tons)
PSF Units	240,900	--	240,900	--
Acrylic Unit	25,760	--	25,760	--
Total	266,660	--	266,660	--

The operation of the company are closed since December 2008 due to working capital constraints.

	2014	2013
	Number	
<b>38 NUMBER OF EMPLOYEES</b>		
Number of employees at June 30		
Regular	80	97
Contractual	66	57
Average number of employees during the year		
Regular	91	110
Contractual	61	54

**38 CORRESPONDING FIGURES**

The corresponding figures have been reclassified, restated and rearranged wherever necessary to facilitate comparison, significant restatements / reclassification in these financial statements as under.

Long term loan from directors as disclosed in note 7.2 previously disclosed at historical which has now been disclosed at amortised cost in accordance with IAS-39 'Financial Instruments: Recognition and Measurement'. Accordingly, management has decided to rectify such treatment retrospectively in accordance with the requirements of IAS-8 'Accounting policies, changes in accounting estimates and errors'. Consequently the comparative figures for the prior period have also been restated.

The effects of above restatements on the financial statements are as follows:

	June 30, 2013 Rupee ' 000
Increase in equity	251,474
Decrease in deferred liability for staff gratuity	2,322
Decrease in long term loan	249,152
Increase in other income by Amortization of interest free loans	2,927
Increase in finance cost by Unwinding of discount	11,219
Increase in earnings per share - Basic (Rupees)	0.01
Increase in earnings per share - Diluted (Rupees)	0.01

**39 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue on 26 September 2014 in accordance with the resolution by the Board of Directors of the Company.

**40 FUNCTIONAL AND PRESENTATION CURRENCY**

These financial statements are presented in Rupees, which is the Company's functional currency. All financial information presented in Rupees been rounded to nearest thousand.

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

Statement under section 241(2) of the Companies Ordinance, 1984.

The Chief Executive of the company is presently out of the country, therefore these financial statements have been signed by two Directors of the company duly authorized by the Board of Directors.



**Dewan Abdul Rehman Farooqui**  
Director



**Haroon Iqbal**  
Director

## PATTERN OF SHAREHOLDING THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2014

Srl #	Categories of Shareholders	Number of Shareholders	Number of Shares held	% of Shareholding
1.	Associated Companies	3	156,433,140	42.70%
2.	NIT and ICP	7	3,290,893	0.90%
3.	Directors, CEO, their Spouses & Minor Children	11	16,750,385	4.57%
4.	Executives	-	-	0.00%
5.	Public Sector Companies & Corporations	135	45,567,946	12.44%
6.	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds	90	7,845,618	2.14%
7.	Individuals	20,264	136,433,102	37.24%
<b>TOTAL</b>		<b>20,510</b>	<b>366,321,084</b>	<b>100.00%</b>

DETAILS OF CATEGORIES OF SHAREHOLDERS				
Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
<b>1. <u>Associated Companies</u></b>				
1.1	Dewan Textile Mills Limited	1	104,288,773	28.47%
1.2	Dewan Khalid Textile Mills Limited	1	32,279,849	8.81%
1.3	Dewan Mushtaq Textile Mills Limited	1	19,864,518	5.42%
		<b>3</b>	<b>156,433,140</b>	<b>42.70%</b>
<b>2. <u>NIT and ICP</u></b>				
2.1	Investment Corporation of Pakistan	1	100	0.00%
2.2	National Bank of Pakistan	2	2,743,440	0.75%
2.3	National Bank of Pakistan, Trustee Department	1	1,111	0.00%
2.4	NATIONAL BANK OF PAKISTAN TRUSTEE WING	1	500	0.00%
2.5	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	1	18,501	0.01%
2.6	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	1	527,241	0.14%
		<b>7</b>	<b>3,290,893</b>	<b>0.90%</b>
<b>3. <u>Directors, CEO, their Spouses &amp; Minor Children</u></b>				
<b><u>Directors and CEO</u></b>				
3.1	Dewan Muhammad Yousuf Farooqui	1	12,523,816	3.42%
3.2	Dewan Abdul Baqi Farooqui	1	2,600,133	0.71%
3.3	Dewan Abdul Rehman Farooqui	1	494,672	0.14%
3.4	Mr. Haroon Iqbal	1	500	0.00%
3.5	Mr. Aziz ul Haque	1	500	0.00%
3.6	Mr. Ishtiaq Ahmed	1	500	0.00%
3.7	Syed Muhammad Anwar	1	500	0.00%
		<b>7</b>	<b>15,620,621</b>	<b>4.26%</b>
<b><u>Spouses of Directors and CEO</u></b>				
3.8	Mrs. Heena Yousuf	1	384,867	0.11%
3.9	Mrs. Samina Rehman	1	148,982	0.04%
		<b>2</b>	<b>533,849</b>	<b>0.04%</b>
<b><u>Minor Children of Directors and CEO</u></b>				
3.10	Miss Yumna Yousuf	1	248,297	0.07%
3.11	Mr. Khizer Salman	1	347,618	0.09%
		<b>2</b>	<b>595,915</b>	<b>0.09%</b>

SHAREHOLDERS HOLDING 5% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY				
Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1	M/s Dewan Textile Mills Limited	1	104,288,773	28.47%
2	Mitsubishi Corporation	1	40,349,814	11.01%
3	Dewan Khalid Textile Mills Limited	1	32,279,849	8.81%
4	Dewan Mushtaq Textile Mills Limited	1	19,864,518	5.42%

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

*During the year under review, none of the CEO, CFO, Directors, Company Secretary, their spouses and minor children have traded in the shares of the Company.*

**THE COMPANIES ORDINANCE, 1984**

(Section 236(1) and 464)

**PATTERN OF SHAREHOLDING**

1. Incorporation Number 0020315
2. Name of the Company DEWAN SALMAN FIBRE LIMITED

3. Pattern of holding of the shares held by the Shareholders as at

3	0	0	6	2	0	1	4
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4.	Number of Shareholders	Shareholdings				Total Shares held
	5,809	1	-	100	Shares	152,691
	7,809	101	-	500	Shares	1,825,635
	1,464	501	-	1,000	Shares	1,240,236
	2,832	1,001	-	5,000	Shares	7,991,121
	957	5,001	-	10,000	Shares	7,840,225
	323	10,001	-	15,000	Shares	4,161,599
	303	15,001	-	20,000	Shares	5,662,404
	173	20,001	-	25,000	Shares	4,103,153
	116	25,001	-	30,000	Shares	3,320,012
	68	30,001	-	35,000	Shares	2,284,752
	61	35,001	-	40,000	Shares	2,357,926
	42	40,001	-	45,000	Shares	1,806,803
	104	45,001	-	50,000	Shares	5,139,649
	34	50,001	-	55,000	Shares	1,803,746
	25	55,001	-	60,000	Shares	1,468,809
	18	60,001	-	65,000	Shares	1,143,022
	20	65,001	-	70,000	Shares	1,371,387
	21	70,001	-	75,000	Shares	1,557,879
	6	75,001	-	80,000	Shares	472,383
	19	80,001	-	85,000	Shares	1,573,598
	15	85,001	-	90,000	Shares	1,337,387
	8	90,001	-	95,000	Shares	755,501
	67	95,001	-	100,000	Shares	6,685,956
	13	100,001	-	110,000	Shares	1,583,161
	10	110,001	-	120,000	Shares	1,164,200
	15	120,001	-	130,000	Shares	1,892,059
	10	130,001	-	140,000	Shares	1,373,083
	11	140,001	-	150,000	Shares	1,629,213
	3	150,001	-	160,000	Shares	457,001
	7	160,001	-	170,000	Shares	1,158,500
	5	170,001	-	180,000	Shares	879,500
	3	180,001	-	190,000	Shares	565,000
	21	190,001	-	200,000	Shares	4,186,024
	8	200,001	-	210,000	Shares	1,629,777
	3	210,001	-	220,000	Shares	649,500
	5	220,001	-	230,000	Shares	1,130,000
	8	230,001	-	240,000	Shares	1,172,897
	10	240,001	-	250,000	Shares	2,241,297
	1	250,001	-	260,000	Shares	259,992
	1	260,001	-	270,000	Shares	269,000
	3	270,001	-	280,000	Shares	826,000
	1	280,001	-	290,000	Shares	284,000
	6	290,001	-	300,000	Shares	1,796,437
	2	300,001	-	320,000	Shares	608,000

# DEWAN SALMAN FIBRE LIMITED

3	320,001	-	340,000	Shares	1,005,243
3	340,001	-	360,000	Shares	1,035,118
1	360,001	-	380,000	Shares	372,000
8	380,001	-	400,000	Shares	3,156,234
3	400,001	-	420,000	Shares	1,242,308
3	420,001	-	440,000	Shares	1,301,000
2	440,001	-	460,000	Shares	900,000
1	460,001	-	480,000	Shares	466,500
8	480,001	-	500,000	Shares	3,985,172
1	500,001	-	530,000	Shares	527,241
2	530,001	-	550,000	Shares	1,100,000
2	550,001	-	600,000	Shares	1,199,500
2	600,001	-	630,000	Shares	1,249,850
2	630,001	-	700,000	Shares	1,203,000
1	700,001	-	750,000	Shares	721,878
3	750,001	-	800,000	Shares	2,369,000
1	800,001	-	900,000	Shares	824,541
1	900,001	-	950,000	Shares	908,500
1	950,001	-	980,000	Shares	970,481
4	980,001	-	1,000,000	Shares	4,000,000
1	1,000,001	-	1,200,000	Shares	1,200,000
1	1,200,001	-	1,400,000	Shares	1,254,000
1	1,400,001	-	1,500,000	Shares	1,500,000
1	1,500,001	-	1,800,000	Shares	1,721,661
1	1,800,001	-	2,110,000	Shares	2,109,634
1	2,110,001	-	2,500,000	Shares	2,500,000
1	2,500,001	-	2,600,000	Shares	2,585,699
1	2,600,001	-	2,650,000	Shares	2,600,133
1	2,650,001	-	2,700,000	Shares	2,700,000
1	2,700,001	-	2,750,000	Shares	2,740,202
1	2,750,001	-	3,050,000	Shares	3,004,965
1	3,050,001	-	3,070,000	Shares	3,059,941
1	3,070,001	-	4,000,000	Shares	4,000,000
1	4,000,001	-	5,590,000	Shares	5,589,998
1	5,590,001	-	13,000,000	Shares	12,523,816
1	13,000,001	-	20,000,000	Shares	19,864,518
1	20,000,001	-	35,000,000	Shares	32,279,849
1	35,000,001	-	40,000,000	Shares	40,349,814
1	40,000,001	-	104,290,000	Shares	104,288,773
<b>20,510</b>			<b>TOTAL</b>		<b>366,321,084</b>

5. Categories of Shareholders		Shares held	Percentage
5.1	Directors, Chief Executive Officer, their spouses and minor children	16,750,385	4.57%
5.2	Associated Companies, undertakings and related parties	156,433,140	42.70%
5.3	NIT and ICP	3,290,893	0.90%
5.4	Banks, Development Financial Institutions, Non-Banking Finance Companies	4,555,867	1.24%
5.5	Insurance Companies	2,125,934	0.58%
5.6	Mudarabas and Mutual Funds	1,163,817	0.32%
5.7	Shareholders holding 5%	196,782,954	53.72%
5.8	<u>General Public</u>		
	a. Local	135,722,135	37.05%
	b. Foreign	710,967	0.19%
5.9	Others (Joint Stock Companies, Brokerage Houses, Employees Funds & Trustees)	45,567,946	12.44%



**FORM OF PROXY**  
**25TH ANNUAL GENERAL MEETING**

**IMPORTANT**

This form of Proxy duly completed must be deposited at our Shares Registrar Transfer Agent **BMF Consultants Pakistan (Private) Ltd.** Anum Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, Adjacent Baloch Colony Bridge, Karachi-75350, Pakistan. Not later than 48 hours before the time of holding the meeting A Proxy should also be a member of the Company.

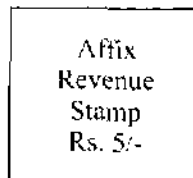
I/We \_\_\_\_\_ of \_\_\_\_\_ being a member of **DEWAN SALMAN FIBRE LIMITED** and holder of \_\_\_\_\_

\_\_\_\_\_ Ordinary shares as per Registered Folio No./CDC Participant's ID and Account No \_\_\_\_\_ hereby appoint

\_\_\_\_\_ of \_\_\_\_\_ who is also member of **DEWAN SALMAN FIBRE LIMITED** vide Registered Folio No./CDC Participant's ID and Account No. \_\_\_\_\_

my/our proxy to vote for me/our behalf at the 25th Annual General Meeting of the Company to be held **Friday, October 31, 2014, at 11:30 a.m.** at Dewan Centre, House No. 58, Margallah Road, F-7/2, Islamabad, Pakistan

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014.



Signature \_\_\_\_\_

Witness: \_\_\_\_\_

Witness: \_\_\_\_\_

**Signature**

**Signature**

Name: \_\_\_\_\_

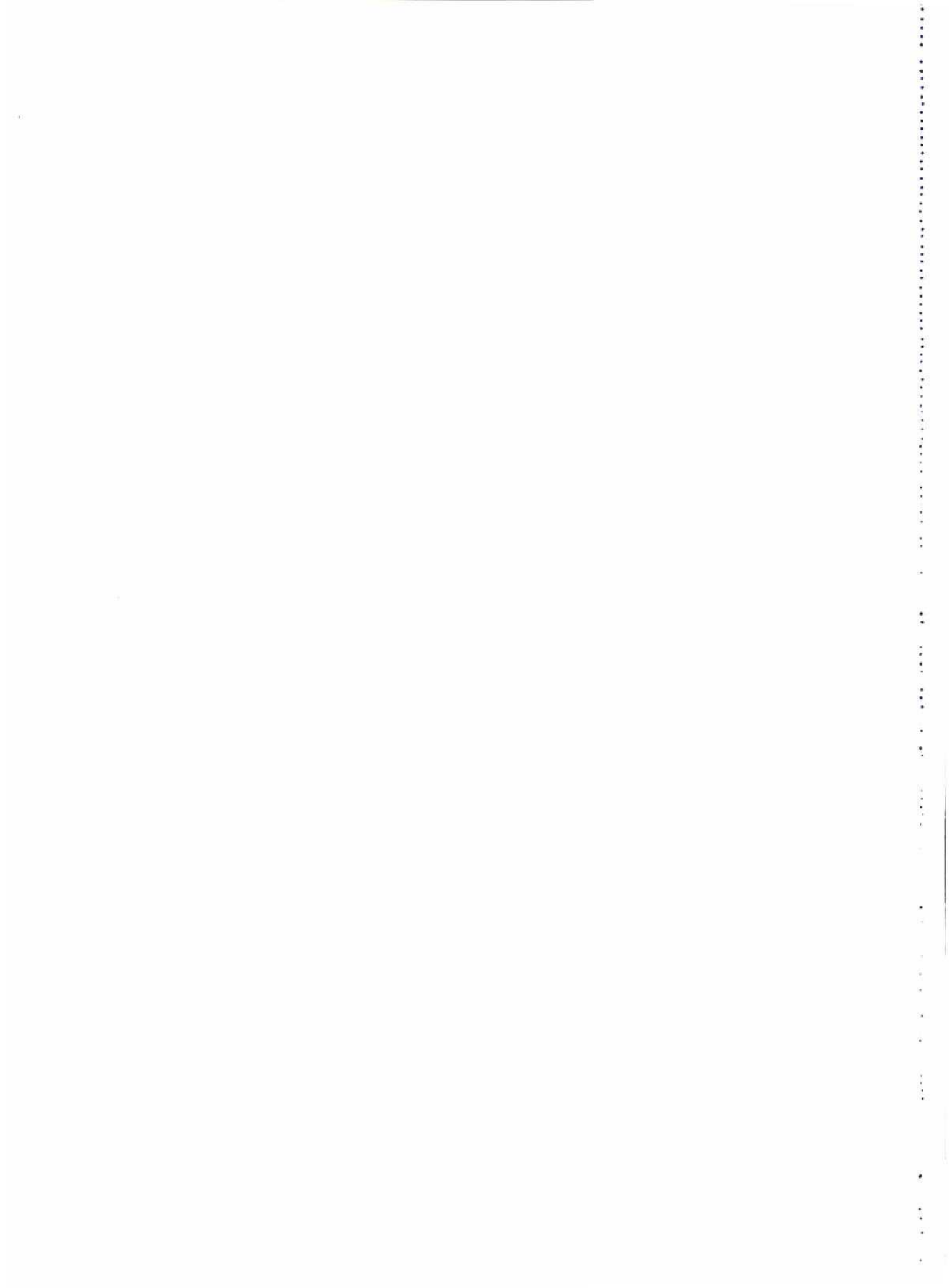
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