



**DIAMOND INDUSTRIES LIMITED**

**ANNUAL  
REPORT  
2014**



**DIAMOND INDUSTRIES LIMITED**

23-Km Multan Road, Mohlanwal, Lahore - Pakistan.  
UAN: (0092-42) 111-111-666, 37540336-7 Fax: (0092-42) 37540335



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## CORPORATE PROFILE

### BOARD OF DIRECTORS

1.	Mr. Shariq Iftikhar	Chief Executive	<i>(Executive)</i>
2.	Mr. Iftikhar Shaffi	Director	<i>(Executive)</i>
3.	Mr. Sohail Malik	Director	<i>(Independent)</i>
4.	Mr. Abdul Shakoor	Director	<i>(Non-Executive)</i>
5.	Mr. Muhammad Sameer	Director	<i>(Non-Executive)</i>
6.	Mr. Hashim Aslam Butt	Director	<i>(Non-Executive)</i>
7.	Mr. Zahoor Ahmad	Director	<i>(Non-Executive)</i>

### COMPANY SECRETARY

- Mr Nazir Ahmed

### AUDIT COMMITTEE

1.	Mr. Sohail Malik	Chairman	<i>(Independent Director)</i>
2.	Mr. Muhammad Sameer	Member	<i>(Non-Executive Director)</i>
3.	Mr. Hashim Aslam Butt	Director	<i>(Non-Executive Director)</i>

### HUMAN RESOURCE & REMUNERATION COMMITTEE

1.	Mr. Sohail Malik	Chairman	<i>(Independent Director)</i>
2.	Mr. Muhammad Sameer	Member	<i>(Non-Executive Director)</i>
3.	Mr. Hashim Aslam Butt	Director	<i>(Non-Executive Director)</i>

### LEGAL ADVISOR

- A.K. Minhas Law Associates

### AUDITORS

SARWARS Chartered Accountants  
Office # 12-14, 2<sup>nd</sup> Floor, Lahore Centre, 77-D, Main Boulevard, Gulberg-III, Lahore

### BANKERS

- Allied Bank Limited
- Askari Commercial Bank Limited
- Bank Alfalah Limited
- Habib Metropolitan Bank Limited
- Silk Bank Limited
- Standard Chartered Bank Pakistan Limited
- Bank Al-Habib Limited
- Summit Bank Limited

### REGISTERED OFFICE

- Plot No. 25, Gadoon Amazai, Industrial Estate, Swabi, Khyber Pakhtoonkhwa  
Tel: 0938-270597, 270297

### FACTORY

- Plot No. 25, Gadoon Amazai, Industrial Estate, Swabi, Khyber Pakhtoonkhwa  
Tel: 0938-270597, 270297

### PRINCIPLE OFFICE

- 23-Km, Multan Road, Mohlanwal, Lahore  
Tel: 042-37540336-7  
Fax: 042-37540335  
E.mail: info@diamondfoam.com

### SHARE REGISTRAR

- M/s Corplink (Pvt) Limited  
Wing Arcade, 1-K Commercial, Model Town, Lahore

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that Annual General Meeting of Shareholders of Diamond Industries Limited will be held on Friday 31<sup>st</sup> October, 2014 at 11:00 A.M. at Company's Registered Office at Plot No. 25, Gadoon Amazai, Industrial Estate, Swabi, Khyber-Pakhtoonkhwa to transact the following business:

1. To confirm minutes of the Extra Ordinary General Meeting held on 31<sup>st</sup> March, 2014.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended 30<sup>th</sup> June, 2014 together with the Auditors' Report and Directors' Report thereon.
3. To appoint External Auditors for next financial year ending June 30, 2015 and to fix their remuneration. The retiring auditors, being eligible have offered themselves for reappointment. Audit Committee of the Board has also recommended for their re- appointment of M/s SARWARS Chartered Accountants, office# 12-14, 2<sup>nd</sup> Floor, Lahore Centre, 77-D, Main Boulevard, Gulberg-III, Lahore, as Auditors of the company for next financial year ending June 30, 2015.
4. To discuss and approve the related parties transactions and terms thereon.
5. To consider any other transactions with the permission of the chair.

BY ORDER OF THE BOARD

NAZIR AHMED  
(FITM,FICS)  
COMPANY SECRETARY

Lahore: 09-10-2014

**Notes:**

1. The share transfer books of the company will remain closed from 24<sup>th</sup> October, 2014 to 31<sup>st</sup> October, 2014 (both days inclusive). The shares received at company's share registrar office i.e. Corplink (Pvt) Limited by the close of business on 23<sup>rd</sup> October, 2014 will be considered in order for registration in the name of the transferees.
2. Members of the company are requested to immediately notify the change of address, if any, to the Share Registrar M/s Corplink (Pvt) Limited, Wings Arcade, I-K Commercial Model Town, Lahore.
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 registered office not less than 48 hours before the meeting.
4. The members whose share are maintained on Central Depository System with the Central depository Company of Pakistan Limited should follow the guidelines for attending the General Meeting and appointment of proxies as laid down by the Securities and Exchange Commission of Pakistan.

**DIRECTORS' REPORT**

Dear Shareholders,

The Directors of **Diamond Industries Limited** take pleasure in presenting Directors' Report together with Audited Financial Statements of the company and Auditors' Report to our shareholders for the financial year ended 30th June, 2014.

**Financial Highlights---2014**

	(Rs. in millions)
- Sales (Net)	487.164
- Gross Profit/(Loss)	73.629
- Operating Expenses	(99.517)
- Profit/loss from Operations	(25.888)
- Financial Cost	(19.192)
- Share of Profit/Loss of Associated Cos.	(0.180)
- Profit before taxation	(40.589)
- Taxation	(4.410)
- Profit/(Loss) after taxation	(44.819)

**YEAR IN REVIEW:**

In the year under review net sales are Rs. 487.164 M comparing to Rs. 1,794.283 M of the immediate preceding year. Gross Profit is Rs. 73.629 M as against to Rs. 209.772 M for the last preceding year. During the year there is Other Operating Income of Rs. 4.491 M earned as dividend income of Rs. 3.203 M & Other income of Rs. 1.289 M. Financial Cost during the year under review is Rs. (19.192) M as per Note # 25 of the financial statements. Profit/loss before taxation comes to Rs (40.409) M whereas Profit/(Loss) after taxation is Rs. (44.819) M comparing to Rs. 12.746 M & Rs. (9.106) M respectively of the preceding year. The reasons for the decrease in sale volume, gross profit & net profit during the year under consideration are withdrawal of 8% sales tax incentive by Federal Govt., levy of 2% additional sales tax on foam products, thus registering an increase of 11% as against year 2013 i.e in 2013 sales Tax rate on foam products was 8% and now for current year it is 19%. Also due to inconsistent price of US Dollar, the cost of production increased which resulted into reduced volume of the turnover. Correspondingly the static position of administration & selling expenses, increase in cost of fuel & power and enhancement of minimum wages has badly affected the net profit of the company. As regard to the disputed legal issues of the company there has not been any significant change and matters are pending before the Hon'ble Sind High Court & other courts of law and details of the same are reported hereinafter under "Contingencies & Commitments". Your directors are of the opinion that your company will ultimately succeed Inshallah in these legal issues. Meanwhile the directors are pleased to inform that production for export of foam & allied products has met with success but still some more experiments for the improvement are required to achieve international quality level.

**VISION AND MISSION:**

The statement reflecting the Vision and Mission of the company is annexed to the report.

**EARNINGS PER SHARE:**

Earnings per share for the year under review are Rs. (4.98) as compared to Rs. (1.01) for the immediate preceding year.

**PATTERN OF SHAREHOLDING:**

Pattern of shareholding is annexed to this report.

**BOARD MEETINGS:**

During the year under review fourteen BOD meetings of the company were held and the attendance by each director in the meetings is as under:

<b><u>S.No.</u></b>	<b><u>NAME</u></b>	<b><u>POSITION</u></b>	<b><u>ATTENDANCE</u></b>
1.	Mr Iftikhar Shaffi	Chairman/Director	11
2.	Mr Shariq Iftikhar	Chief Executive	09
3.	Mr Sohail Malik	Director	12
4.	Mr Muhammad Sameer	Director	09
5.	Mr Abdul Shakoor	Director	08
6.	Mr Hashim Aslam Butt	Director	11
7.	Mr Zahoor Ahmad	Director	14

**Board Audit Committee:**

The Board Audit Committee of the Company is in place comprises of three non executive directors including the Chairman of the Board Audit Committee. Names of the members of audit committee are appended at corporate profile of this annual report. Five meetings of the committee were held during the year under review as required by the CCG for review of quarterly, half yearly & annual financial statements and other related matters. The meetings were also attended by the CFO, Head of Internal Audit and External Auditors as and when required.

**Human Resources & Remuneration Committee:**

Human Resources & Remuneration Committee is also in place and comprises of three non executive directors including the Chairman of the Committee. Names of the members of this Committee are appended at corporate profile of this annual report. The Committee looks into the requirements of manpower engaged by the company along with their remuneration and regularize the safety measures and environmental stewardship. Committee also recommend the board for review, consider & approve the management policies, compensation matters (including retirement benefits) of COO, CFO, Company Secretary and head of internal audit and all such matters for key management position who report directly to CEO. The Committee ensures all elements of compensation and welfare of the employees and holds its meetings as and when required.

**TRANSFER PRICING:**

The company has fully complied with the best practices on transfer pricing as contained in the listing regulations of stock exchanges.

**CODE OF CONDUCT:**

Our code is built on a set of shared values based on principles of honesty, integrity, diligence, truthfulness and honour.

**FUTURE OUTLOOK:**

The directors' opinion about the future outlook of the company envisage that it shall continue its core manufacturing activities with enhanced input of resources in terms of men & material thereby benchmarking on a much inflated future performance in all areas as a going concern.

**AUDITORS:**

M/s SARWARS Chartered Accountants are retiring at the conclusion of forthcoming AGM of the company and eligible to offer themselves for their re-appointment. The Audit Committee has also recommended for the appointment of M/s SARWARS, Chartered Accountants as the statutory auditors of the Company for the financial year ending June 30, 2015. The Board of Directors has endorsed this recommendation.

**CORPORATE AND FINANCIAL REPORTING FRAMEWORK:**

The directors of the company are pleased to confirm that the Company has made compliance of provisions of the Code of Corporate Governance set out in the Regulation No. 35 of Karachi and Lahore and Islamabad listing regulations issued by the Securities and Exchange Commission of Pakistan and there is no material departure from the best practice as detailed in the listing regulations. Our statements on corporate and financial reporting are as follows:

- The Financial statements, prepared by the management of the Company present a fair state of affairs of the Company, results of its operations, cash flows and changes in equity;
- Proper books of accounts of the Company have been maintained as required under the Companies Ordinance, 1984;
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Accounting / Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and there is no departure there from;
- The system of internal control is sound and has been effectively implemented and monitored;
- There are significant doubts about the company's ability to continue as a going concern;
- Financial highlights for the last 6 years are annexed.

**QUALIFICATION OF AUDITORS' REPORT:**

As regard to qualification No.1, the board is of opinion that the auditors have not appreciated the reality & facts of the issue/dispute between Allied Bank Ltd., and your company. Factually the amount of Rs. 120.366 million consists of Rs. 100.366M and Rs. 20.00 M. The first amount was deducted from the accounts of the company without lawful authority and the second amount of Rs. 20.00 M was of down payment made to the bank which obligation arose out of settlement/agreement before the SBP committee. The bank for ulterior motives failed to honour its obligations under the agreement and is thus liable to refund the entire amount to the company with interest and the bank is also liable to compensate the company for the injuries caused by it and the case filed by the ABL is entirely false, fictitious and deceptive.



The amount of interest & compensation has not been quantified as yet and the company prefers to wait until the final outcome of the case before lodging its claim. The said interest /compensation has not been reflected in the accounts but BOD is of firm view that it will ultimately be held to be payable by the bank. The question of making of any provision does not arise because the H'ble High Court in its interlocutory order has noticed the agreement before SBP and the interlocutory order is witness of this fact. The stance of the company further gains strength because of the fact that the FBR was directed by the ECC of the Cabinet to refund a sum of Rs. 200 M to the company as compensation in respect of the illegal encashment which amount has been realized in August 2008. The board is of firm opinion that the outcome of the case will be in its favour.

Reference qualification No. 2, the board is of opinion that the amount represents amount due to the company but wrongly withheld by the LSE because of an illegal order of temporary nature passed by the SEC on 12/06/2000 and thereafter the SECP has simply forgotten of its order. The amount is held by the LSE which is waiting for a final order of SECP. In view of the circumstances the board is of opinion that there is no need for making any provision in this respect.

As regard to qualification No. 3, it is stated that the plant was shut for a considerable period of time, yet no test of its impairment was carried out in the past because of the reason that its market value was considered more than the book value. However the plant has been restarted in 1st November, 2011 and its revaluation could not be made in the year 2013 which is now in process and will be accounted for in the half yearly report P.E. 31/12/2014.

With respect to qualification No. 4, it is stated that there is uncertainty as to the final order of the Hon'ble court and therefore at this stage exact provision cannot be made.

**ACKNOWLEDGEMENT:**

The board joins me to thank all the staff members and management team for their concerted efforts and contribution.

For and on behalf of the Board

SHARIQ IFTIKHAR  
Chief Executive

Lahore 03<sup>rd</sup> October, 2014





**VISION / MISSION STATEMENT AND CORPORATE STRATEGY**

**Vision**

The Company's vision is to be a market leader as manufacturing organization and to play a meaningful role on sustainable basis in the economy of Pakistan in the best possible manners with customer satisfaction as its premier goal.

**Mission**

Its objects, as outlined in the mission statement are to conduct company business through good governance with responsibility to all our stake holders and foster a sound & dynamic team for maintaining professional standards and optimum use of resources while achieving the unique position in the market by meeting the requirements of high quality products for the customers and proving a stimulating environment to all the employees for their growth and development and fostering a feeling of job satisfaction, by following the highest of ethical and fiduciary standards and serving the interests of the society.

**Corporate strategy**

To produce and market high quality products, consistently exceeding customer expectations, ensure right usage of company's resources, create employment opportunities and protect the interest of stakeholders.

SHARIQ IFTIKHAR  
Chief Executive



### Statement of Compliance With the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the 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. However at present the Board includes:

Category	Names
Executive Director	Mr. Iftikhar Shaffi Mr. Shariq Iftikhar
Independent Director	Mr. Sohail Malik
Non-Executive Directors	Mr. Muhammad Sameer Mr. Hashim Aslam Butt Mr. Abdul Shakoer Mr. Zahoor Ahmad

The independent director meets the criteria of independence under clause 1 (b) of CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy was accrued in the Board of directors during the year.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All directors of the company have 16 to 40 years of working experience in their respective areas of specialization and are well aware of their duties & responsibilities and powers as per code of Corporate Governance and the Companies Ordinance, 1984 which are crucial to the running and development of companies. Directors of the company have inculcated good governance practices in the corporate sector and have more than 15 years of education as well and thus fall under the exemption available in the Code of Corporate Governance. Further Mr Iftikhar A. Shaffi Director of the company and Chairman of Diamond Group of Industries is a well known industrialist with vast and rich experience of about 40 years in managing large industrial units. Also the management of the company carries out orientation of director's education of Corporate Governance Leadership Skills (CGLS).



10. There was no change in the position of company secretary, Chief Financial Officer (CFO) and Head of Internal Audit during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has already formed an Audit Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have already been formed for compliance.
17. The Board has already formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an independent director.
18. The Board has set up an effective internal audit function managed by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

SHARIQ IFTIKHAR  
Chief Executive



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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of M/s. DIAMOND INDUSTRIES LIMITED for the year ended June 30, 2014, to comply with the requirements of Listing Regulation of respective Stock Exchange(s) where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

**SARWARS  
CHARTERED ACCOUNTANTS**

Place: Lahore  
Date: October 03, 2014

**AUDITORS' REPORT TO THE MEMBERS**

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

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

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

1. In reference to financial statements as at June 30, 2014, The Company has not made any provision against balance due from Allied Bank Limited in the sum of Rs. 120.366 million on account of encashment of Bank Guarantee and payments against resettlement. The company is defending a suit filed by the Allied Bank Ltd in High Court, Lahore for the recovery of Rs. 253.6 million. The Outcome of the case cannot be determined presently, such balances remains unconfirmed.
2. As stated in notes 10 and 17 to the financial statements, The Company has filed an appeal before the Honorable Lahore High Court against illegal freezing of CDC sub account maintained with member Lahore Stock Exchange (Muhammad Tanveer Malik), the matter is still pending with the Appellate Authorities, and remains unconfirmed.
3. Company revalued its assets as on April 2005, since then neither The Company revalued its assets nor tested those for impairment.
4. No provisions have been made for receivables pending final settlement.
  - (a) in our opinion, except for the effects of matters referred to in paragraphs 1 to 4 above and proper books of accounts have been kept by The Company as required by the Companies Ordinance, 1984;



- (b) in our opinion, except for the effects of matters referred to in paragraphs 1 to 4:-
- i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company
- (c) in our opinion and to the best of our information and according to the explanations given to us except for the effects of matters referred to in paragraphs 1 to 4 above, the balance sheet, profit and loss account, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2014 and of the profit, its cash flows and the changes in equity for the year then ended; and
- (d) in our opinion, no zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).

SARWARS  
CHARTERED ACCOUNTANTS  
Audit Engagement Partner: Rashid Sarwar (FCA)

October 03, 2014  
Place: Lahore

**BALANCE SHEET**  
**As at June 30, 2014**

	NOTE	June 30, 2014 Rupees	June 30, 2013 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 12,000,000 ordinary shares of Rs. 10/- each		<u>120,000,000</u>	<u>120,000,000</u>
Issued, subscribed and paid up capital	3	90,000,000	90,000,000
Reserves	4	442,367,429	467,035,479
		532,367,429	557,035,479
Surplus on revaluation of property, plant and equipment	5	49,071,391	52,960,066
<b>NON-CURRENT LIABILITIES</b>			
Deferred liabilities	6	16,823,533	18,171,468
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	54,654,679	36,551,255
Short term borrowings	8	169,807,979	85,323,906
Provision for taxation	9	5,943,444	9,722,936
		230,406,102	131,598,097
CONTINGENCIES AND COMMITMENTS	10	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>828,668,455</b></u>	<u><b>759,765,110</b></u>

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

  
Chief Executive

  
Director

**BALANCE SHEET**  
**As at June 30, 2014**

	<b>NOTE</b>	<b>June 30, 2014</b> <b>Rupees</b>	<b>June 30, 2013</b> <b>Rupees</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	93,257,722	96,105,375
Long term investments	12	193,967,397	193,784,605
Long term deposits	13	329,445	334,445
<b>CURRENT ASSETS</b>			
Stocks in trade	14	185,076,079	90,179,420
Trade debts	15	58,653,321	77,377,136
Loans and advances	16	51,420,730	53,799,394
Other receivables	17	162,410,837	162,410,837
Investment available for sale	18	77,404,981	66,254,456
Cash and bank balances	19	6,147,943	19,519,442
		541,113,891	469,540,685
		<b>828,668,455</b>	<b>759,765,110</b>

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

Chief Executive

Director



**PROFIT AND LOSS ACCOUNT**  
For The Year Ended June 30, 2014

	Note	June 30, 2014 Rupees	June 30, 2013 Rupees
Sales - net	20	487,163,916	1,794,283,274
Cost of sales	21	413,534,704	1,584,510,829
Gross profit / (loss)		<u>73,629,212</u>	<u>209,772,445</u>
Distribution expenses	22	56,167,521	108,583,269
Administrative expenses	23	43,350,273	60,974,657
		<u>99,517,794</u>	<u>169,557,926</u>
Operating Profit/(Loss)		(25,888,582)	40,214,519
Operating Income	24	4,491,784	8,971,528
Profit / (loss) from Operations		<u>(21,396,798)</u>	<u>49,186,047</u>
Finance Cost	25	19,192,525	8,315,409
		<u>(40,589,323)</u>	<u>40,870,638</u>
Share of profit/ (loss) of associated companies	12	180,255	(28,124,578)
Profit / (Loss) before Taxation		<u>(40,409,069)</u>	<u>12,746,060</u>
<b>TAXATION</b>			
- Current	26	(5,191,924)	(9,850,442)
- Deferred Tax		781,068	(12,001,487)
		<u>(4,410,856)</u>	<u>(21,851,929)</u>
Profit / (Loss) after Taxation		<u>(44,819,925)</u>	<u>(9,105,869)</u>
Earning per Share		<u>(4.98)</u>	<u>(1.01)</u>

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

Chief Executive

Director



**STATEMENT OF COMPREHENSIVE INCOME  
For The Year Ended June 30, 2014**

	<b>June 30, 2014 Rupees</b>	<b>June 30, 2013 Rupees</b>
<b>PROFIT / (LOSS) FOR THE YEAR</b>	(44,819,925)	(9,105,869)
<b>OTHER COMPREHENSIVE INCOME</b>		
Gain / (loss) arising on re-measurement of investments available for sale investment	18 11,150,525	2,631,818
Impairment Loss on Long Term Investments	12.2 -	(17,055,163)
Staff Retirement Benefits remeasurements	5,110,138	
Other comprehensive income / (loss) of associated companies.	2,537	(4,485)
	<b>16,263,200</b>	<b>(14,427,830)</b>
<b>TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR</b>	<u><b>(28,556,725)</b></u>	<u><b>(23,533,699)</b></u>

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

  
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 Chief Executive

  
 \_\_\_\_\_  
 Director

**STATEMENT OF CASH FLOWS  
For The Year Ended June 30, 2014**

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	(40,409,069)	12,746,060
<b>Adjustment for Non Cash and other items:</b>		
Depreciation on property, plant and equipment	7,522,506	7,697,890
Share of loss of associated company	(180,255)	28,124,578
Provision for gratuity	(566,868)	3,950,625
Finance cost	(19,192,525)	8,315,409
Interest Income	(140,034)	-
Dividend Income	(3,202,851)	(8,790,256)
<b>Cash Flow Before Working Capital Changes</b>	<u>(56,169,095)</u>	<u>52,044,306</u>
<b>Working Capital Changes</b>		
<b>(Increase)/Decrease in Current Assets</b>		
Stock in Trade	(94,896,660)	79,092,717
Trade Debts	18,723,815	33,450,415
Loans and Advances	2,378,664	(15,568,486)
	<u>(73,794,181)</u>	<u>96,974,646</u>
<b>Increase/(Decrease) in Current Liabilities</b>		
Trade and Other Payables	18,103,424	(210,162,709)
	<u>(55,690,757)</u>	<u>(113,188,064)</u>
<b>Changes in Working Capital</b>		
Cash Inflow / (Outflow) From Operations	<u>(111,859,852)</u>	<u>(61,143,758)</u>
Income tax paid	(8,971,416)	(14,392,008)
Finance cost paid	19,192,525	(6,235,969)
Gratuity remeasured / adjusted	5,110,139	-
<b>Net Cash Inflow / (Outflow) From Operating Activities</b>	<u>(96,528,604)</u>	<u>(81,771,735)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment	(4,674,853)	(1,685,156)
Interest income	140,034	-
Dividend received	3,202,851	8,790,256
Increase in long term deposits	5,000	(127,000)
<b>Net Cash Generated from / (used in) Investing Activities</b>	<u>(1,326,968)</u>	<u>6,978,100</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Short term borrowings	84,484,073	85,323,906
<b>Net Cash Flow from Financing Activities</b>	<u>84,484,073</u>	<u>85,323,906</u>
Net (Decrease) in Cash & Cash Equivalents	(13,371,499)	10,530,271
Cash & Cash Equivalents at Beginning of the Year	19,519,442	8,989,171
<b>Cash &amp; Cash Equivalents at End of the Year</b>	<u>6,147,943</u>	<u>19,519,442</u>

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

Chief Executive

Director



**STATEMENT OF CHANGES IN EQUITY  
For The Year Ended June 30, 2014**

	Share Capital	RESERVES		TOTAL EQUITY
		CAPITAL	REVENUE	
		Fair value reserve	Accumulated unappropriated profit	
		(Rupees)		
Balance as at 01 July 2012	90,000,000	52,003,570	432,208,675	574,212,245
Effect of items directly credited in equity by the associated companies	-	-	2,092,162	2,092,162
Incremental depreciation on surplus on revaluation of property, plant & equipment	-	-	4,264,771	4,264,771
<b>Profit / (Loss) for the year</b>	-	-	(9,105,869)	(9,105,869)
<b>Other comprehensive income for the year</b>	-	(14,427,830)	-	(14,427,830)
<b>Balance as at 30 June 2013</b>	<b>90,000,000</b>	<b>37,575,740</b>	<b>429,459,739</b>	<b>557,035,479</b>
Balance as at 01 July 2013	90,000,000	37,575,740	429,459,739	557,035,479
Effect of items directly credited in equity by the associated companies	-	-	-	-
Incremental depreciation on surplus on revaluation of property, plant & equipment	-	-	3,888,675	3,888,675
<b>Profit / (Loss) for the year</b>	-	-	(44,819,925)	(44,819,925)
<b>Other comprehensive income for the year</b>	-	16,263,200	-	16,263,200
<b>Balance as at 30 June 2014</b>	<b>90,000,000</b>	<b>53,838,940</b>	<b>388,528,489</b>	<b>532,367,429</b>

Balance as at 01 July 2012

Effect of items directly credited in equity by the associated companies

Incremental depreciation on surplus on revaluation of property, plant & equipment

**Profit / (Loss) for the year**

**Other comprehensive income for the year**

**Balance as at 30 June 2013**

Balance as at 01 July 2013

Effect of items directly credited in equity by the associated companies

Incremental depreciation on surplus on revaluation of property, plant & equipment

**Profit / (Loss) for the year**

**Other comprehensive income for the year**

**Balance as at 30 June 2014**

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

Chief Executive

Director

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2014****1 STATUS AND NATURE OF BUSINESS**

The Company was incorporated under the Companies Ordinance, 1984 as a Private Limited Company on June 18, 1989 in the name of DIAMOND INDUSTRIES (PVT.) LIMITED and converted into Public Limited Company on August 03, 1994 by the name of DIAMOND INDUSTRIES LIMITED. The shares of the company are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the company is situated at Industrial Estate Gadoon, Amazai, (K.P.K). The principal activity of the company is to manufacture and sale of foam products, and PVA products consumed in industry and domestically.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared under the historical cost convention except for Building, Plant & Machinery which is stated on revalued amounts and staff retirement benefits which have been recognized at present value determined by the actuary.

**2.1 Basis of Preparation****a) Statement of Compliance**

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of, and includes Accounting and Financial Reporting Standards for public limited company issued by the regulators, Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions and directives of Companies Ordinance, 1984 shall prevail.

**b) Accounting Convention**

These financial statements have been prepared under the historical cost convention except for Building, Plant & Machinery which are stated on revalued amounts, staff retirement benefits which have been recognized at present value, investment in associates accounted for using equity method and revaluation of financial instruments at fair value.

**2.2 Significant accounting judgments and estimates**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the company's financial statements or where judgements were exercised in application of accounting policies are as follows:

**a) Staff retirement benefits**

Certain actuarial assumptions have been adopted as disclosed in note 6.1 to the financial statements for valuation of present value of defined benefit obligations.

**b) Useful lives, pattern of economic benefits and impairments**

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

**c) Income Tax**

In making the estimates for income tax payable by the Company, the management considers current Income Tax laws and the decisions of appellate authorities on settled cases and issues in the past relevant to the company.

**d) Financial Instruments**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumption that are dependent on conditions existing at balance sheet

**e) Inventories**

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

**f) Provision for doubtful debts**

The company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

**g) Liabilities**

The liabilities are accounted for on accrual basis unless or otherwise stated otherwise.

**2.3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the dates given against each:

**2.4.1 THE FOLLOWING STANDARDS, AMENDMENTS AND INTERPRETATIONS OF APPROVED ACCOUNTING STANDARDS BECAME EFFECTIVE DURING THE YEAR:**

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2012, are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

**2.4.2 NEW ACCOUNTING STANDARDS AND IRFC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE**

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the company's operations or not expected to have significant impact on the company's financial statements other than increase in disclosures in certain cases, unless stated otherwise.

IFRS 7 "Financial Instruments Disclosures" (effective for annual period beginning on or after July 01, 2012) The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. These amendments do not have any material impact on the company's financial statements.

IAS 1 "Presentation of Financial Statements" (effective for annual period beginning on or after July 01, 2012) The amendments to IAS 1 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 account subsequently (reclassification adjustments). The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

IAS 19 - Employee Benefits: (effective for annual periods beginning on or after January 01, 2013). The company expects that the amendments to IAS 19 'Employee Benefits' will not materially affect the company's financial statements. Amendments to IAS 19 range from fundamental changes to simple clarification and re-wording. The significant changes include the following:



- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employees' entitlement to the benefits.

- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

-IAS-16 Property, plant & equipment: Effective for financial years beginning on or after January 01, 2013

-IAS 27- Separate Financial statements: Effective for financial years beginning on or after January 01, 2013

-IAS 28- Associates and Joint ventures: Effective for financial years beginning on or after January 01, 2013

-IAS 32- Financial Instruments: (Presentation) Effective for financial years beginning on or after January 01, 2013

-IAS 32- Offsetting of Financial Assets and Liabilities: Effective for financial years beginning on or after January 01, 2014

-IAS 34- Interim Financial Reporting: Effective for financial years beginning on or after January 01, 2013

IFRIC 20- Stripping costs in production phase of surface mine

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2013. The company expects that such improvements to the standards will not have any material impact on the company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

IFRS 9 - Financial Instruments: Classification and Measurement

**IASB  
Effective  
date**

January  
01, 2015

IFRS 10 - Consolidated Financial Statements

January  
01, 2013

IFRS 11 - Joint Arrangements

January  
01, 2013

IFRS 12 - Disclosure of Interests in Other Entities

January  
01, 2013

IFRS 13 - Fair Value Measurement

January  
01, 2013

These significant accounting policies adopted in preparation of these financial statements are set out below. These policies have been applied consistently to all years presented unless otherwise stated.

**2.4.3 Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the company**

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after July 01, 2013 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

**2.4.4 Property, Plant and Equipment (owned)**

These are stated at cost less accumulated depreciation less accumulated impairment loss except for freehold land that is stated at revalued amount and buildings and plant and machinery which are stated at revalued amount less accumulated depreciation and accumulated impairment losses if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

**Leased**

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to profit and loss account over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to profit or loss account.

**Depreciation**

Depreciation on all fixed assets is charged to profit or loss account on the reducing balance method so as to write off depreciable amount of an asset over its useful life at the rates stated in note 11. Depreciation on additions is charged from the month in which the assets become available for use, while on disposal depreciation is charged up to the month of disposal. Residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

Gains or losses on disposal of fixed assets are recognized in income.

**2.5 Capital Work in Progress**

Capital work in progress is stated at cost and includes capital expenditure on that asset, labor and appropriate overheads directly relating to the project. These costs are transferred to fixed assets as and when assets are available for intended use. Where the overheads can not be directly related to the asset, these are proportionately charged.

**2.6 Staff Benefits**

The company operates an unfunded and unapproved gratuity scheme for its employees, which is a defined benefit plan based upon the last salary drawn by an employee. Present value of defined benefit obligation is calculated on the basis of actuarial valuation at the end of the year. The valuation in these accounts is worked out on the Projected Unit Credit Actuarial Cost method basis.

Actuarial valuation of defined benefit scheme was conducted to calculate the actuarial present value of gratuity obligation as at June 30, 2014. The valuation uses projected unit credit method and a discount rate of 13.25% per annum. It assumes that salaries will increase by 12.25% per annum.

Cumulative unrecognized net actuarial gains and losses that exceed ten percent of present value of defined benefit obligation are amortised over the expected average remaining working lives of participating employees.



**2.7 Investments**

Classification of investments is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisitions, except for "Investments at fair value through profit or loss" which is initially measured at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provision of IAS 39 'Financial Instruments; Recognition and Measurement' to all investments, except investments under equity method accounted for associates, which are tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

**a) Held to maturity**

Investments with fixed or determinable payments and fixed maturity are classified as held to maturity when the company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments that are intended to be held to maturity are subsequently measured at amortised cost. The cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized costs, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

**b) Investment in associated companies**

It is accounted for using the equity method and is initially recognized at cost.

**c) Available for sales**

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available for sale. After initial recognition, investments which are classified as available for sale are measured at fair value. Gains or losses on available for sale investments are recognized directly in statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. Investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date. Fair value of investments in open-end mutual funds is determined using redemption period.

**d) Other Investment**

Other investments made in un-quoted companies are recorded at its cost value.

**2.8 Stocks in Trade**

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

Raw-material	Weighted average cost
Work in process and finished goods	Weighted average cost and net realizable value

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

Average manufacturing cost in relation to work in process and finished goods, consists of direct material, labor and a proportion of manufacturing overheads based on normal capacity.

**2.9 Stores, Spares and Lose Tools**

Usable stores, spare parts and lose tools are valued at moving average cost, while items considered



obsolete are carried at nil values, items in transit are valued at cost comprising invoice value plus other direct charges paid thereof.

**2.10 Cash and Cash Equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and balance with banks on current and deposit accounts.

**2.11 Impairment Losses**

The carrying amounts of the assets are reviewed at each balance sheet date to identify the circumstances indicated the occurrence of impairment loss or reversal of previous impairment losses. If any such indication exists, the recoverable amount of such assets is estimated and impairment loss is recognized in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of such assets is increased to the revised recoverable amount. A reversal of the impairment loss is recognized.

**2.12 Financial instruments**

Financial instruments are carried on the balance sheet date include investments, trade debts, loans and advances, other receivables, cash and bank balances, accrued mark up and trade and other payables etc. Financial assets and liabilities are recognized when the company becomes party to the contractual provision of the instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instruments at fair value through profit or loss" which are initially measured at fair value.

Financial assets are de-recognized when the company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

**2.13 Provisions**

Provisions are recognized when the company has present, legal or constructive obligation as result of past event, it is probable that an out flow of resources embodying economic benefit will be required to settle the obligation and reliable estimate of the amount can be made. However, provision are reviewed at each balance sheet date and adjusted to reflect the current reliable estimates.

**2.14 Financial Assets and Liabilities**

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument and de-recognized when the company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged , cancelled or expired, Financial instruments are initially recorded at cost on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting date.

The gain or loss relating to financial instruments is recognized immediately in the profit and loss account for the year.

The particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

A financial asset and financial liability are off set and the net amount reported in the balance sheet, if the company has a legal enforcement right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**2.15 Loans and Borrowings**

Loans and borrowings in Pakistan Rupees are recorded at the proceeds received, In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance cost is accounted for on an accrual basis and is included in current liabilities to the extent of amount remaining unpaid, if any.

The borrowing costs are charged off to the income in the year in which they are incurred except to the extent costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of assets.

**2.16 Transactions in Foreign Currencies**

Transaction in foreign currencies other than Pakistan rupees are recorded at the exchange rate prevailing on the date of transaction.

At each balance sheet, monetary assets and liabilities that are dominated in foreign currencies are translated in rupees at the exchange rate ruling on the balance sheet date, except where forward exchange contracts have been entered in to for repayments of liabilities, in that case, rates contracted for, are used.

**2.17 Revenue Recognition**

Revenue from different sources is recognized as under:

Revenue from sale is recognized on dispatch of goods to the customers.

Dividend on equity instruments is recognized when the right to receive the dividend/receipt is established.

Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

**2.18 Trade debts and other Receivables**

Trade debtors and other receivables are carried at original invoice amount less an estimate made for doubtful debts based on review of all outstanding amounts at year end. Bad debts, if any, are written off when identified. Provision for bad and doubtful debt, if any, is made after ascertaining the status.

**2.19 Related Party Transactions**

All transactions between company and related party are accounted for at arm's length price as an independent business in accordance with 'comparable Uncontrolled Price Method'. The company has voluntarily applied Sub-Regulation (Xiii) of listing regulations 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and of approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions in accordance with normal business price recording proper justification for using if any, alternate pricing mechanism.

**2.20 Taxation****Current**

The charge for current tax is based on the taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemptions available. However, for income covered under final tax regime. The charge for current tax also include prior year adjustments, where considered, arising due to assessments finalized during the year, commencing from current tax year, where no taxable income is earned, the minimum tax as laid down in law is provided.

**Deferred Tax**

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



Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

**2.21 Segment Reporting**

A segment is a distinguishable component within the company that is engaged in providing products and under a common control environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segments results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment. The company is operating in manufacturing and sale of varied interrelated consumer home products for and management has distinguished its business into main division called "foam products division" therefore no segmentation has been provided.

**2.22 Impairment****a) Financial Assets**

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Financial instruments are carried on the balance sheet date include investments, trade debts, loans and advances, other receivables, cash and bank balances, accrued mark up and trade and other payables etc. Financial assets and liabilities are recognized when the company becomes party to the contractual provision of the instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instruments at fair value through profit or loss" which are initially measured at fair value.

Financial assets are de-recognized when the company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

**b) Non-Financial Assets**

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount



cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

**2.23 Off-setting of financial assets and financial liability**

A financial assets and a financial liabilities is off-set and net amount is reported in the balance sheet, if the company has a legally enforceable right to set-off the recognized amount and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**2.24 Dividends and other appropriations**

Dividend distribution to the company's shareholders is recognized as a liability in the company's financial statements in the period in which dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

**2.25 General**

a) Corresponding figures have been rearranged and reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison without any effect on profit and loss account.

b) The confirmations have been circularized to all the debtors and creditors as per requirements of the audit, in response to any variation, the balances were supported with reconciliations.

c) Corresponding figures have been rearranged and reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison without any effect on profit and loss account to extent and manner as noted in Note No. 5.

**Chief Executive****Director**



			<b>2014</b>	<b>2013</b>	
			<b>Rupees</b>	<b>Rupees</b>	
<b>3</b>	<b>ISSUED, SUBSCRIBED &amp; PAID UP CAPITAL</b>				
		<b>2014</b>	<b>2013</b>		
	<b>Number of shares</b>				
	<b>6,000,000</b>	<b>6,000,000</b>	Ordinary shares of Rupees 10 each fully paid up in cash	60,000,000	60,000,000
	<b>3,000,000</b>	<b>3,000,000</b>	Fully paid bonus shares	30,000,000	30,000,000
	<b>9,000,000</b>	<b>9,000,000</b>		<b>90,000,000</b>	<b>90,000,000</b>

3.1 The issued subscribed and paid up Capital has been correctly stated to conform with the requirements of SECP.

3.2	Company name	Status	Shareholding	
			No. of Shares 2014	No. of Shares 2013
	Shaffi Chemical Industries Limited	Associated Company	1,422,450	1,422,450
	Capital Industrial Enterprises (Pvt) Limited	Related party	76,383	76,383
	Symbol Industries (Pvt) Limited	Related party	450,000	450,000

The related party and associated company have the same meanings as defined in the Companies Ordinance 1984.

#### 4 Reserves

Movement in and composition of reserves is as follows:

##### Capital Reserve

##### Fair value reserve

At the beginning of the year		37,575,740	52,003,570
Fair Value gain during the year		16,263,200	(14,427,830)
At the end of the year	<b>4.1</b>	<b>53,838,940</b>	<b>37,575,740</b>

##### Revenue Reserve

Unappropriated profits		388,528,489	429,459,739
		<b>442,367,429</b>	<b>467,035,479</b>

4.1 As referred to note 2.7 this represents the unrealized gain on remeasurement of investments at fair value and is not available for distribution. This amount shall be transferred to profit and loss account on realization.

#### 5 SURPLUS ON REVALUATION OF FIXED ASSETS

5.1 Revaluation of Building and Plant & Machinery was carried out by M/S Dimen Associates (Pvt) Ltd on March 01, 2005. Revaluation of Rawalpindi Building was carried out by Hamid Mukhtar and Co (Pvt.) Ltd on April 11, 2005. The company has not carried out any revaluation since then. It is of the view that there is not major and material gain or loss in the current year worth reporting.

These assets were revalued on the basis of current replacement value. All the revaluation surplus is charged to Surplus on Revaluation of Fixed Assets Account as per requirements of Section 235 of the Companies Ordinance 1984. Revaluation surplus is carried at the amount after adjustments of deferred taxation and incremental depreciation.

The company has currently appointed a firm of valuers to carry out their valuation. The compilation of the valuer report is in process.



	<b>2014</b>	<b>2013</b>	
	<b>Rupees</b>	<b>Rupees</b>	
<b>5.2 Movement in revaluation surplus</b>			
<b>Surplus on Land</b>			
Opening balance	4,500,750	4,500,750	
Add: during the year	-	-	
Total Revaluation Surplus on land	<u>4,500,750</u>	<u>4,500,750</u>	
<b>Surplus on Buildings</b>			
Opening balance	48,759,304	48,759,304	
Add: during the year	-	-	
Total revaluation surplus on building	<u>48,759,304</u>	<u>48,759,304</u>	
less: Incremental depreciation charged in previous year	<u>19,305,274</u>	<u>17,755,061</u>	
less: Incremental depreciation charged in current year	<u>1,472,701</u>	<u>1,550,213</u>	
	<u>20,777,975</u>	<u>19,305,274</u>	
Revaluation surplus on building net off incremental depreciation	27,981,329	29,454,030	
Related deferred tax liability	<u>(10,308,911)</u>	<u>(10,851,485)</u>	
less: Related deferred tax liability on incremental depreciation transferred to retained earnings	<u>515,445</u>	<u>542,575</u>	
	<u>(9,793,465)</u>	<u>(10,308,911)</u>	
Net revaluation surplus on buildings	18,187,864	19,145,120	
<b>Surplus on Plant and machinery</b>			
Opening balance	152,486,351	152,486,351	
Add: during the year	-	-	
Total revaluation surplus on plant and machinery	<u>152,486,351</u>	<u>152,486,351</u>	
less: Incremental depreciation charged in previous year	<u>107,387,587</u>	<u>102,376,614</u>	
less: Incremental depreciation charged in current year	<u>4,509,876</u>	<u>5,010,973</u>	
	<u>111,897,463</u>	<u>107,387,587</u>	
Revaluation surplus on plant and machinery net off incremental depreciation	40,588,888	45,098,764	
Related deferred tax liability	<u>(15,784,567)</u>	<u>(17,538,408)</u>	
less: Related deferred tax liability on incremental depreciation transferred to retained earnings	<u>1,578,457</u>	<u>1,753,841</u>	
	<u>(14,206,111)</u>	<u>(15,784,567)</u>	
Net revaluation surplus on buildings	26,382,777	29,314,197	
Closing balance	<u>49,071,391</u>	<u>52,960,066</u>	
<b>5.3 Incremental depreciation is the difference between the actual depreciation expense and depreciation at the historical cost values.</b>			
<b>6 DEFERRED LIABILITIES</b>			
Gratuity - Defined benefit plan	6.1	5,603,114	6,169,982
Provision for Deferred Taxation		<u>11,220,419</u>	<u>12,001,487</u>
		<u>16,823,533</u>	<u>18,171,469</u>
<b>6.1 GRATUITY</b>			
Gratuity	6.1.1	<u>5,603,114</u>	<u>6,169,982</u>
<b>6.1.1</b>			
<b>The amounts recognized in the balance sheet are as follows:</b>			
Present value of unfunded defined benefit obligation	6.1.2	5,443,354	4,202,086
Actuarial gain / (loss) to be recognised in later periods	6.1.3	-	1,808,136
Benefits Payable		<u>159,760</u>	<u>159,760</u>
<b>Liability as at June 30, 2014</b>		<u>5,603,114</u>	<u>6,169,982</u>



	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>6.1.2 Movement in unfunded defined benefit obligation</b>		
At the beginning of the year	4,202,086	1,813,848
Current service cost	4,338,605	3,464,466
Interest cost for the year	441,219	235,800
Liability transferred from Sister concern	(2,281,394)	259,554
Actuarial gains	<u>(1,257,162)</u>	<u>(1,571,582)</u>
<b>Present value of unfunded defined benefit obligation as at June 30, 2014</b>	<b><u>5,443,354</u></b>	<b><u>4,202,086</u></b>
<b>6.1.3 Movement in unrecognized actuarial losses</b>		
Unrecognized actuarial gain as at July 1, 2013	1,808,136	245,749
Actuarial gains / (losses) arising during the year	1,257,162	1,571,582
Adjustment	(1,808,136)	-
Actuarial (gains) recognized in profit or loss account	<u>(1,257,162)</u>	<u>(9,195)</u>
Unrecognized actuarial losses as at June 30, 2014	<u>-</u>	<u>1,808,136</u>
<b>6.1.4 The amounts recognized in the profit and loss account are as follows:-</b>		
Current service cost / provision for the year	4,338,605	3,464,466
Interest cost	441,219	235,800
Actuarial gain recognised	-	(9,195)
<b>Total included in salaries benefits</b>	<b><u>4,779,824</u></b>	<b><u>3,691,071</u></b>

**6.1.5 Trend Information**

Amounts for current year period and previous four annual periods of defined benefit obligation:

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>As at June 30</b>					
Present Value of Defined Obligation	<u>5,443,354</u>	<u>4,202,086</u>	<u>1,813,848</u>	<u>522,991</u>	<u>174,080</u>
Experience adjustment on obligation	<u>1,257,162</u>	<u>1,571,582</u>	<u>224,613</u>	<u>21,136</u>	<u>56,762</u>

**6.1.6 The principal actuarial assumptions used were as follows**

Assumptions used for valuation of the defined benefit scheme for staff:

Discount rate	13.25% per annum	10.50% per annum
Expected rate of increase in salary	12.25% per annum	9.50% per annum
Average expected remaining working life of employees	8 years	8 years

**Deferred Taxation Liability Comprises as Follows:**

Taxable Temporary differences		
Accelerated Tax Depreciation Allowance	24,855,395	26,235,895
Deductible Temporary Differences		
Provision for Doubtful Debts	<u>11,729,917</u>	<u>12,074,915</u>
Provision for Gratuity	<u>1,905,059</u>	<u>2,159,493</u>
	<u>13,634,976</u>	<u>14,234,408</u>
Total Taxable Temporary Difference	<u>11,220,419</u>	<u>12,001,487</u>
Effect of Accumulated Tax Losses	-	-
	<u>11,220,419</u>	<u>12,001,487</u>
Non recognition of Deferred tax asset	6.2.1	-
	<u>11,220,419</u>	<u>12,001,487</u>

**6.2.1** The deferred tax asset has not been recognised in prior years due to exemption.





# DIAMOND INDUSTRIES LIMITED

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	2014 Rupees	2013 Rupees
<b>7 TRADE AND OTHER PAYABLES</b>		
Trade creditors	37,442,684	16,684,574
Other Liabilities and Accrued Interest	5,982,313	7,541,761
Accrued Liabilities	7,327,155	9,577,145
Sales Tax Payable	1,357,915	203,163
Workers Profit Participation Fund Payable	2,112,068	2,112,068
Unclaimed Dividend	432,544	432,544
	<u>54,654,679</u>	<u>36,551,255</u>
<b>8 Short term Borrowings - secured</b>		
Short term Borrowings	8.1 108,693,979	85,323,906
Loan from Related Party/Associated Concerns	8.2 61,114,000	-
	<u>169,807,979</u>	<u>85,323,906</u>

**8.1** The company has obtained Finances against trust receipt (FATR) facility from Silk Bank Limited with maximum facility of Rs.175 million (2013:100 M), with 6 month kibar + 2.5% per annum for a period of 1 year, renewal on yearly basis, secured against a ranking charge of Rs. 400 million on current assets of M/s Diamond Industries Limited and personal guarantees of all the directors of the company.

**8.2** The company has obtained short term unsecured loan from M/S Capital Industrial Enterprises (Pvt) Limited. This loan carries markup rate of 3 Months Kibar+2.5% with minimum floor of 13 % with no cap.

## 9 PROVISION FOR TAXATION

Opening Balance	9,722,936	647,925
Turnover Tax	4,871,639	8,971,416
Income Tax on dividend	320,285	879,026
Adjustment against Advance Income Tax	(8,971,416)	(775,431)
	<u>5,943,444</u>	<u>9,722,936</u>

The Company had provided minimum tax liability under section 113 of Income Tax Ordinance 2001.

## 10 CONTINGENCIES AND COMMITMENTS

### I. SUPREME COURT OF PAKISTAN

#### **DILVs Naseer Ahmad etc.** (Criminal Original No.24/2003) & **Claim of Rs.477 million(12,033.75 tons) & Mark-up**

The company had filed a claim of Rs.477 million (12,033.75 tons) plus mark-up on account of one time compensation in terms of E.C.C. decision. The Honourable Supreme Court of Pakistan also accepted Civil Appeal No. 903/1999 in favour of the company vide its Judgment dated 05-06-2000. However, the FBR / CBR did not implement the said judgment in letter and spirit and consequently the Company filed the captioned Contempt Petition against the Members of FBR / CBR. The said petition was dismissed for non-prosecution on 14-12-2005 and now a restoration application of the same is pending adjudication before the Honourable Supreme Court of Pakistan. The Company has a valid Claim of Rs.1,033,165,000/- as on 17-08-2008 (Rs.217,000,000/- against principal and Rs.816,165,000/ in lieu of mark-up) which is pending. No provisions has been made for delayed refunds u/s 171 of the Income Tax Ordinance 2001.

### II. HIGH COURT OF SINDH AT KARACHI

#### **a. First Capital ABN Amro Equities etc. Vs Iftikhar Shaffi etc.** (Suit No. 808/2000)

M/s. First Capital ABN Amro Equities (Pakistan) Ltd etc. filed a Suit for Recovery of Rs.552,344,051.00 against Mr. Iftikhar Shaffi and five others including this Company.

The said case is pending adjudication before the High Court of Sindh at Karachi, in which the issues have been framed and now the proceedings of the case are at the stage of evidence. The company is of the view that no such claim is entertainable.



**b. DIL Vs Arif Habib and others.**  
(Suit No. 480/2003)

The Company filed a Suit for Declaration, Injunction and Recovery of Damages amounting to Rs.10,989,948,199/- against Arif Habib and others which is pending. There is no material change having taken place in the status of the case during the year under review. The company is of the view that it has a strong claim but no provision has been made in the accounts.

**c. Aqeel Karim Dhedhi Securities Vs Iftikhar Shaffi etc.**  
(Suit No 607/2003)

M/s. Aqeel Karim Dhedhi Securities Pvt. Ltd filed a suit for Recovery amounting to Rs.80,297,282/- against Mr. Iftikhar Shaffi and others including this company which is pending. There is no material change in the status of the case during the year under review. The company is of the view that no such claim is entertainable.

**d. Muhammed Hanif Moosa Vs Iftikhar Shaffi etc.**  
(Suit No. 843/2003)

Muhammad Hanif Musa Ex-Member KSE filed a Suit for Declaration, Injunction and Recovery of Damages amounting to Rs.447,587,159/- against Mr. Iftikhar Shaffi and five others including this company. Suit is pending adjudication and no material change has occurred in the status of the case during the year under review. The company is of the view that no such claim is entertainable.

**III. LAHORE HIGH COURT LAHORE.**

**a. DIL Vs SECP and Others.**  
(Commercial Appeal No. 13/2002)

The company filed an appeal before the Lahore High Court Lahore against illegal freezing by SECP of company's CDC sub Account maintained with Mr. Tanvir Malik (Member LSE). The case is still pending adjudication before the court and no change in the status has occurred.

**b. DIL etc. Vs Lahore Stock Exchange etc.**  
(Civil Revision No.1847 of 2003)

The Company filed a Revision Petition against an interim order of the Civil Judge Lahore passed in Civil Suit No. 297/2003 whereby CDC Sub Account No. 684 of the Company maintained with Muhammad Tanveer Malik (Member LSE) was attached and the company was restrained from operating the same. The said revision petition is still pending adjudication before the Honourable Lahore High Court, Lahore. The company is of the view that it has a strong case and is of the opinion that the courts will rule in favour of the company.

**c. ABL Vs DIL etc. (COS 18/2005)**

Allied Bank Limited filed a Suit for Recovery of Rs. 253.6 Million against the Company and others. The Company filed an Application for Leave to Appear and Defend the Suit and made a Counter Claim to the tune of Rs.120,366,528/- from ABL. The honorable Lahore High Court was pleased to accept the PLA and granted conditional Leave to appear and defend the suit subject to deposit of Rs.78.6865 million with the Deputy Registrar Judicial of the Lahore High Court, Lahore vide Order dated 17-01-2007. The Company was aggrieved by the condition imposed by the Court since it was entitled for an unconditional leave to appear and defend the suit. Consequently judgment and decree was passed against the company which was challenged in the following appeal before the division bench of the Lahore High Court. The appeal is still pending. The company is of the opinion that on based of historical facts it has a strong case, however no provision has been made in the accounts.

**d. DIL etc. VS ABL (RFA 431/2007)**

The company and other defendants have preferred a Regular First Appeal No. 431/2007 against Judgment/Decree dated 17-10-2007 before the Division Bench of Honourable Lahore High Court, Lahore and on 02-07-2008 the Honourable Division Bench was pleased to stay the Execution Proceedings subject to deposit of Rs.39.3432 million with the Deputy Registrar (Judicial) of Lahore High Court, Lahore. The Company has already deposited the said amount with Deputy Registrar Judicial.



The Respondent Bank challenged the said order dated 02-07-2008 before the Honourable Supreme Court of Pakistan through CPLA 916-L-2008. The Company strongly contested the case and consequently the CPLA was dismissed by the August Court vide its order dated 16-07-2008.

The proceedings of RFA are still pending adjudication before the Honourable Division Bench of Lahore High Court, Lahore. The company is of the view that it is on strong footage.

**f. DIL Vs Province of Punjab etc.**  
(Writ Petition No.4469/07)

The issue relates to illegal imposition of Professional Tax for the Period 2001-2002 and 2004-2005. The company filed an appeal before Director (Appeals) Excise & Taxation, which was dismissed vide order dated 6-03-2007. The company challenged the said dismissal order in writ petition, and the Honourable Court was pleased to grant status quo order in favor of the Company. Later on, the Honourable Court was pleased to dispose of the writ petition while directing the respondent department to hold an inquiry and submit a report to the Court within one month. The proceedings of the inquiry are under process. The company is of the view that it is on strong footage and no liability will accrue.

**IV. CIVIL COURT LAHORE.**

**a. LSE Vs Iftikhar Shaffi etc.**

The Lahore Stock Exchange (G) Limited filed a Suit for recovery of Rs.190,704,373/- against Mr. Iftikhar Ahmed Shaffi and 5 others including this Company. The matter is still pending adjudication before Civil Court, Lahore and there is no change in status since the last annual report. The company of the view that the case shall not stand the strength of appeal.

**b. Aslam Motiwala Vs Lahore Stock Exchange etc.**

Aslam Motiwala filed suit No.561 in 2003 against Lahore Stock Exchange and two others including M/s Diamond Industries Ltd. The learned Civil Judge has framed issues in the Suit and now the proceedings of the case are pending at the stage of evidence.

**c. Naeem Anwar Vs Iftikhar Shaffi etc.**

Naeem Anwar filed a Suit for Declaration Damages and Recovery of Rs.19.9 million against Mr. Iftikhar Shaffi and other defendants including this company. There is no material change in status of proceedings since the last annual report. The banks and others have not confirmed the above transactions.

**d. Legal Advisor**

The Legal advisor of the company has confirmed that the litigants against the company do not have strong claims and no provisions are required for any liability and that the company shall not suffer from such litigation and is of the firm opinion the cases filed by the company are on strong footings, further he has confirmed that he is pursuing the cases for settlement of claims.

**e. Subsequent Proceedings**

The legal advisor has reported that there is no change in the status since the end of financial year and date of the financial statements, however there are on going proceedings.

**Commitments**

There is commitment of Rs. 4.748 millions (2013 Rs.44.42 million) in respect of outstanding Letters of Credit.



**11 PROPERTY, PLANT AND EQUIPMENT**

	2014						2013						
	Annual Rate of Depreciation %	Costs as at 1-Jul-13	Additions / (Deletions)	Cost as at 30-Jun-14	Accumulated Depreciation as at July 01, 2013	Depreciation charge / (deletions) for the year as at June 30, 2014	Annual Rate of Depreciation %	Costs as at 1-Jul-12	Additions / (Deletions)	Cost as at 30-Jun-13	Accumulated Depreciation as at July 01, 2012	Depreciation charge / (deletions) for the year as at June 30, 2013	Book Value as at June 30, 2014
Lease Hold Land	0%	6,528,000	-	6,528,000	-	-	6,528,000	-	6,528,000	-	-	-	6,528,000
Building on Leasehold Land	5%	68,363,509	-	68,363,509	32,033,417	1,816,505	68,363,509	-	68,363,509	30,121,307	1,912,110	32,033,417	34,513,587
Plant and Machinery - Foam	10%	189,416,383	-	189,416,383	142,884,896	4,653,149	189,416,383	-	189,416,383	137,714,731	5,170,165	142,884,896	41,878,338
Plant and Machinery - Chemical	10%	12,715,866	-	12,715,866	8,565,179	415,069	12,715,866	-	12,715,866	8,103,992	461,187	8,565,179	3,735,618
Office Equipment	10%	4,576,984	238,100	4,815,084	2,586,489	203,018	4,576,984	1,685,156	4,576,984	2,506,429	55,429	2,586,489	2,025,577
Furniture and fixtures	10%	4,088,733	-	4,088,733	3,589,876	49,886	4,088,733	-	4,088,733	3,534,417	55,429	3,589,876	498,857
Vehicles	20%	3,084,630	4,436,753	7,521,383	3,008,873	384,881	3,084,630	1,685,156	4,576,984	2,989,934	18,939	3,008,873	4,127,629
		288,774,105	4,674,853	293,448,958	192,668,730	7,522,506	288,774,105	1,685,156	288,774,105	184,970,840	7,697,890	192,668,730	93,257,722
Lease Hold Land	0%	6,528,000	-	6,528,000	-	-	6,528,000	-	6,528,000	-	-	-	6,528,000
Building on Leasehold Land	5%	68,363,509	-	68,363,509	30,121,307	1,912,110	68,363,509	-	68,363,509	30,121,307	1,912,110	32,033,417	36,330,092
Plant and Machinery - Foam	10%	189,416,383	-	189,416,383	137,714,731	5,170,165	189,416,383	-	189,416,383	137,714,731	5,170,165	142,884,896	46,531,487
Plant and Machinery - Chemical	10%	12,715,866	-	12,715,866	8,103,992	461,187	12,715,866	-	12,715,866	8,103,992	461,187	8,565,179	4,150,687
Office Equipment	10%	2,891,828	1,685,156	4,576,984	2,506,429	80,060	2,891,828	1,685,156	4,576,984	2,506,429	80,060	2,586,489	1,990,495
Furniture and fixtures	10%	4,088,733	-	4,088,733	3,534,417	55,429	4,088,733	-	4,088,733	3,534,417	55,429	3,589,876	498,857
Vehicles	20%	3,084,630	1,685,156	4,769,786	2,989,934	18,939	3,084,630	1,685,156	4,769,786	2,989,934	18,939	3,008,873	75,757
		287,088,949	1,685,156	288,774,105	184,970,840	7,697,890	287,088,949	1,685,156	288,774,105	184,970,840	7,697,890	192,668,730	96,105,375



**11.1** Revaluation of Building and Plant & Machinery was carried out by M/S Dimen Associates (Pvt.) Ltd on March 01, 2005. Revaluation of Rawalpindi Building was carried out by Hamid Muhtaar and Co (Pvt.) Ltd on April 11, 2005. These assets were revalued on the basis of current replacement value. Revaluation surplus was credited to surplus on revaluation of Fixed Assets.

If there had been no revaluation, the cost, accumulated depreciation and book value of the revalued assets at June 30, 2014 would have been as follows:

Particulars	2014			2013		
	Cost Rs.	Accumulated Depreciation Rs.	Written Down Value Rs.	Cost Rs.	Accumulated Depreciation Rs.	Written Down Value Rs.
Leasehold Land	2,027,250	-	2,027,250	2,027,250	-	2,027,250
Building on Leasehold Land	19,604,205	11,071,947	6,532,258	19,604,205	12,728,144	6,876,061
Plant and Machinery - Foam	42,989,708	39,587,378	3,402,330	42,989,708	39,209,341	3,780,367
Plant and Machinery - Chemical	6,656,190	5,033,450	1,622,740	6,656,190	4,853,146	1,803,044
<b>Rupees</b>	<b>71,277,353</b>	<b>57,692,775</b>	<b>13,584,578</b>	<b>71,277,353</b>	<b>56,790,631</b>	<b>14,486,722</b>

**11.2** The depreciation charged for the period has been allocated as follows:

	2014	2013
	Rupees	Rupees
Cost of sales	note no. 20	5,068,217
Administrative expenses	note no. 22	5,631,352
		2,666,538
		<u>7,697,890</u>

**11.3** No impairment has been recognized on operating assets in the current year

**11.4** Allied Bank Limited of Shahdara Branch pledged all that lease hold rights of Plot bearing No. 25 measuring 6 acres situated in the Industrial Estate Area of Gabeon Anazai with all present & future constructions, fittings, fixtures, machineries, all installations, receivables etc by way of first charge including stocks of the company valuing Rs. 130,000,000. Charge was first created on Nov 7, 1995.

Silk Bank Limited, Egerton Road Lahore has floating charge over all present and future current assets of the company including but not limited to goods, merchandise and stock in trade.

**11.5** To be read with Note No. 5 annexed.



		<b>2014</b>	<b>2013</b>
		<b>Rupees</b>	<b>Rupees</b>
Investment under equity method	12.1	69,110,560	68,927,768
Investment at cost	12.2	124,856,837	124,856,837
		<u>193,967,397</u>	<u>193,784,605</u>

**12.1 Investment under equity method**

Shaffi Chemical Industries Limited - Quoted Impairment loss	12.1.1	-	-
Diamond Polymers (Private) Limited - Unquoted	12.1.2	69,110,560	68,927,768
		<u>69,110,560</u>	<u>68,927,768</u>

**12.1.1 SHAFFI CHEMICAL INDUSTRIES LIMITED - associated company**

3,754,240 (2013 : 3,754,240) ordinary shares of Rupees 10 each Equity held 31.285% (2013 : 31.285%) Market value as on June 30, 2014, Rs.13,102,298/- (2013: Rs. 15,016,960 /-)	12.1.3	-	-
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**12.1.2 DIAMOND POLYMERS (PRIVATE) LIMITED - associated company**

1,300,000 (2013 : 1,300,000) ordinary shares of Rupees 10/- each Equity held 43.33% (2013 : 43.33%)	12.1.3	69,110,560	68,927,768
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**12.1.3 Reconciliation of Investments in associated companies under equity method**

<b>Shaffi Chemical Industries Limited</b>			
Share in net assets at the beginning of the year		-	15,281,851
Add: Share of (loss) after income tax		-	(23,191,120)
Share of other comprehensive income		-	2,092,162
Loss not to be recognized in profit and loss account		-	5,817,107
		<u>-</u>	<u>(15,281,851)</u>
<b>Share in net assets at the end of the year</b>		<u>-</u>	<u>-</u>
<b>Diamond Polymer Private Limited</b>			
Share in net assets at the beginning of the year		68,927,768	79,682,818
Add: Share of (loss) after income tax		180,255	(10,750,565)
Share of other comprehensive income		2,537	(4,485)
		<u>182,791</u>	<u>(10,755,050)</u>
<b>Share in net assets at the end of the year</b>		<u>69,110,560</u>	<u>68,927,768</u>

**12.1.4 Summarized financial information of associated companies**

Name of Associated Company	Assets	Liabilities	Rupees			
			Net Assets	Revenue	Profit / (loss)	
<b>June 30, 2014</b>						
Shaffi Chemical Industries Limited - Audited	132,540,092	71,836,484	60,703,607	1,542,050	33,685,123	
<b>June 30, 2014</b>						
Diamond Polymer (Private) Limited - Unaudited	217,371,806	71,321,785	146,050,021	46,061,299	(2,699,804)	
<b>June 30, 2013</b>						
Shaffi Chemical Industries Limited - Audited	65,178,842	86,888,735	(29,985,570)	11,264,944	(74,127,772)	
<b>June 30, 2013</b>						
Diamond Polymer (Private) Limited - Unaudited	220,365,262	61,301,184	159,064,078	53,439,701	(24,808,997)	



12.1.5 The quoted value of Shaffi Chemical Industries Limited is Rs. 3.49 per share (2013: Rs. =4/-)

2014	2013
Rupees	Rupees
<b>12.2 Investment at cost</b>	
<b>Diamond Product (Private) Limited</b>	
885,600 shares (2013: 885,600 shares) ordinary shares of Rs. 10/- each	
Equity held. 15.25% ( 2013 - 15.25% )	
10,522,456	10,522,456
<b>Diamond Home Textile (Private) Limited</b>	
720,000 shares (2013: 720,000 shares) ordinary shares of Rs. 10/- each	
Equity held. 15.25% ( 2013 - 15.25% )	
14,040,410	14,040,410
<b>Capital Industrial Enterprises (Private) Limited</b>	
1,800,000 shares (2013: 1,800,000 shares) ordinary shares of Rs. 10/- each	
Equity held. 15.25% ( 2013 - 15.25% )	
72,000,000	72,000,000
<b>Symbol Industries (Private) Limited</b>	
1,890,000 shares (2013: 1,890,000 shares) ordinary shares of Rs. 10/- each	
Equity held. 15.25% ( 2013 - 15.25% )	
28,293,971	28,293,971
<u>124,856,837</u>	<u>124,856,837</u>

12.2.1 Reconciliation of Investments measured at cost

	Rupees			
	DPPL	DHTL	CIEL	SIL
As at June 30, 2013	10,522,456	14,040,410	72,000,000	28,293,971
<b>As at June 30, 2014</b>	<b>10,522,456</b>	<b>14,040,410</b>	<b>72,000,000</b>	<b>28,293,971</b>

12.2.2 Impairment loss is calculated on the basis of audited financial statements.

12.2.3 The associated companies do not qualify under section 3 of the Companies Ordinance 1984.

### 13 LONG TERM DEPOSITS

Security Deposits	329,445	334,445
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### 14 STOCKS IN TRADE

Raw Materials	96,175,499	41,010,071
Less: Provision for slow moving stock	(461,548)	(461,548)
	95,713,951	40,548,523
Work-in-Process	55,506,764	20,865,943
Finished Goods	33,855,364	28,764,954
	<u>185,076,079</u>	<u>90,179,420</u>

### 15 TRADE DEBTS

Considered good	58,653,321	77,377,136
Considered doubtful	34,499,757	34,499,757
	93,153,078	111,876,893
Less: Provision for doubtful debts	(34,499,757)	(34,499,757)
	<u>58,653,321</u>	<u>77,377,136</u>

### 16 LOANS AND ADVANCES

Advances to Employees (considered good)	525,200	2,135,600
Advance Sales Tax	28,419,020	30,965,679
Advance Income Tax	22,066,889	15,858,171
Advance Rent	-	105,860
Other advances	409,621	4,734,084
	<u>51,420,730</u>	<u>53,799,394</u>

The company is pursuing the carry for refund of taxes paid in advance.

### 17 OTHER RECEIVABLES

Receivable from Mr. Tanveer Malik (See note No.10)	1,969,309	1,969,309
Allied Bank Limited (See note No.10)	17.1 <u>120,366,528</u>	<u>120,366,528</u>
	122,335,837	122,335,837
Retail Sales Tax - considered doubtful	125,000	125,000
Less: Provision for doubtful retail sales tax	(125,000)	(125,000)
Paid to Allied Bank under protest (Lahore High Court Order)	17.1 <u>40,075,000</u>	<u>40,075,000</u>
	<u>162,410,837</u>	<u>162,410,837</u>

17.1 The matter is pending adjudication as mentioned in note 10 of the financial statements. The said Tanveer Malik / LSE and Allied Bank Limited has not confirmed the balances receivable neither any certificate to the effect has been issued, see Note No. 10 annexed.

### 18 INVESTMENT AVAILABLE FOR SALE

INVESTMENT AVAILABLE FOR SALE	18.1 <u>77,404,981</u>	<u>66,254,456</u>
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**18.1 Quoted**

Sr #	Name of the Company	June 2014		June 2013		Gain/(Loss)	Cost (Rs.)	Market Value (Rs.)	No. of Shares Physical	Rate	Market Value (Rs.)	No. of Shares	Rate	Market Value (Rs.)
		CDC	Total	Total	Total									
1	ICI Pakistan Limited	-	330	330	390.34	1,200	128,812	128,812	330	390.34	128,812	330	366	54,922
2	The Bank Of Punjab	27,896	917	28,813	9.10	281,476	282,198	282,198	28,813	9.10	282,198	28,356	12.74	361,255
3	Nishat Mills Ltd.	130	-	130	111.92	4,142	14,550	14,550	130	111.92	14,550	130	94.21	12,247
4	Sui Northern Gas Pipelines Ltd	794	-	794	22.65	8,175	17,984	17,984	794	22.65	17,984	794	18.24	14,484
5	Askari Commercial Bank Ltd.	2,088,908	-	2,088,908	19.01	4,534,175	39,710,141	39,710,141	2,088,908	19.01	39,710,141	2,088,908	15.22	31,793,180
6	Fuji Fertilizer Company Ltd.	297,597	-	297,597	112.25	3,615,000	33,405,263	33,405,263	297,597	112.25	33,405,263	297,597	107.43	31,970,846
7	Frost Fidelity Leasing Modaraba	25,000	-	25,000	3.06	100,000	76,500	76,500	25,000	3.06	76,500	25,000	3.35	83,750
8	Frost Punjab Modaraba	151,000	-	151,000	3.78	604,000	570,780	570,780	151,000	3.78	570,780	151,000	2.25	339,750
9	Faysal Bank Ltd.	168,998	265	169,263	16.15	537,500	2,733,597	2,733,597	168,998	16.15	2,733,597	150,486	9.39	1,413,064
10	Allied Bank Limited	-	3,240	3,240	137.41	22,150	445,208	445,208	3,240	137.41	445,208	2,679	68.54	183,619
11	Samba Bank formerly Trust commercial bank	5,998	-	5,998	6.66	48,000	39,947	39,947	5,998	6.66	39,947	10,638	2.57	27,340
<b>TOTAL</b>		<b>2,766,321</b>	<b>4,752</b>	<b>2,771,073</b>		<b>9,755,768</b>	<b>77,404,981</b>	<b>77,404,981</b>	<b>2,755,918</b>		<b>66,254,456</b>			<b>66,254,456</b>

**18.2** All the above shares are held in CDC Sub-account maintained with Mr. Tanveer Malik. The CDC sub-account of Mr. Tanveer Malik has been frozen by SEC/PJue to the default of the said member. Note No. 10 read with Note. No. 18. The company has also filed legal cases.





	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>19 CASH AND BANK BALANCES</b>		
Cash in hand and imprest	3,300,745	5,280,808
<b>Cash at banks</b>		
Current accounts	2,840,362	10,952,477
Deposit account	6,836	3,286,157
	2,847,198	14,238,634
	6,147,943	19,519,442
<b>20 SALES</b>		
Sales Gross	575,267,596	1,929,319,930
Less: Sales Tax	88,103,680	135,036,656
	487,163,916	1,794,283,274
<b>21 COST OF SALES</b>		
Raw material consumed	21.1 426,783,187	1,539,279,271
Salaries, wages & other benefits	15,729,035	15,840,533
Repair and maintenance	1,760,547	5,540,438
Fuel and power	2,925,350	4,068,440
Miscellaneous expenses	999,599	2,862,725
Depreciation	11 5,068,217	5,631,352
Cost of goods manufactured	453,265,935	1,573,222,759
Work-in-Process & Finished goods		
Opening stock	49,630,897	60,918,967
Closing stock	(89,362,128)	(49,630,897)
	(39,731,231)	11,288,070
	413,534,704	1,584,510,829
<b>21.1 RAW MATERIAL CONSUMED</b>	409,656,323	(72,292,292)
Opening Stock	40,548,523	108,353,169
Purchases	481,948,615	1,471,474,625
	522,497,138	1,579,827,794
Less Closing Stock	(95,713,951)	(40,548,523)
	426,783,187	1,539,279,271
<b>22 SELLING AND DISTRIBUTION COSTS</b>		
Salaries, wages & other benefits	18,807,838	19,917,945
Utilities expenses	83,379	87,339
Vehicle Running and Maintenance	374,075	1,421,448
Travelling & conveyance	329,629	1,434,777
Repair and maintenance	6,796,563	12,608,730
Rent, rates & taxes	293,265	15,225,009
Sales Commission etc	1,922,650	6,102,842
Freight & Forwarding	6,318,653	24,962,197
Publicity	11,666,585	20,930,465
Miscellaneous	9,574,884	5,892,517
	56,167,521	108,583,269

**23 ADMINISTRATIVE EXPENSES**

Salaries, wages & other benefits	28,518,938	34,842,777
Utilities expenses	1,287,810	2,108,328
Printing and stationery	240,432	466,206
Vehicle Running and Maintenance	2,237,250	5,973,527
Repair and maintenance	362,506	1,494,185
Legal & professional charges	5,240,187	2,531,263
Travelling & conveyance	157,900	1,989,610
Telephone and postage	1,233,169	2,635,866
Rent, rates & taxes	-	15,110
Miscellaneous	405,292	3,885,088
Auditor's remuneration	23.1 340,000	340,000
Charity and donation	872,500	2,626,159
Depreciation	11 2,454,289	2,066,538
	<u>43,350,273</u>	<u>60,974,657</u>

**23.1 AUDITORS' REMUNERATION**

Audit Fee	300,000	300,000
Half Yearly Review	30,000	30,000
Out of Pocket Expenses	10,000	10,000
	<u>340,000</u>	<u>340,000</u>

**24 OTHER OPERATING INCOME / LOSS**

Dividend Income	3,202,851	8,790,256
Workers Profit Participation Fund	-	(637,303)
Other income	1,288,933	818,575
	<u>4,491,784</u>	<u>8,971,528</u>

**25 FINANCE COST**

Bank Charges	127,626	234,054
Foreign Exchange Loss	351,711	275,883
Markup	18,713,188	7,805,472
	<u>19,192,525</u>	<u>8,315,409</u>

**26****TAXATION**

Tax on income	4,871,639	8,971,416
Tax on dividend	320,285	879,026
	<u>5,191,924</u>	<u>9,850,442</u>

**26.1** The income tax assessment of the company stand finalized upto and including Tax Year 2013 by deeming provisions of Income Tax Ordinance 2001.

**26.2 Relationship Between Tax Expense And Accounting Loss**

No reconciliation is required between the accounting profit and tax profit in the current year.

**27 EARNINGS PER SHARE - BASIC AND DILUTED**

There is no dilutive effect on the basic earnings per share which is based on:

(Loss) / Profit attributable to ordinary shares	(Rupees)	<u>(44,829,591)</u>	<u>(9,105,870)</u>
Average Ordinary Shares	(Numbers)	<u>9,000,000</u>	<u>9,000,000</u>
<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>		<u>(4.98)</u>	<u>(1.01)</u>

**28 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

No remuneration is paid to any directors or chief executive of the Company except for the Chairman of the Board who is provided with the remuneration of Rs. 120,000/- per annum. (2013: 120,000)

**29 TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise associated companies as defined in Companies Ordinance 1984. Detail of transactions with the related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>Purchases</b>		
Capital Industrial Enterprises (Private) Limited	61,555,934	289,798,722
Diamond Home Textiles (Private) Limited	3,821,265	606,873,420
Symbol Industries (Private) Limited	-	3,536,960
Diamond Tyres Limited	119,097,814	297,018,364
<b>Sales</b>		
Capital Industrial Enterprises (Private) Limited	104,080,339	42,192,480
Diamond Product (Private) Limited	75,668,287	
Symbol Industries (Private) Limited	-	8,236,485
Diamond Life Style (Private) Limited	-	1,386,472

At the close of financial year 30-06-2014 there were no receivables/(payables) balances against the above related parties.

**30 NUMBER OF EMPLOYEES**

	2014 In Numbers	2013 In Numbers
Number of Employees as on June 30	201	183
Average number of employees during the year	201	183

**31 INSTALLED CAPACITY**

	2014 Tons		2013 Tons	
	Capacity	Utilized	Capacity	Utilized
Installed Capacity Per Annum (Foam)	12,000	2,006.00	12,000	3,440.50
Installed Capacity Per Annum (PVA)	1,560	NIL	1,560	NIL

**32 FINANCIAL RISK MANAGEMENT****32.1 FINANCIAL RISK FACTORS**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non derivative financial instruments and investment of excess liquidity.

**(a) Market risk****(i) Currency risk**

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



**(ii) Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk.

**(iii) Sensitivity analysis**

The table below summarises the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Company's profit after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

Index	Impact on profit after taxation		Statement of comprehensive income (fair value reserve)	
	2014	2013	2014	2013
	----- (Rupees) -----			
KSE 100 (5% increase)	-	-	3,870,249	3,309,977
KSE 100 (5% decrease)	-	-	(3,870,249)	(3,309,977)

Equity (fair value reserve) would increase / decrease as a result of gain / loss on equity investment classified as available for sale.

**(iii) Interest rate risk**

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company has no interest bearing assets. The Company's interest rate risk arising from short term borrowings and bank balances in saving accounts. Financial instruments at variable rates expose the company to cash flow interest rate risks. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2014 Rupees	2013 Rupees
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances- deposit accounts	6,836	3,286,157
<b>Financial liabilities</b>		
Short term borrowings	169,807,979	85,323,906

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

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 1,698,011 (2013: Rupees 820,377) lower / higher, mainly as a result of higher / lower interest expense/income on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at balance sheet dates were outstanding for the whole year.

**(b) Credit risk**

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

	2014 Rupees	2013 Rupees
Long Term Deposits	329,445	334,445
Trade Debts	58,653,321	77,377,136
Loans and Advances	51,420,730	53,799,394
Other Receivables	162,410,837	162,410,837
Investments -Available for Sale	77,404,981	66,254,456
Cash and Bank Balances	6,147,943	19,519,442
	<u>356,367,257</u>	<u>379,695,710</u>

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



	Rating			2014	2013
	Short Term	Long term	Agency	Rupees	Rupees
<b>Banks</b>					
Allied Bank Limited	A1+	AA+	PACRA	796,104	1,558,624
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	1,107,132	3,279,611
Habib Bank AG Zurich Limited	A1+	AA+	PACRA	138,758	138,758
Bank Alfalah Limited	A1+	AA+	PACRA	(341,066)	2,980,755
Bank Alfalah Limited	A1+	AA	PACRA	7,459	10,493
Askari Bank Limited	A1+	AA	PACRA	376	376
Standard Chartered Bank (Pak) Ltd	A1+	AAA	PACRA	317,475	940,588
Silk Bank	A-2	A-	JCR-VIS	820,574	5,329,043
Summit Bank	A-3	A-	JCR-VIS	386	386
				<b>2,847,198</b>	<b>14,238,634</b>

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 15.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June, 2014 the company had Rupees 200 (Millions) (2013: 100 Millions) available borrowing limits from financial instruments and Rupees 6,156,068/- (2013: Rs.19,519,442) Cash and Bank Balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities including interest payments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. Following are the contractual maturities of financial liabilities. The amounts disclosed in the table are undiscounted cash flows.

**Contractual maturities of financial liabilities as at 30 June 2014**

Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
(Rupees)					
<b>Non-derivative financial liabilities:</b>					
Deferred Liabilities	16,823,533	16,823,533	-	-	16,823,533
Trade and other payables	54,654,679	54,654,679	54,654,679	-	-
Short term borrowings	169,807,979	169,807,979	169,807,979	-	-
	241,286,191	241,286,191	224,462,658	-	16,823,533

**Contractual maturities of financial liabilities as at 30 June 2013**

Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
(Rupees)					
<b>Non-derivative financial liabilities:</b>					
Deferred Liabilities	18,171,469	18,171,469	-	-	18,171,469
Trade and other payables	36,551,255	36,551,255	36,551,255	-	-
Short term borrowings	85,323,906	85,323,906	85,323,906	-	-
	140,046,630	140,046,630	121,875,161	-	18,171,469

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates/ mark-up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 6 and note 8 to these financial statements.

**32.2 Fair values of financial assets and liabilities**

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable:



Level 1	Level 2	Level 3	Total
---------	---------	---------	-------

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

**As at 30 June 2014**

**Assets**

Available for sale financial assets	77,404,981	-	-	77,404,981
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**As at 30 June 2013**

**Assets**

Available for sale financial assets	66,254,456	-	-	66,254,456
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The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Company is the current bid price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table. The Company has no such type of financial instruments as at 30 June 2014.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments. The Company has no such type of financial instruments.

**32.3 Financial instruments by categories**

**As at 30 June 2014**

**Assets as per balance sheet**

	Loans and receivables Rupees	Available for sale Rupees	Total Rupees
Long Term Deposits	329,445	-	329,445
Trade Debts	58,653,321	-	58,653,321
Loans and Advances	51,420,730	-	51,420,730
Other Receivables	162,410,837	-	162,410,837
Investment -Available for Sale	-	77,404,981	77,404,981
Cash and Bank Balances	6,147,943	-	6,147,943
	<u>278,962,276</u>	<u>77,404,981</u>	<u>356,367,257</u>

**Financial liabilities at amortized cost**

**Liabilities as per balance sheet**

Deferred Gratuity Payable	5,603,114
Trade and other payables	54,654,679
Short term borrowings	169,807,979
	<u>230,065,772</u>

**As at 30 June 2013**

**Assets as per balance sheet**

	Loans and receivables Rupees	Available for sale Rupees	Total Rupees
Long Term Deposits	334,445	-	334,445
Trade Debts	77,377,136	-	77,377,136
Loans and Advances	53,799,394	-	53,799,394
Other Receivables	162,410,837	-	162,410,837
Investment -Available for Sale	-	66,254,456	66,254,456
Cash and Bank Balances	19,519,442	-	19,519,442
	<u>313,441,254</u>	<u>66,254,456</u>	<u>379,695,710</u>

**Financial liabilities at amortized cost**

**Liabilities as per balance sheet**

Deferred Gratuity Payable	6,169,982
Trade and other payables	36,551,255
Short term borrowings	85,323,906
	<u>128,045,143</u>

**32.4 CAPITAL RISK MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent short term borrowings obtained by the company as referred to in Note 8. Total Capital employed includes 'total equity' as shown in balance sheet. The Company's Strategy, which was unchanged from last year, was to maintain gearing ratio of 60 % debt and 40 % equity.

		2014	2013
Borrowings	Rupees in thousand	169,808	85,324
Total Equity	Rupees in thousand	532,367	557,035
Total Capital Employed	Rupees in thousand	702,175	642,359
Gearing ratio	Percentage	24%	13%

**33 PVA PLANT**

The plant lies closed since September 2006 due to low orders from customers and increase in the prices of raw material. The company has commenced repairs and renewals to non functional plant and machinery, and are of the view that this plant will be operable in F.Y 2015 subject to favourable economic conditions.

**33.1** The company has not revalued the PVA Plant and machinery during the current year, and is of the view that the replacement values on revaluation is much higher than the historical cost. To be read with note no. 5

**33.2** The decline in the output is because of focus on development of new products and unfavorable change in the sales tax rates and economic disparities

**34 Segment reporting**

A segment is a distinguishable component within the company that is engaged in providing products and under a common control environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segments results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment. The company is operating in manufacturing and sale of varied interrelated consumer home products and management has distinguished its business into main division called "Foam Division" therefore no segmentation has been reported.

**35 Events Subsequent to the Balance Sheet**

There are no subsequent events to the balance sheet date having material effect on the current financial statements see note No. 10 also annexed.

**36 Date of Authorization**

These financial statements were authorized for issue on October 03, 2014 by the Board of Directors of the company.

**Chief Executive****Director**



**Operating Highlights**

KEY INDICATORS		2009	2010	(Rupees ' 000)		2013	2014
				2011	2012		
<b>OPERATING</b>							
GROSS MARGIN	%	4.13	(0.04)	(5,193.08)	15.20	11.69	15.11
OPERATING MARGIN	%	19.35	4.01	(20,896.86)	7.19	2.74	(4.39)
PRE TAX MARGIN	%	19.34	4.00	(54,179.87)	6.41	0.71	(8.30)
NET MARGIN	%	0.19	4.57	(51,266.04)	5.19	(0.51)	(9.20)
<b>PERFORMANCE</b>							
RETURN ON ASSETS	%	1.56	0.93	(14.53)	3.19	1.68	(4.88)
ASSETS TURNOVER	Times	146.97	0.20	0.03	53.05	2.36	0.59
FIXED ASSETS TURNOVER	Times	767.90	1.10	0.00	4.57	18.67	5.22
INVENTORY TURNOVER	Times	N/A	N/A	N/A	2.06	12.21	3.00
RETURN ON EQUITY	%	32.44	0.96	(13.83)	3.94	(1.49)	(7.71)
RETURN ON CAPITAL EMPLOYED	%	31.75	0.96	(13.83)	0.04	0.02	(0.07)
<b>LEVERAGE</b>							
DEBT : EQUITY	%	0.09	2.15	0.59	0.39	0.03	0.43
<b>LIQUIDITY</b>							
CURRENT QUICK	%	8.84	5,112.84	98.90	2.20	3.57	2.35
	%	8.84	5,112.84	89.57	1.51	2.88	1.55
<b>VALUATION</b>							
EARNING PER SHARE (PRE TAX)	RS.	21.49	0.59	(9.57)	3.11	1.42	(4.49)
EARNING PER SHARE (AFTER TAX)	RS.	22.54	0.67	(9.06)	3.04	(1.01)	(4.98)
BREAK UP VALUE	RS.	69.48	70.24	65.50	70.16	67.78	64.60
<b>HISTORICAL TRENDS</b>							
<b>TRADING RESULTS</b>							
TURNOVER	RS.	999,894	132,172	159	466,245	1,794,283	487,164
GROSS PROFIT / (LOSS)	RS.	41,254	(47)	(8,257)	70,866	209,772	73,629
OPERATING LOSS	RS.	193,435	5,299	(33,226)	33,522	49,186	(21,397)
PROFIT/( LOSS) BEFORE TAX	RS.	193,415	5,286	(86,146)	29,891	12,746	(40,419)
PROFIT/(LOSS) AFTER TAX	RS.	202,890	6,045	(81,513)	24,183	(9,106)	(44,830)
<b>FINANCIAL POSITION</b>							
SHAREHOLDERS' FUNDS	RS.	625,355	632,189	589,538	613,265	609,995	581,439
PROPERTY, PLANT & EQUIPMENT	RS.	130,212	119,732	110,516	102,118	96,105	93,258
NET CURRENT ASSETS	RS.	323,686	228,776	240,962	269,158	337,943	310,708
LONG TERM ASSETS	RS.	185,145	412,418	349,421	338,995	290,224	287,555
LONG TERM LIABILITIES	RS.	13,687	9,005	1,041	2,219	18,171	16,824



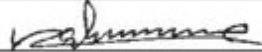
**FORM 34****THE COMPANIES ORDINANCE 1984  
(Section 236(1) and 464)  
PATTERN OF SHAREHOLDING**

1. Incorporation Number **P-00197**
2. Name of the Company **DIAMOND INDUSTRIES LIMITED**
3. Pattern of holding of the shares held by the shareholders as at **30-06-2014**

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
65	1	100	2,852
125	101	500	40,431
25	501	1000	20,610
31	1001	5000	64,415
5	5001	10000	39,024
4	10001	15000	50,055
2	20001	25000	44,000
1	25001	30000	28,500
1	45001	50000	49,550
1	120001	125000	121,500
1	145001	150000	150,000
1	320001	325000	320,480
1	645001	650000	650,000
1	730001	735000	733,600
1	1020001	1025000	1,022,500
1	1075001	1080000	1,076,383
1	1420001	1425000	1,422,450
1	1450001	1455000	1,453,650
1	1705001	1710000	1,710,000
269			<b>9,000,000</b>



<b>5. Categories of shareholders</b>	<b>Share held</b>	<b>Percentage</b>
5.1 Directors, Chief Executive Officers, and their spouse and minor children	3,166,150	35.1794%
5.2 Associated Companies, undertakings and related parties.	4,333,333	48.1481%
5.3 NIT and ICP	700	0.0078%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	733,600	8.1511%
5.5 Insurance Companies	--	--
5.6 Modarabas and Mutual Funds	500	0.0056%
5.7 Share holders holding 10% or more	6,684,983	74.2776%
5.8 General Public		
a. Local	658,217	7.3135%
b. Foreign	--	--
5.9 Others (to be specified)		
<b>Joint Stock Companies</b>	107,500	1.1944%

6. Signature of Company Secretary	
7. Name of Signatory	NAZIR AHMED
8. Designation	Company Secretary
9. NIC Number	35202-0733525-5
10. Date	30   06   2014



**Categories of Shareholding required under Code of Corporate Governance (CCG)  
As on June 30, 2014**

Sr. No.	Name	No. of Shares Held	Percentage
<b>Associated Companies, Undertakings and Related Parties (Name Wise Detail):</b>			
1	DIAMOND PRODUCTS (PVT) LTD	150,000	1.6667
2	SHAFFI CHEMICAL INDUSTRIES LTD. (CDC)	1,422,450	15.8050
3	CAPITAL INDUSTRIAL ENTERPRISES (PVT) LTD.(CDC)	1,076,383	11.9598
4	SWITCH SECURITIES (PVT) LIMITED (CDC)	1,022,500	11.3611
5	M/S CAPITAL INDUSTRIES (CDC)	650,000	7.2222
6	CAPITAL INDUSTRIES (PVT) LTD. (CDC)	12,000	0.1333
<b>Mutual Funds (Name Wise Detail)</b>			
1	FIRST CAPITAL MUTUAL FUND LTD.	500	0.0056
<b>Directors and their Spouse and Minor Children (Name Wise Detail):</b>			
1	MR. IFTIKHAR A. SHAFFI	1,710,000	19.0000
2	MR. SHARIQ IFTIKHAR (CDC)	1,453,650	16.1517
3	MR. SOHAIL MALIK	500	0.0056
4	MR. ABDUL SHAKOOR	500	0.0056
5	MR. MUHAMMAD SAMEER	500	0.0056
6	MR. HASHIM ASLAM BUTT	500	0.0056
7	MR. ZAHOOR AHMAD	500	0.0056
<b>Executives:</b>		-	-
<b>Public Sector Companies &amp; Corporations:</b>		-	-
<b>Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:</b>		733,600	8.1511
<b>Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)</b>			
S. No.	Name	Holding	Percentage
1	MR. IFTIKHAR A. SHAFFI	1,710,000	19.0000
2	MR. SHARIQ IFTIKHAR (CDC)	1,453,650	16.1517
3	SHAFFI CHEMICAL INDUSTRIES LTD. (CDC)	1,422,450	15.8050
4	CAPITAL INDUSTRIAL ENTERPRISES (PVT) LTD.(CDC)	1,076,383	11.9598
5	SWITCH SECURITIES (PVT) LIMITED (CDC)	1,022,500	11.3611
6	BANK ALFALAH LIMITED- LAHORE STOCK EXCHANGE (CDC)	733,600	8.1511
7	M/S CAPITAL INDUSTRIES (CDC)	650,000	7.2222

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S.No	NAME	SALE	PURCHASE
		NIL	



**FORM OF PROXY**

I/We \_\_\_\_\_

of \_\_\_\_\_

Being a member of DIAMOND INDUSTRIES LIMITED, hereby appoint

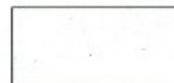
\_\_\_\_\_ of \_\_\_\_\_ another member  
of the Company or failing him/her

\_\_\_\_\_ of \_\_\_\_\_ another member  
of the Company (being a member of the company) as my/our proxy to attend and vote for and on my/our behalf, at  
the Annual General Meeting of the Company to be held at its registered office, Plot # 25, Gadoon Amazai Industrial  
Estate Estate, Swabi Khyber Pakhtoonkhwa on Friday 31<sup>st</sup> October, 2014 at 11:00 a.m. and any adjournment thereof.

As witnessed given under my/our hand(s) \_\_\_\_\_ day of \_\_\_\_\_ 2014.

1) Witness:

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_



Signature of Member

2) Witness:

Signature \_\_\_\_\_ Shares Held \_\_\_\_\_  
Name \_\_\_\_\_ Shareholder's Folio No. \_\_\_\_\_  
Address \_\_\_\_\_ CDC A/c No. \_\_\_\_\_  
\_\_\_\_\_ CNIC No. \_\_\_\_\_

**Note:**

- Proxies, in order to be effective, must be received at the Company's Registrar office, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
- CDC shareholders, entitled to attend and vote at this meeting, must bring with them their Computerised National Identity Cards/Passport in original to prove his/her identity, and in case of Proxy, must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.

**For CDC Account Holders / Corporate Entities**

In addition to the above the following requirements have to be met.

- (i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be stated on the form.
- (ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
- (iii) The proxy shall produce his original CNIC or original passport at the time of the meeting.

In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.



