

ANNUAL REPORT

2011-2012



Desh Garments Limited

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LETTER OF TRANSMITTAL

To
All Shareholders
Securities and Exchange Commission
Registrar of Joint Stock Companies & Firms
Dhaka Stock Exchange Ltd.

Sub : Annual Report for the year ended 30th June, 2012

Dear Sir(s)

We are pleased to enclose a copy of the Annual Report together with the Audited Accounts including Statement of Financial position as at June 30, 2012, Statement of Comprehensive Income, Statement of Cash Flows, Statement of changes in equity for the year ended 30 June, 2012, along with notes thereon and all related consolidated Financial Statements for your kind information, records and necessary measures for the year ended June 30, 2012.

Yours faithfully,

Sd/-
Habibur Rahman
Company Secretary

Dated : 18th November, 2012

Desh Garments Limited

Notice of the Thirtyfifth Annual General Meeting

Notice is hereby given that the Thirtyfifth Annual General Meeting of the Shareholders of Desh Garments Limited will be held on Thursday the 27th December, 2012 at 11.45 a.m. in the Auditorium of Muktijudha Sritee Milonayatan, Institution of Diploma Engineers Bangladesh, 160/A, Kakrail, V.I.P. Road, Dhaka-1000 to transact the following business :

01. To receive, consider and adopt the Audited Accounts of the Company for the year ended 30th June, 2012 together with Report of the Directors and Auditors thereon.
02. To declare dividend.
03. To elect Directors.
04. To appoint auditors for the year 2012-2013 and to fix their remuneration.

By order of the Board

Dated : Dhaka
23rd October, 2012

Sd/-
(Habibur Rahman)
Company Secretary

Notes:

The Record Date is 15 November, 2012.

Members of the company whose names appear in the register of members upto record date to be entitled to dividend for the year 2011-2012 to be approved by the Shareholders in the Annual General Meeting.

Any member of the Company entitled to attend and vote at the above meeting may appoint a Proxy to attend and vote on his/her behalf. The Proxy Form duly affixing Revenue Stamp of Tk.20.00 must be submitted at the Registered Office (Share Department) of the Company not later than 48 hours before the time appointed for the meeting.

Admittance to the meeting venue will be on production of the attendance slip. Shareholders are requested not to be accompanied by child or guest.

The Shareholders are requested to notify change of address, if any.

Written queries, if any, expected to be replied at the Annual General Meeting on the Audited Accounts for the year ended 30th June 2012 should reach the Head Office (Share Department) of the Company at least 7 (seven) days before the meeting for convenience and appropriate explanation.

CORPORATE GOVERNANCE

The Company follows the guidelines no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07/08/2012 issued by the Securities and Exchange Commission (SEC). The company's internal control and reporting procedures are adequate and effective. Corporate Governance involves decision making process for any corporate body as a going concern for the benefit of all concerned, present and future. The involvement of the entrepreneur in all these areas invokes decision making governance on a continuous basis. These aspects of governance are shared by the Board of Directors, Executive Management, operational participants, workers and others in fulfillment of the common goals that converge in increasing the benefits of all stakeholders.

The organisms through which the corporate governance functions are carried out as under:

a) **Constitution**

Board of Directors, the top management echelon, consisting of the founding entrepreneurs/successors and an Independent Director, provides the policy and strategic support and direction for the entire range of the corporate activities. The Board of Directors now consist of four members including the Independent Director as Mr. Dilwar Hossain, Director resigned from the Board with effect from 22nd May 2012. However the present Board of Directors are with varied education and experience which provides a balancing character in decision making process. The Board is reconstituted every year at each Annual General Meeting when one-third of the members retire and seek re-election.

b) **Role & Responsibilities**

The main role of the Board of Directors which is the highest level of authority is to provide general superintendence, oversee the operations and control the affairs of the company through appropriate delegations and accountability processes via the lines of command. The Board of Directors, in fulfillment of its responsibility hold periodic meetings, at least once a quarter and provide appropriate decisions/directions to the executive management. Board also remains responsible for removal of operational hazards to life and health of workers and friendly environmental work condition.

c) **Relationship with shareholders & public**

The shareholders as owners are required to be provided with material information on the company's operation, half-yearly and annually, the latter at the Annual General Meeting. They are also provided routine services by the Company Secretary. The Board is however responsible to the public for publication of any Price Sensitive Information as per Securities And Exchange Commission regulation. A Company Secretary is in-charge for all these responsibilities.

Desh Garments Limited

d) **Audit Committee of Board**

The Board of Directors has constituted an Audit Committee of the Board consisting of three directors. The Audit Committee is headed by the Independent Director, Mr. Ranjit Chakraborty, MBA and a Senior Banker of the country and vastly experienced in company matter. Other members are Mrs. Rokeya Quader, Director and Miss Vidiya Amrit Khan, Director. The Audit Committee would carry out its responsibilities as per the provisions of law and submits its report to the Board of Directors from time to time. The Audit Committee shall also co-ordinate with the internal and external auditors as and when required. The Audit Committee also ensures compliance of requirement of Securities And Exchange Commission and other agencies.

e) **Executive Management**

The executive management is led by the Managing Director (CEO) who is appointed by the Board of Directors for a term of five years (renewable) with the approval of shareholders in the Annual General Meeting. The Managing Director is supported by professional, well educated, trained and experienced team consisting of Executive Directors, General Managers and host of Senior Executives in the hierarchy of Management.

f) **Independent Director**

In compliance of the Securities And Exchange Commission's regulations on good governance, the Board of Directors as empowered by the Regulations, appointed Mr. Ranjit Chakraborty, MBA one of the Senior Bankers of the country and having vast experience in various listed companies. It is expected that his expertise will help contribute to the further disclosure and protect the interest of all investors in general and smaller investors in particular.

Desh Garments Limited

MANAGEMENT APPARATUS

A. Board of Directors:

Mrs. Rokeya Quader	-	Chairman
Mr. Omar Quader Khan	-	Managing Director
Miss Vidiya Amrit Khan	-	Director
Mr. Ranjit Chakraborty	-	Independent Director

Auditors:

M/s. Shafiq Basak & Co.
Chartered Accountants
Shatabdi Centre (6th Floor)
292, Inner Circular Road,
Fakirapool, Motijheel, Dhaka-1000

Banker:

National Bank Limited

B. Audit Committee:

Mr. Ranjit Chakraborty	-	Chairman
Mrs. Rokeya Quader	-	Member
Miss Vidiya Amrit Khan	-	Member

Legal Advisors:

Barrister Rafiqul Huq
M/s. Huq & Company
47/1, Purana Paltan, Dhaka

C. Management Committee:

Mr. Omar Quader Khan	-	Chairman
Miss Vidiya Amrit Khan	-	Member
Mr. Habibur Rahman	-	Member

Insurance:

M/s. Desh General Insurance Co.Ltd.
Jiban Bima Bhaban (5th Floor),
10, Dilkusha C/A., Dhaka-1000

D. Senior Corporate Officials:

Mr. Habibur Rahman	-	Company Secretary
Mr. Nazmul Huda Mullick	-	Chief Financial Officer
Mr. A.Z.M. Ahsanullah	-	Head of Internal Audit

Listing:

Dhaka Stock Exchange Ltd.

REGISTERED OFFICE

Desh Garments Limited
Awal Centre (7th Floor)
34, Kemal Ataturk Avenue, Road No.17
Banani C/A., Dhaka-1213
Tel : 9822019, 9822314

FACTORY

53/A, Kalurghat Industrial Area
Chittagong

Desh Garments Limited

CORPORATE HISTORY

1.	Date of Incorporation	:	27/12/1977
2.	Year of Commencement of Business	:	1977
3.	Date of IPO	:	19/06/1989
4.	Date of listing with DSE	:	24/09/1989
5.	Authorised Capital	:	TK.10,00,00,000
6.	Paid up Capital	:	TK.3,37,00,000
7.	Number of Shareholders	:	2,278
8.	Number of total Employees	:	2,011
9.	Main product	:	Woven Shirts
10.	Main Export Market (countries)	:	USA, Canada, EU

CORPORATE OPERATIONAL RESULTS

PARTICULARS	2011-2012 (Taka)	2010-2011 (Taka)	2009-2010 (Taka)	2008-09 (Taka)	2007-08 (Taka)
Total Turnover	241,522,863	258,981,091	255,246,569	143,338,743	283,988,678
Gross Profit/(Loss)	15,096,359	16,161,478	15,467,533	13,497,361	26,307,538
Net Profit/(Loss) (AT)	2,414,396	1,048,039	762,615	595,816	858,217
Earning per share (Tk.)	0.72	3.11	2.26	1.77	2.55
Dividend Rate (%)	7%	7%	5%	4%	5%
Total Assets	155,197,304	122,307,243	128,794,766	123,087,323	141,458,265
Total Liabilities	(114,726,206)	(83,261,021)	(89,807,063)	(84,155,435)	(102,556,753)
Net Asset Value	40,471,098	39,046,222	38,987,703	38,931,888	38,901,512
N.A.V. Per share	12.00	115.86	115.69	115.52	115.43

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Directors' Report to Shareholders for the year ended 30th June, 2012

Bismillahir Rahmanir Rahim

Dear Shareholders,
Assalamu Alaikum,

In term of provisions of Section 184 of the Companies Act 1994, Rule 12 (and the schedule there under) of the Securities and Exchange Rules 1987, I am pleased on behalf of the Board of Directors to welcome you to the 35th Annual General Meeting of the company and present the Report of Directors on the activities of the company together with the auditors' report thereon, for the year ended 30th June 2012 for your consideration and approval in the following paragraphs:

OPERATIONS:

The company has completed another successful year of operation. Gross revenue earned during the year was Tk. 24.15 crore as against Tk. 25.90 crore of previous year. The under utilization of production capacities (57% only) forced by the less orders due to economic slump situation in Europe and America and the situation of shortages in power & gas supply in Chittagong area was responsible for this decline in spite of the fact that orders for high value products could be obtained by strenuous efforts of the officials of the Marketing Department. Through strengthening of the Commercial Department and ensuring improved management of total chain from selection to utilization of inputs, the material consumption could be brought down to 67% of sales during the year under review as against 75% during previous year. However, this achievement was eaten up by the increases in wages and salaries. During the year capital machineries worth of Tk. 2.22 crore was purchased which has increased the Annual production capacity to 17.50 lac pcs. With these two strengths, we expect the present situation of under utilization of production capacities will substantially improve with the improvement of presently prevailing power and gas supply situation and the improvement of economic situation in Europe and America creating favorable impact on the future profitability. However, to diversify our customer base we are also extending our marketing efforts towards Japan, China, India and South American countries.

FINANCIAL RESULTS:

Due to control of costs and expenses despite reduced FOB, we have been able to achieve export target and earned a net profit. A summarized comparative results for the years 2010-2011 and 2011-2012 are given below:

	2011-12 (Taka)	2010-11 (Taka)
Turnover (Exports)	241,522,863	258,981,091
Gross Profit/(Loss)	15,096,359	16,161,478
Operating Profit	1,057,560	1,222,712
Net Profit before tax:		
Profit from operation	1,007,200	1,164,488
Dividend received from CDBL	1,599,305	-
Net Profit after tax:		
Profit from operation	906,480	1,048,039
Dividend received from CDBL	1,507,916	-
Earning Per Share (EPS)	0.72	3.11
Net Assets Value (NAV)	12.00	115.86
Face Value of share (Tk.)	10.00	100.00
Operating Cash Flow Per Share	7.57	(42.57)

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Board Meeting, Attendance and Members:

During the year under review (2011-12) 9 Board Meetings were held. As due to imposition of condition of minimum 2% holding of shares by a Director, one Director lost Directorship and total number of Directors fell to 4 as against the minimum requirement of 5 as per SEC notification No. SEC/CMRRCD/2006-158/134/Admin/44: dated August 07, 2012. The shortfall is in process of fulfillment. The attendance record of the Directors is as follows:

Name of Directors	Position	Meetings held	Attended
Mrs. Rokeya Quader	Chairman	9	9
Mr. Omar Quader Khan	Managing Director	9	9
Miss Vidiya Amrit Khan	Director	9	8
Mr. Dilowar Hossain	Director	9	6
Mr. Ranjit Chakraborty	Independent Director	9	8

The Directors who could not attend the meetings were granted leave of absence.

Shareholding

The Pattern of shareholding as on 30.06.2012 are as follows:

Sl. No.	Name-wise details	No. of Shareholding	Percentage	Remarks
	Parent/Subsidiary/Associate Company			
i)	Directors, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children:			
	Directors:			
	Mrs. Rokeya Quader	274,120	8.13	
	Mr. Omar Quader Khan Chief Executive Officer (CEO)	1,172,900	34.80	
	Miss Vidiya Amrit Khan	506,830	15.03	
	Mr. Ranjit Chakraborty Independent Director			
	Company Secretary (CS)	300	-	
	Chief Financial Officer (CFO)	-	-	
	Head of Internal Audit (HIA)	-	-	
ii)	Executives (Top five salaried persons other than CEO, CS, CFO, HIA)			
1.	Mrs. Jolly Hassan	-	-	
2.	Mr. Alauddin Ahamed	-	-	
3.	Mr. Imam Hossain	-	-	
4.	Mr. Ahmed Anis Chowdhury	-	-	
5.	Mr. Bikas Datta	-	-	

Shareholders holding 10% or more voting right

1.	Mr. Omar Quader Khan	1,172,900	34.80	
2.	Miss Vidiya Amrit Khan	506,830	15.03	

The Directors also report that:

The financial statement of the company present true and fair view of the company's state of affairs, result of its operations, cash flows and changes in equity.

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Proper books of accounts as required by law have been maintained. Appropriate accounting policies have been followed in formulating the financial statements and accounting estimates were reasonable and prudent. The financial statements were prepared in accordance with International Accounting Standard (IAS) as applicable in Bangladesh. The internal control system is sound in design and effectively implemented and monitored. There are no significant doubt upon the company's ability to continue as a going concern.

Dividend

The operating profit earned during the financial year under report is Tk. 2,414,396/= which is meagre to set off the accumulated losses of previous years. The directors, however, recommended Tk. 0.70 dividend per share of Tk.10/= each, total of which comes to Tk. 989,520/= from the profit of the current financial year payable to all shareholders of the company other than the Sponsors/Directors.

Managing Director's Remuneration

The Managing Director and other Directors have not drawn any remuneration during the year under report.

Retirement of Director by Rotation

Miss Vidiya Amrit Khan is due to retire by rotation as per Article 122 of the Articles of Association of the Company and being eligible she seeks re-election as per Article 124.

Appointment of Auditors

M/s. Shafiq Basak & Co., Chartered Accountants, retire at this Annual General Meeting. The retiring auditors have expressed their willingness to continue. Auditors are required to be appointed at this Annual General Meeting and fix their remuneration.

Management Appreciation

We take this opportunity to thank all our shareholders, well wishers, banks and business associates for their sincere co-operation and understanding.

We also thank the workers, staff and officers of the company for their sincere work.

The status of compliance required to be presented by the company in pursuance to Notification No.SEC/CMRRCD/2006-158/134/Admin/44 of August 07, 2012 issued by the Securities And Exchange Commission is given in Annex.-01 and Audit Committee Report for the year 2011-12 is also enclosed vide Annex.-02.

Thanking you,

Sd/-
Rokeya Quader
Chairman

Dated : 23/10/2012

Desh Garments Limited

ANNEXURE-01

Status of compliance with the conditions imposed by the Securities and Exchange Commission's notification No.SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012:

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
1.1	Board's Size : The number of the Board members shall not be less than 5 (five) and more than 20 (Twenty)		√	Under Process
1.2	Independent Director:			
1.2 (i)	One fifth (1/5) of the total number of directors.	√		
1.2 (ii) a)	Does not hold any share or holds less than 1% shares of the total paid-up shares	√		
1.2 (ii) b)	Not connected with any sponsor/director/ shareholder who holds 1% or more shares of the total paid-up shares on the basis of family relationship.	√		
1.2 (ii) c)	Does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	√		
1.2 (ii) d)	Not a member, director or officer of any stock exchange	√		
1.2 (ii) e)	Not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	√		
1.2 (ii) f)	Not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of any statutory audit firm.	√		
1.2 (ii) g)	Not be an independent director in more than 3 (three) listed companies;	√		
1.2 (ii) h)	Not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a NBF	√		
1.2 (ii) i)	Not been convicted for a criminal offence involving moral turpitude	√		
1.2 (iii)	Nominated by the Board of Directors and approved by the shareholders in the AGM	√		
1.2 (iv)	Not remain vacant for more than 90 (ninety) days.	√		
1.2 (v)	Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded	√		
1.2 (vi)	Tenure of office of an Independent Director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only.	√		
1.3	Qualification of Independent Director (ID):			
1.3 (i)	Knowledge of Independent Directors	√		
1.3 (ii)	Background of Independent Directors	√		
1.3 (iii)	Special cases for qualifications			N/A
1.4	Individual Chairman of the Board and CEO	√		
1.5	The Directors' Report to Shareholders:			
1.5 (i)	Industry outlook and possible future developments in the industry	√		

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1.5 (ii)	Segment-wise or product-wise performance	√		
1.5 (iii)	Risks and concerns	√		
1.5 (iv)	Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	√		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss	√		
1.5 (vi)	Basis for related party transactions	√		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and / or through any others	√		
1.5 (viii)	Explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer and Direct Listing.			N/A
1.5 (ix)	Explanation about significant variance occurs between Quarterly Financial Performance and Annual Financial Statements			N/A
1.5 (x)	Remuneration to Directors including Independent Directors	√		
1.5 (xi)	Fairness of Financial Statement	√		
1.5 (xii)	Maintenance of proper books of accounts	√		
1.5 (xiii)	Adoption of appropriate accounting policies and estimates	√		
1.5 (xiv)	Followed IAS, BAS, IFRS and BFRS in preparation of financial statements	√		
1.5 (xv)	Soundness of internal control system	√		
1.5 (xvi)	Ability to continue as a going concern	√		
1.5 (xvii)	Significant deviations from the last year's	√		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years	√		
1.5 (xix)	Reasons for not declared dividend			N/A
1.5 (xx)	Number of board meetings held during the year and attendance	√		
1.5 (xxi)	Pattern of Shareholding:			
1.5(xx) a)	Parent/Subsidiary/Associated Companies and other related parties	√		
1.5(xx) b)	Directors, CEO, CS, CFO, HIA and their spouses and minor children	√		
1.5(xx) c)	Executives	√		
1.5(xx) d)	10% or more voting interest	√		
1.5(xxii)	Appointment/re-appointment of director:			
1.5(xxii) a)	Resume of the director	√		
1.5(xxii) b)	Expertise in specific functional areas	√		
1.5(xxii) c)	Holding of directorship and membership of committees of the board other than this company.	√		
2.1	Appointment of CFO, HIA and CS:	√		
2.2	Attendance of CFO and the CS at the meeting of the Board of Directors	√		
3.	Audit Committee :			
3 (i)	Constitutions of Audit Committee	√		
3 (ii)	Assistance of the Audit Committee to Board of Directors	√		
3 (iii)	Responsibility of the Audit Committee	√		
3.1	Constitution of the Audit Committee			
3.1 (i)	As least 3 (three) members	√		
3.1 (ii)	Appointment of members of the Audit Committee	√		
3.1 (iii)	Qualification of Audit Committee members	√		
3.1 (iv)	Term of Service of Audit Committee members	√		
3.1 (v)	Secretary of the Audit Committee	√		

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3.1 (vi)	Quorum of the Audit Committee	√		
3.2	Chairman of the Audit Committee			
3.2 (i)	Board of Directors shall select the Chairman.	√		
3.2 (ii)	Chairman of the audit committee shall remain present in the AGM.	√		
3.3	Role of Audit Committee			
3.3 (i)	Oversee the financial reporting process	√		
3.3 (ii)	Monitor choice of accounting policies and Principles	√		
3.3 (iii)	Monitor Internal Control Risk management process	√		
3.3 (iv)	Oversee hiring and performance of external auditors	√		
3.3 (v)	Review the annual financial statements before submission to the board for approval	√		
3.3 (vi)	Review the quarterly and half yearly financial statements before submission to the board for approval	√		
3.3 (vii)	Review the adequacy of internal audit function	√		
3.3 (viii)	Review statement of significant related party transactions	√		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors	√		
3.3 (x)	Disclosure about the uses/ applications of funds raised by IPO/RPO/Right issue	√		
3.4	Reporting of the Audit Committee:			
3.4.1	Reporting to the Board of Directors:			
3.4.1 (i)	Activities of Audit Committee	√		
3.4.1(ii) a)	Conflicts of interests	√		
3.4.1(ii) b)	Material defect in the internal control system	√		
3.4.1(ii) c)	Infringement of laws, rules and regulations	√		
3.4.1(ii) d)	Any other matter	√		
3.4.2	Reporting to the Authorities	√		
3.5	Reporting to the Shareholders and General Investors	√		
4.	Engagement of External/Statutory Auditors:			
4 (i)	Appraisal or valuation services or fairness opinions	√		
4 (ii)	Financial information systems design and implementation	√		
4 (iii)	Book-keeping	√		
4 (iv)	Broker-dealer services	√		
4 (v)	Actuarial services	√		
4 (vi)	Internal Audit Services	√		
4 (vii)	Services that the Audit Committee Determines	√		
4 (viii)	Audit firms shall not hold any share of the company they audit	√		
5.	Subsidiary Company:			
5 (i)	Composition of the Board of Directors			N/A
5 (ii)	At least 1 (one) Independent Director to the subsidiary company			N/A
5 (iii)	Submission of Minutes to the holding company			N/A
5 (iv)	Review of Minutes by the holding company			N/A
5 (v)	Review of Financial Statement by the holding company			N/A
6.	Duties of Chief Executive Officer and Chief Financial Officer:			
6 (i) a)	Reviewed the materially untrue of the financial statement	√		
6 (i) b)	Reviewed about compliance of the accounting standard	√		
6 (ii)	Reviewed about fraudulent, illegal or violation of the company's code of conduct	√		
7.	Reporting and Compliance of Corporate Governance:			
7 (i)	Obtain certificate about compliance of conditions of Corporate Governance Guidelines	√		
7 (ii)	Annexure attached in the Directors' Report	√		

AUDIT COMMITTEE REPORT

For the year 2011-12

The Audit Committee consists of the following members:

Mr. Ranjit Chakraborty	Chairman
Mrs. Rokeya Quader	Member
Miss Vidiya Amrit Khan	Member

The scope of Audit Committee was defined as under:

- a. Review and recommend to the Board to approve the financial statements prepared for statutory purpose;
- b. Report to the Board of Directors on internal audit findings from time to time considering the significance of the issues;
- c. Carry on a supervision role to safeguard the system of governance and independence of statutory auditors; and
- d. Review and consider the internal report and statutory auditors' observations on internal control.

Activities carried out during the year:

Four meetings of the Audit Committee were held during the year 2011-2012, first one in October 2011, second one in January 2012, third one in April 2012 and last one in October 2012. In the first three meetings, un-audited quarterly Income Statement and Balance Sheet were discussed and examined in details. In the last meeting held on 23 October 2012, the Audited Accounts for the year 2011-2012 was discussed and examined in details.

Through holding of meetings as above, the Committee reviewed and discussed the internal control and audit systems, justifications and correctness of the expenditures incurred and income earned. The Committee found adequate arrangement to present a true and fair view of the activities and the financial status of the Company and didn't find any material deviation, discrepancies or any adverse finding/observation in the areas of reporting.

Sd/-
Ranjit Chakraborty
Chairman
Audit Committee

Dated : 23 October 2012

Desh Garments Limited

AUDITORS' REPORT TO THE SHAREHOLDERS OF DESH GARMENTS LIMITED

We have audited the annexed Statement of Financial Position of **DESH GARMENTS LIMITED**, as of June 30, 2012 and its Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity for the year ended as on that date together with the accompanying Notes thereto.

Respective Responsibilities of the Management and the Auditors:

The preparation of this Financial Statement is the responsibility of the company's management. Our responsibility is to express an independent opinion on this Financial Statement based on our audit.

Scope:

We conducted our audit in accordance with BSA. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion:

In our opinion, the Financial Statement, prepared in accordance with Bangladesh Accounting Standard (BAS) give a true and fair view of the state of the company's affairs as of June 30, 2012 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act, 1994.

We also report that:

- (i) We have obtained all the information, explanations and documents which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof.
- (ii) The Company management has followed relevant provision of law and rules in managing the affairs of the Company and that proper books of account, records and other statutory books have been properly maintained.
- (iii) The Statement of Financial Position and Statement of Comprehensive Income, Statement of Changes in Equity are in agreement with the said books of account maintained by the Company and examined by us while the Cash Flow Statement conforms with the presentation laid out in the Bangladesh Financial Reporting Standard (BFRS); and
- (iv) The expenditure incurred and payments made were for the purpose of the Company's business for the year.

Dated : Dhaka
25 October 2012

Sd/-
(SHAFIQ BASAK & CO.)
Chartered Accountants

Desh Garments Limited

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012 (UNIT NO. 1 & 2)

NET ASSETS	NOTES	30 JUNE '12	30 JUNE '11
SOURCES OF FUND :			
Shareholders' equity	39	40,471,098	39,046,222
Share capital	40	33,700,000	33,700,000
Tax Holiday Reserve	41	7,272,808	7,272,808
General Reserve	42	1,477,579	1,477,579
Capital Reserve	43	51,620,221	51,620,221
Retain Earnings – As per Profit and Loss Account		(53,599,510)	(55,024,386)
	Total Taka:	40,471,098	39,046,222
APPLICATION OF FUND :			
Non-Current Assets		102,419,464	85,398,873
Tangible Fixed Assets, Net of accumulated depreciation	20	102,284,870	85,264,279
Preliminary Expenses	21	134,594	134,594
Current Assets		52,777,840	36,908,370
Inventories	22	5,009,193	5,342,356
Sundry Debtors	23	3,912,794	5,099,069
Investment in Shares	24	5,711,810	4,416,700
Loans, Advances and Deposits	25	6,160,987	5,244,842
Income Tax Deduction at Source	26	7,814,731	6,123,889
Cash and Bank Balances	27	24,168,325	10,681,514
Current Liabilities and Provisions		(114,726,206)	(83,261,021)
Bank Loans and Overdraft (Secured)	28	(17,507,755)	(6,951,149)
Director's Loan (Unsecured)	29	(13,796,778)	(13,246,778)
Liabilities for Goods	30	(52,780,649)	(34,735,589)
Accrued Expenses	31	(20,236,973)	(18,258,947)
Creditors	32	(2,889,604)	(2,746,220)
Unclaimed Dividend	33	(237,960)	(237,960)
Dividend Payable	34	(4,935,885)	(4,935,885)
Employees' Provident Fund	35	(208,367)	(208,367)
Provision for Income Tax	36	(1,142,715)	(950,606)
Proposed Dividend	37	(989,520)	(989,520)
Net Current Assets		(61,948,366)	(46,352,651)
	Total Taka:	40,471,098	39,046,222

The accounting policies and other notes form an integral part of the Financial Statements.

The Financial Statements were authorised for issue by the Board of Directors on 23.10.2012 and signed on its behalf by :

Sd/-
ROKEYA QUADER
Chairman

Sd/-
OMAR QUADER KHAN
Managing Director

Sd/-
HABIBUR RAHMAN
Company Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS :

This is the Statement of Financial Position referred to in our report of even date :

Shatabdi Centre (6th Floor)
292, Inner Circular Road,
Fakirapool, Motijheel, Dhaka-1000

Dated : 25 October 2012

Sd/-
(SHAFIQ BASAK & CO.)
Chartered Accountants

Desh Garments Limited

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012 (UNIT NO. 1 & 2)

Particulars :	NOTES	30 JUNE '12	30 JUNE '11
TURNOVER	44	241,522,863	258,981,091
COST OF GOODS SOLD	45	226,426,504	242,819,613
GROSS PROFIT / (LOSS)		15,096,359	16,161,478
OPERATING EXPENSES :			
Administrative, Selling & Financial Expenses	48	14,038,799	14,938,766
OPERATING PROFIT		1,057,560	1,222,712
Contribution to W. P. & Welfare Fund		50,360	58,224
		1,007,200	1,164,488
Add: Cash Dividend		456,945	-
Stock Dividend	24	1,142,360	-
NET PROFIT BEFORE TAX		2,606,505	1,164,488
Less: Income Tax Provision		192,109	116,449
NET PROFIT AFTER TAX		2,414,396	1,048,039
Paid/Proposed Dividend			
Dividend @ 7% to all shareholders other than sponsors 2011-12		989,520	989,520
		1,424,876	58,519
Profit upto last year		10,534,985	10,476,466
		11,959,861	10,534,985
Exceptional loss due to 29 April 1991 devastating cyclone		(65,559,371)	(65,559,371)
Profit/(Loss) Carried Forward		(53,599,510)	(55,024,386)
Earnings Per Share (EPS) – Basic	49	0.72	0.31

The accounting policies and other notes form an integral part of the Financial Statements.

The Financial Statements were authorised for issue by the Board of Directors on 23.10.2012 and signed on its behalf by:

Sd/-
Rokeya Quader
Chairman

Sd/-
Omar Quader Khan
Managing Director

Sd/-
Habibur Rahman
Company Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS :

This is the Statement of Comprehensive Income referred to in our report of even date :

Shatabdi Centre (6th Floor)
292, Inner Circular Road,
Fakirapool, Motijheel, Dhaka-1000

Dated : 25 October 2012

Sd/-
(SHAFIQ BASAK & CO.)
Chartered Accountants

Desh Garments Limited

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

Particulars		30 JUNE '12	30 JUNE '11
Cash Flows from Operating Activities			
Collections from Turnover & Others		244,308,443	253,916,461
Payment for Cost & Expenses		(217,091,957)	(267,200,878)
Advance Income Tax paid		(1,690,842)	(1,062,085)
		25,525,644	(14,346,502)
Cash Flows from Investing Activities			
Tangible Fixed Asset Acquired		(22,155,919)	(1,220,363)
Cash Flows from Financing Activities			
Payment of Bank Loan and Others		10,556,606	(1,896,026)
Other Loan Repaid/ Received		550,000	200,000
Dividend paid		(989,520)	(706,800)
		10,117,086	(2,402,826)
Increase/(Decrease) in Cash and Cash Equivalents		13,486,811	(17,969,691)
Cash and Cash Equivalents at Opening		10,681,514	28,651,205
Cash and Cash Equivalents at Closing	TK.	<u>24,168,325</u>	<u>10,681,514</u>

The accounting policies and other notes form an integral part of the Financial Statements.
The Financial Statements were authorised for issue by the Board of Directors on 23-10-2012 and signed on its behalf by:

Sd/-
Rokeya Quader
Chairman

Sd/-
Omar Quader Khan
Managing Director

Sd/-
Habibur Rahman
Company Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS :

This is the Statement of Cash Flows referred to in our report of even date :

Shatabdi Centre (6th Floor)
292, Inner Circular Road,
Fakirapool, Motijheel, Dhaka-1000

Dated : 25 October 2012

Sd/-
(SHAFIQ BASAK & CO.)
Chartered Accountants

Desh Garments Limited

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2012

Particulars	Share Capital	Tax Holiday Reserve	General Reserve	Capital Reserve	Retained Earnings	Total Amount (TK.)
At 30 June 2011	33,700,000	7,272,808	1,477,579	51,620,221	(55,024,386)	39,046,222
Net Profit for 2011-12	-	-	-	-	2,414,396	2,414,396
Proposed Dividend 2011-12	-	-	-	-	(989,520)	(989,520)
At 30 June 2012	33,700,000	7,272,808	1,477,579	51,620,221	(53,599,510)	40,471,098

The Notes 1 to 51 form an integral part of these financial statements.

The Financial Statements were authorized for issue by the Board of Directors on 23.10.2012 and signed on its behalf by :

FOR THE YEAR ENDED 30 JUNE 2011

Particulars	Share Capital	Tax Holiday Reserve	General Reserve	Capital Reserve	Retained Earnings	Total Amount (TK.)
At 30 June 2010	33,700,000	7,272,808	1,477,579	51,620,221	(55,082,905)	38,987,703
Net Profit for 2010-11	-	-	-	-	1,048,039	1,048,039
Proposed Dividend 2010-11	-	-	-	-	(989,520)	(989,520)
At 30 June 2011	33,700,000	7,272,808	1,477,579	51,620,221	(55,024,386)	39,046,222

Sd/-
Rokeya Quader
Chairman

Sd/-
Omar Quader Khan
Managing Director

Sd/-
Habibur Rahman
Company Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS :

This is the Statement of Changes in Equity referred to in our report of even date :

Shatabdi Centre (6th Floor)
292, Inner Circular Road,
Fakirapool, Motijheel, Dhaka-1000

Dated : 25 October 2012

Sd/-

(SHAFIQ BASAK & CO.)

Chartered Accountants

Desh Garments Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 FORMING AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

A. Compliance with the requirements of notification of the Securities and Exchange Commission dated 04.06.2008 under reference # SEC/CMMRPC/2008-181/53/ Adm/03/28.

1. Notes to the financial statements marked from C-1 to C-19 out line the policies are unambiguous with respect to the reporting frame work on which the accounting policies are based.
2. The accounting policies on all material areas have been stated clearly in the notes marked from C-1 to C-19.
3. The accounting standards that underpin the policies adopted by the company can be found in the following places of the notes to the financial statements:

SL. No.	Applicable Accounting Standards	Note reference
01.	IAS/BAS - 1	04.00
02.	IAS/BAS - 2	06.00
03.	IAS/BAS - 7	07.00 & 08.00
04.	IAS/BAS - 12	10.01
05.	IAS/BAS - 16	05.00
06.	IAS/BAS - 18	11.00
07.	IAS/BAS - 21	12.00
08.	IAS/BAS - 33	13.00 & 49.00
09.	IAS/BAS - 36	14.00

4. The financial statements are in compliance with the Bangladesh Financial Reporting Standards (BFRS) which are adapted from the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

AND

5. The Standards and reporting framework used in the financial statements do not differ from IFRS (BFRS) issued by IASB.

Desh Garments Limited

B. Legal status and nature of the company – Disclosure under IAS 1 as adopted by The Institute of Chartered Accountants of Bangladesh as BAS 1 “Presentation of Financial Statements”

Domicile, Legal Form and Country of Incorporation

Desh Garments Limited (hereinafter referred to as “The Company”) was incorporated in Bangladesh as a public company limited by shares on 27.12.1977. The Company owns two 100% export oriented industrial Units. Unit No. 01 has an installed capacity of 216,000 dozs in single shift. During the year under review the production in Unit No. 01 could not be restored after extensive damage of machinery and equipment in April, 1991 by the devastating cyclone, hence no export was made from Unit No. 01 production. Unit No. 02 has a production capacity of 128,000 dozs is double shift against which it has, during the year, utilized 69.26% Shortfall in utilisation of production capacity was due to non-availability of sufficient export orders.

Address of Registered Office and Principal Place of Business

The principal place of business is the registered office at 34, Kemal Ataturk Avenue, Banani C/A, Dhaka-1213, Bangladesh and the factories are located at Kalurghat, Chittagong.

Principal Activities And Nature of Operations

The company owns and operates industrial plants for manufacturing of ready made garments and sales thereof.

Number of Employees

On the payroll of the Company, there were 35 officers 51 Staff and 1,925 permanent / badly / contractual workers.

		<u>Taka</u>
i)	1,710 Staff/ Officers/Employees drew yearly salary & allowances of Tk. 36,000 or more	45,386,025
ii)	301 Staff/ Officers/Technicians and many other casual workers drew yearly salary/wages & allowances less than Tk. 36,000	7,566,750
	<u>2,011</u>	<u>52,952,775</u>

Desh Garments Limited

C. Significant Accounting Policies-Disclosures.

1.00 Compliance with International Accounting Standards (IASs)

The Financial Statements have been prepared in compliance with requirements of IASs as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and applicable in Bangladesh.

2.00 Compliance with Local Laws

The financial statements have been prepared in compliance with requirements of the Companies Act, 1994, the Securities and Exchange Rules, 1987 and other relevant local laws and rules.

3.00 Measurement Bases used in preparing the Financial Statements

The elements of financial statements have been measured on “Historical Cost” Basis, which is one of the most commonly adopted base as provided in “*the frame-work for the preparation and presentation of financial statements*” issued by the *International Accounting Standards Committee (IASC)*.

4.00 Components of the Financial Statements

According to the International Accounting Standard (IAS) 1 as adopted by ICAB as BAS 1 “Presentation of Financial Statements”, the complete set of Financial Statements includes the following components.

- (i) Statement of Financial Position as at 30 June 2012.
- (ii) Statement of Comprehensive Income for the year ended 30 June 2012.
- (iii) Statements of Changes in Equity for the year ended 30 June 2012.
- (iv) Statement of Cash Flows for the year ended 30 June 2012.
- (v) Accounting policies and explanatory notes.

5.00 Specific accounting policies selected and applied for significant transactions and events.

Recognition of Property, Plant and Equipment and Depreciation.

Property, Plant and Equipment are stated at their cost less accumulated depreciation in accordance with IAS 16 as adopted by ICAB as BAS 16 “Property, Plant and Equipment”. Cost represents cost of acquisition or construction and capitalization of pre-production expenditure including interest during construction periods. No depreciation is charged on land and land development. Full year’s depreciation has been charged on additions irrespective of date when the related assets are put into use. Depreciation on all other fixed assets is computed using the diminishing balance method in amounts sufficient to write off depreciable assets over their estimated useful economic lives. Expenditure of maintenance and repairs are expensed; major replacements, renewals and betterments are capitalized.

Desh Garments Limited

The depreciation rates applicable to the principal categories are :

Factory Building and other Construction	20 %
Plant and Machinery	15 %
Office Equipment	15 %
Furniture and Fixtures	10 %
Transport and Vehicles	20 %
Other Assets	5% to 20%

6.00 Inventories

Inventories comprise raw materials; work in process and finished goods. They are stated at the lower of cost and net realizable value on consistent basis in accordance with IAS 2 as adopted by ICAB as BAS 2 "*Inventories*". Net realizable value is based on estimated selling price less any further costs expected to be incurred for completion and disposal.

7.00 Cash and Cash Equivalents

According to IAS 7 as adopted by ICAB as BAS 7 "*Statement of Cash Flows*", cash comprises cash in hand and demand deposit and, cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. IAS 1 "*Presentation of Financial Statements*" also provides that cash and cash equivalents are those which have no restriction in use considering the provision of IAS 7 and IAS 1. Cash in hand and bank balances have been considered as cash and cash equivalents.

8.00 Statement of Cash Flows

Statement of Cash Flows is prepared principally in accordance with IAS 7 as adopted by ICAB as BAS 7 "*Statement of Cash Flows*" and the cash flow from the operating activities have been presented under direct method as prescribed by the Securities and Exchange Rules, 1987 and considering the provision of paragraph 19 of IAS 7 which provides that "enterprises are encouraged to report cash flow from operating activities using the direct method".

9.00 Accounting Convention and Basis

These accounts are prepared under historical cost convention, except for re-valuation of fixed assets taken into account in 1995-96, on an accrual basis assuming that the Company will continue as a going concern for the foreseeable future.

10.00 Taxation

Taxation is provided in accordance with fiscal regulations applicable. The company is publicly traded company as per *the Income Tax Ordinance, 1984*. The company qualifies for being treated as a "Publicly Traded Company". The company is 100% export oriented garments industry for which the rate of tax at 10% has been applied for while making provision for income tax.

Desh Garments Limited

10.01 Discloser under BAS -12

Deferred Tax Liability is not recovered to be computed in case of this Garments Industry because the amount of tax deducted / collected at source from export bills is treated as the final tax liability under the Income Tax Ordinance from the financial year 2005-06, irrespective of the operational results. During the financial year 2011-12 the total amount of tax deducted /collected at source is Tk. 16,90,842.

11.00 Revenue Recognition

The revenue during the year represents revenue arising from C.M. received and sales of readymade garments items which are recognized when deliveries are made, against the sales order received from the respective customer and after satisfying all the conditions for revenue recognition as provided in IAS 18 "Revenue Recognition".

12.00 Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Bangladesh Taka and recorded at rates of exchange ruling on the date of transaction in accordance with IAS 21 as adopted by ICAB as BAS 21 "*The Effects of Changes in Foreign Currency Rates*".

13.00 Earning Per Share (EPS)

The company calculates Earnings Per Share (EPS) in accordance with IAS 33 as adopted by ICAB as BAS 33 "Earnings Per Share" which has been shown on the face of Profit and Loss Account and the computation of EPS is stated in Note-51.

Basic Earnings

This represents earnings for the year attributable to ordinary shareholders. As there was no preference dividend, minority interest or extra ordinary items, the net profit for the year has been considered as fully attributable to the ordinary shareholders.

Basic Earnings Per Share

This has been calculated by dividing the basic earnings by the weighted average of number of ordinary shares outstanding during the year.

Diluted Earnings Per Share

No diluted EPS is required to be calculated for the year, as there was no scope for dilution during the year under review.

14.00 Assets of the Company

As all assets of the company shown in the financial statement that are within the scope of BAS-36 are in physical existence and valued at no more than their recoverable amount following International Accounting Standards adopted in Bangladesh, disclosures with regard to "Impairment of Assets" as per BAS-36 have not been considered necessary.

15.00 Tax Holiday

Tax holiday period of "Unit No. 01" and "Unit No. 02" have expired. Separate accounts are maintained for "Unit No. 01" and "Unit No. 02". Consolidated Profit & Loss Account and Balance Sheet have been prepared in conformity with the Securities & Exchange Rule, 1987.

Desh Garments Limited

16.00 Risk and uncertainties for use of estimates in preparation of financial statements

The preparation of financial statements in conformity with the International Accounting Standards requires management to make estimates and assumption that affects the report, amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. Actual results could differ from those estimates. Estimates are used for accounting of certain terms such as long term contracts, provision for doubtful accounts, depreciation and amortization, employees' benefit plans, taxes reserves and contingencies.

17.00 Sundry Debtors

There was collectible at the year end.

18.00 Additional Information

18.01 Responsibility for preparation and presentation of Financial Statements

The Board of Directors is responsible for the preparation and presentation of Financial Statements under Section 183 of the Companies Act, 1994 and as per the provision of "the framework for the preparation and presentation of financial statements" issued by the International Accounting Standards Committee (IASC).

18.02 Reporting Period

Financial Statements of the company cover one financial year from 01 July 2011 to 30 June 2012.

18.03 Comparative Information

Comparative information have been disclosed in respect of the financial year 2010-2011 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

Figures of the financial year 2010-2011 have been rearranged whenever considered necessary to ensure comparability with the current year.

18.04 Turnover

Turnover comprises export sales of the company.

18.05 Commission

No commission has been paid to sales agents during the year under audit.

18.06 Brokerage or Discount

The company did not pay any brokerage or discount other than the conventional trade discount against sales.

Desh Garments Limited

18.07 Due by the Directors

Nothing was due by Directors (including Managing Director), Managers, and other officers of the Company or by associated undertakings and any of them severally or jointly with any other persons rather, interest free loan of Tk. 13,796,778 has been taken from Managing Director to meet up day to day expenses of the company.

18.08 Miscellaneous Expenses

Miscellaneous Expenses does not include any item exceeding 1% of total revenue.

18.09 Audit Fee

As per decision taken in the 34th Annual General Meeting of the company held on 23.11.2011 the auditors' remuneration of Tk. 80,000 has been provided in the accounts which is the sum to be paid to auditors as their fixed remuneration for 2011-2012. During the year nothing has been paid to the auditors for any other services rendered.

18.10 Board Meeting & Members

There were 4 members in the Board of Directors of the Company and 9 Board Meetings were held in the year under review.

18.11 Acknowledgement of Claims

There was no claim against the company not acknowledged as debt as on 30 June 2012.

18.12 Credit Facility not availed of

There was no general credit facilities other than those are stated in "Note-28.00" were available to the company under any contract to be availed of at the Balance Sheet date.

18.13 Transactions with Related Parties / Associated Undertakings

There were no transactions with related parties during the year ended 30 June 2012.

18.14 Going Concern

There is no significant doubt upon the company's ability to continue as going concern.

18.15 Trade Creditors and other Current Liabilities

Liabilities are recognized for amounts to be paid in the future for goods and services received, whether or not billed by the supplier.

18.16 Reporting Currency and level of precision

The figures in the financial statements represent Bangladesh currency (Taka), which have been rounded off to the nearest Taka.

19.00 RATIO AND LIQUIDITY

19.01 Gross Profit

The gross profit earned during the year is 6.25 % as against the gross profit earning of 6.24 % with C. M. Receipts during the preceding year.

Desh Garments Limited

19.02 Liquidity :

	<u>30 June 2012</u>	<u>30 June 2011</u>
Liquid Assets	47,768,647	31,566,014
Current Liabilities and Provisions	(114,726,206)	(83,261,021)
Net Liquid Assets	(66,957,559)	(51,695,007)
Other Current Assets	5,009,193	5,342,356
Net Current Assets	(61,948,366)	(46,352,651)

19.03 Current Ratio :

	<u>30 June 2012</u>	<u>30 June 2011</u>
Current Assets	52,777,840	36,908,370
Current Liabilities and Provisions	(114,726,206)	(83,261,021)
Ratio	0.46 : 1.00	0.44 : 1.00
Standard Ratio	2.00 : 1.00	2.00 : 1.00

19.04 Operating Ratio :

	<u>30 June 2012</u>	<u>30 June 2011</u>
Turnover	241,522,863	258,981,091
Cost of Goods Sold	226,426,504	242,819,613
Add : Administrative, Selling & Financial Exp.	14,038,799	14,938,766
	240,465,303	257,758,379
Ratio	99.56:100.00	99.53 : 100.00

19.05 Others :

	<u>30 June 2012</u>	<u>30 June 2011</u>
Net Assets Value (NAV) (Adjusted)	12.00	11.59
Operating Cash Flow per Shares (Adjusted)	7.57	4.26

Desh Garments Limited

20.00 TANGIBLE FIXED ASSETS : TK. 102,284,870

The figures have been arrived at as under:

	30 June 2012	30 June 2011
At Cost 01 July 2011		
Unit No. 01	80,846,002	80,846,002
Unit No. 02	43,807,392	42,587,029
	124,653,394	123,433,031
Addition during the year		
Unit No. 01	-	-
Unit No. 02	22,155,919	1,220,363
	22,155,919	1,220,363
Total	146,809,313	124,653,394
Less : Accumulated depreciation		
Unit No. 01	7,352,318	7,324,285
Unit No. 02	37,172,125	32,064,830
	44,524,443	39,389,115
Written down value	102,284,870	85,264,279

Details have been shown in Annexure 'A-1 & A-2'

21.00 PRELIMINARY EXPENSES : TK. 134,594

This is as per last account.

22.00 INVENTORIES : TK. 5,009,193

The detailed break up of the amount is as follows:

a) FABRICS

Sl.	Name	Unit	Quantity	Value in Taka
1	M/s. Kohl's Tony Hawk	Yards	18,881	1,764,204
2	M/s. Helix	Yards	5,007	467,842
3	M/s. S. Mode	Yards	1,445	135,017
4	M/s. Roverco	Yards	12,038	1,124,801
	Total		37,371	3,491,864

b)	ACCESSORIES	Assorted	613,674
c)	FINISHED GOODS		903,655
	Total (a + b + c)		5,009,193

Desh Garments Limited

23.00 SUNDRY DEBTORS TK. 3,912,794

Being the above amount receivable from supreme as on 30 June 2012.

24.00 INVESTMENT IN SHARE TK. 5,711,810

	<u>30 June 2012</u>	<u>30 June 2011</u>
Opening Balance	4,416,700	-
Add: Investment During the Year	152,750	4,416,700
Stock Dividend	1,142,360	-
	<u>5,711,810</u>	<u>4,416,700</u>

During the year the company has received 114,236 bonus shares of Tk. 10.00 each from CDBL against investment of share of that company.

25.00 LOANS, ADVANCES AND DEPOSIT (CONSIDERED GOOD): TK. 6,160,987

These represent as follows :

	<u>30 June 2012</u>	<u>30 June 2011</u>
Advance against purchase	5,861,230	4,945,085
Security Deposits	299,757	299,757
Tk.	<u>6,160,987</u>	<u>5,244,842</u>

These do not include any advance paid either to subsidiary companies or to associated companies /sister concern.

25.01 Security Deposits: Tk. 299,757

The amount of security deposits is comprised of the following

	<u>30 June 2012</u>	<u>30 June 2011</u>
Deposit with T & T Board	51,152	51,152
Deposit with GPO Franking Machine	1,755	1,755
Deposit with BGSL (For gas)	126,850	126,850
Deposit with PDB (For electricity)	120,000	120,000
Tk.	<u>299,757</u>	<u>299,757</u>

Desh Garments Limited

26.00 INCOME TAX DEDUCTED AT SOURCE : TK. 7,814,731

The break up of the amount is as under :

	<u>30 June 2012</u>	<u>30 June 2011</u>
Balance as per last account	6,123,889	5,061,804
Add : During the year	1,690,842	1,062,085
	<u>7,814,731</u>	<u>6,123,889</u>

This balance represents advance income tax deducted at source by bank as per section - 53(BB) of the Income Tax Ordinance 1984. Income Tax liability might to be adjusted against that advance but no adjustment has not yet been made.

27.00 CASH AND BANK BALANCES : TK. 24,168,325

The break up of the amount is as under :

	<u>30 June 2012</u>	<u>30 June 2011</u>
Cash in hand	758,401	574,870
Cash at Banks	23,409,924	10,106,644
	<u>24,168,325</u>	<u>10,681,514</u>

27.01 Cash in Hand : Tk. 758,401

The amount comprises of the following :

	<u>30 June 2012</u>	<u>30 June 2011</u>
At Head Office	682,650	514,487
At Factory	75,751	60,383
	<u>758,401</u>	<u>574,870</u>

27.02 Cash at Banks : Tk. 23,409,924

The break up of the amount is as under :

	<u>30 June 2012</u>	<u>30 June 2011</u>
Agrani Bank, Dhaka	49,135	49,135
Eastern Bank Ltd., Dhaka	8,180	8,180
National Bank Ltd., Dhaka	2,404	5,758
National Bank Ltd., Chittagong	674	2,645
Sonali Bank, Dhaka	1,799	1,799
Sonali Bank, Kalurghat, Chittagong	8,652	8,652
Sonali Bank, Kalurghat, Chittagong	1,000	1,000
National Bank Ltd., MOB A/C	22,834,498	9,846,081
Standard Chartered Bank, Chittagong	55,295	8,820
Mercantile Bank Ltd., Dhaka	448,287	174,574
Tk.	<u>23,409,924</u>	<u>10,106,644</u>

Desh Garments Limited

28.00 BANK LOANS AND OVERDRAFT (SECURED) : TK. 17,507,755

The Figure consists of as follows:

	<u>30 June 2012</u>	<u>30 June 2011</u>
P/C (Packing credit) (NBL)	7,857,694	6,951,149
Loan General (NBL)	9,650,061	-
	<u>17,507,755</u>	<u>6,951,149</u>

Packing Credit from National Bank Limited (NBL) is secured by hypothecation of stocks and trade debtors.

There were no general nature or credit facilities available to the company under any contract which was not availed of at the date of Balance Sheet.

29.00 DIRECTORS' LOAN (UNSECURED) : TK. 13,796,778

This loan has been taken from Managing Director of the company, which is non-interest bearing, for meet up day to day expenses.

30.00 LIABILITIES FOR GOODS : TK. 52,780,649

This represents import bills payable to foreign / local suppliers against different letter of credits at the close of the business on 30 June 2012. The details are as follows :

Sl. No.	Name of Party	Amount in Taka
1	M/S Samwon Trading	52,780,649
	Total Amount :	52,780,649

31.00 ACCRUED EXPENSES : TK. 20,236,973

This is made up as follows:

	<u>30 June 2012</u>	<u>30 June 2011</u>
Audit fee	80,000	160,000
Salary, wages and others	19,688,637	17,630,611
Income Tax payable	468,336	468,336
Tk.	<u>20,236,973</u>	<u>18,258,947</u>

Desh Garments Limited

32.00 CREDITORS TK. 2,889,604

This is made up as follows:

	<u>30 June 2012</u>	<u>30 June 2011</u>
Workers profit participation & W. F. F	2,539,660	2,489,300
Sundry Creditors	349,944	256,920
Tk.	<u>2,889,604</u>	<u>2,746,220</u>

32.01 Worker's Profit Participation & Welfare Fund : Tk. 2,539,660

The break up of the amount is as follows :

	<u>30 June 2012</u>	<u>30 June 2011</u>
Balance as per last year	2,489,300	2,431,076
Contribution during the year	50,360	58,224
Tk.	<u>2,539,660</u>	<u>2,489,300</u>

33.00 UNCLAIMED DIVIDEND TK. 237,960

The break up of the amount is as follows :

	<u>30 June 2012</u>	<u>30 June 2011</u>
For June 30, 1996	118,660	118,660
For June 30, 1997	119,300	119,300
Tk.	<u>237,960</u>	<u>237,960</u>

34.00 DIVIDEND PAYABLE : TK. 4,935,885

This consists of the following :

	<u>30 June 2012</u>	<u>30 June 2011</u>
a)Dividend declared long before and payable to directors as per last account	2,837,980	2,837,980
Dividend declared in 1997	1,980,400	1,980,400
Dividend Payable for 2004 & 2005	117,505	117,505
Tk.	<u>4,935,885</u>	<u>4,935,885</u>

- ★ Directors decided not to withdraw the dividend due to them till improvement of financial position of the company, so that normal business activities remain un-disturbed with required cash flow.

Desh Garments Limited

35.00 EMPLOYEES' PROVIDENT FUND : TK. 208,367

This has been brought forward from previous account.

36.00 PROVISION FOR INCOME TAX : TK. 1,142,715

The break up of the amount is as under :

	<u>30 June 2012</u>	<u>30 June 2011</u>
2000-2001	85,502	85,502
2003-2004	127,002	127,002
2004-2005	84,427	84,427
2005-2006	204,346	204,346
2006-2007	86,585	86,585
2007-2008	95,358	95,358
2008-2009	66,202	66,202
2009-2010	84,735	84,735
2010-2011	116,449	116,449
2011-2012	192,109	---
	<u>1,142,715</u>	<u>950,606</u>

37.00 PROPOSED DIVIDEND : TK. 989,520

The Board of Directors recommended @ 7% Dividend to all Shareholders other than sponsor/ Directors for the financial year 2011-12.

38.00 AUTHORISED CAPITAL : TK. 100,000,000

The company has an Authorized Capital of Tk. 100,000,000 divided into 10,000,000 ordinary shares of Tk. 10 each.

The face value of shares of the company has been changed from Tk. 100.00 each to Tk. 10.00 each as per resolution approved in the Extra-Ordinary General Meeting (EGM) held on 23rd November 2011.

39.00 SHAREHOLDERS' EQUITY TK. 40,471,098

It represents the share capital, tax holiday reserve, general reserve, capital reserve and retains earnings.

Desh Garments Limited

40.00 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL :TK. 33,700,000

a) It represents the paid up capital of the company consisting of 3,370,000 ordinary shares of Tk. 10 each issued for cash and fully paid up.

b) Composition of Shareholders

	Particulars	2012			2011		
		No. of Shares	Value of shares	%	No. of Shares	Value of shares	%
1.	Directors & Sponsor	1,956,400	19,564,000	58.05	195,740	19,574,000	58.08
2.	Other companies /institutions	284,500	2,845,000	8.44	21,794	2,179,400	6.47
3.	General shareholders	1,129,100	11,291,000	33.51	119,466	11,946,600	35.45
	Total	3,370,000	33,700,000	100.00	337,000	33,700,000	100.00

40.01 The percentage of shareholding by different categories of shareholders are as follows:

NOS. OF HOLDERS	HOLDINGS			TOTAL HOLDING %
1,932	Less than 500 shares			7.13
288	500	-	5,000 "	11.84
30	5,001	-	10,000 "	6.83
19	10,001	-	20,000 "	8.17
4	20,001	-	30,000 "	3.35
-	30,001	-	40,000 "	-
1	40,001	-	50,000 "	1.26
-	50,001	-	1,00,000 "	-
4	Over	-	1,00,000 "	61.42
2,278				100.00

41.00 TAX HOLIDAY RESERVE :TK. 7,272,808

It represents accumulated Special Reserve U/S 45 of Income Tax Ordinance 1984 as follows:

	30 June, 2012	30 June, 2011
Unit No. 01	2,248,331	2,248,331
Unit No. 02	5,024,477	5,024,477
Tk.	<u>7,272,808</u>	<u>7,272,808</u>

Desh Garments Limited

42.00 GENERAL RESERVE TK. 1,477,579

This is as per last account.

43.00 CAPITAL RESERVE :TK. 51,620,221

This is the carry forward balance emanating through revaluation of fixed assets taken into account in 1996-97.

44.00 TURNOVER/EXPORT PROCEEDS TK. 241,522,863

Turnover comprises of export sales for the year ended 30 June 2012.

45.00 COST OF GOODS SOLD TK. 226,426,504

The break up of the amount is as follows :

<u>Particulars</u>	<u>Note</u>	<u>30 June, 2012</u>	<u>30 June, 2011</u>
Materials consumed	46	163,721,285	195,932,185
Factory overheads	47	58,541,491	45,549,630
Depreciation		3,528,467	1,574,014
		<u>225,791,244</u>	<u>243,055,829</u>
Add : Opening Stock of Finished Goods		1,538,915	1,302,699
		<u>227,330,159</u>	<u>244,358,528</u>
Less : Closing Stock of Finished Goods		903,655	1,538,915
Total Tk.		<u><u>226,426,504</u></u>	<u><u>242,819,613</u></u>

46.00 RAW MATERIALS CONSUMED : TK. 163,721,285

The break up of the amount is as follows :

<u>Particulars</u>	<u>30 June, 2012</u>	<u>30 June, 2011</u>
Opening Stock	3,803,441	2,118,350
Add : Purchases	164,023,382	197,617,276
	<u>167,826,823</u>	<u>199,735,626</u>
Less: Closing Stock	4,105,538	3,803,441
Total Tk.	<u><u>163,721,285</u></u>	<u><u>195,932,185</u></u>

Desh Garments Limited

47.00 FACTORY OVERHEADS : TK. 58,541,491

The break-up of the amount is as follows:

SI No	Particulars	30 June 2012	30 June 2011
1	Salary & Allowances	6,546,184	5,001,039
2	Wages	39,632,869	30,318,720
3	Carriage Inward	108,640	9,535
4	Labor Charge	42,636	73,825
5	Conveyance	71,035	71,200
6	Entertainment	1,544	2,492
7	C & F Expenses	3,847,319	2,896,700
8	Repairs and Maintenance	1,404,422	1,174,914
9	Electricity, Gas & Generator Fuel	5,358,366	4,614,594
10	Photocopy, Printing & Stationery	326,043	347,673
11	Telephone Bill, Mobile & Internet	46,986	43,400
12	Miscellaneous Exp.	38,465	33,060
13	Postage, Stamp & Courier	91,071	73,241
14	Medical & Workers Welfare	774,370	658,329
15	WASA Bill	72,901	106,481
16	Newspapers & Journals	3,210	3,290
17	Rest House Expenses	81,119	53,272
18	Fees & Forms	43,311	33,000
19	New Year Expenses	51,000	34,865
	Total Tk.	<u>58,541,491</u>	<u>45,549,630</u>

Desh Garments Limited

48.00 ADMINISTRATIVE, SELLING AND FINANCIAL EXPENSES : TK. 14,038,799

The break-up of the amount is as follows:

SI No	Particulars	30 June 2012	30 June 2011
1	Salary of Management & Non-management	6,137,377	6,773,722
2	Electricity & WASA	250,354	539,324
3	Printing, Stationery & Photocopy	54,257	84,217
4	Repairs & Maintenance Vehicles and Others	203,959	391,115
5	Postage, Stamps and Courier	88,557	135,150
6	Audit Fees	80,000	80,000
7	Travelling & Conveyance	205,715	208,536
8	Advertisement	3,306	2,100
9	AGM Expenses	574,310	559,583
10	Carriage and Freight	1,123,972	1,486,703
11	Bank Interest and Charges and Commission	2,384,995	2,191,660
12	Legal Consultancy & Professional Fee	4,000	8,000
13	Entertainment	8,704	9,213
14	Fuel for Vehicles	81,922	63,220
15	Forwarding Expenses	431,020	422,715
16	Fees & Forms	63,618	53,737
17	Insurance Premium	20,414	46,102
18	Donation & Subscription	6,404	7,414
19	Miscellaneous Expenses	7,600	5,650
20	BGMEA Fee	12,000	14,000
21	Telephone, Telex, Fax, Mobile & Internet	121,454	320,359
22	Rest House Rent	168,000	152,000
23	Land Development Tax	400,000	800,000
24	Depreciation	1,606,861	584,246
	Total Tk.	<u>14,038,799</u>	<u>14,938,766</u>

Desh Garments Limited

49.00 BASIC EARNINGS PER SHARE (EPS) :

The computation of EPS is given below :

	<u>30 June 2012</u>	<u>30 June 2011</u>
a) Earnings attributable to the Ordinary Shareholders	2,414,396	1,048,039
b) Weighted average of number of Ordinary Shares Outstanding during the year	3,370,000	337,000
EPS Basic (Adjusted)	<u>0.72</u>	<u>0.31</u>

50.00 THERE WAS NO CONTINGENT LIABILITY AS ON 30-06-2012.

51.00 THERE WAS NO CLAIM AGAINST THE COMPANY WHICH IS TO BE ACKNOWLEDGED AS DEBT AS ON 30-06-2012.

Sd/-
Rokeya Quader
Chairman

Sd/-
Omar Quader Khan
Managing Director

Sd/-
Habibur Rahman
Company Secretary

Dhaka-1000.
Dated : 25 October 2012

Desh Garments Limited

Schedule of Fixed Assets as on 30 June 2012.

Unit - 01

Annexure - "A-1"

Particulars	Cost				Value for Depreciation Charge	Depreciation				Written down value as on 30 June 2012
	Balance as at 01 July 2011	Addition during the year	Total as on 30 June 2012	Rate		Balance as on 01 July 2011	Charged During the Year	Total as on 30 June 2012		
Land and Land Development	30,484,000	-	30,484,000	-	-	-	-	-	30,484,000	
Factory Building	40,226,400	-	40,226,400	20%	20,486	561,750	4,097	565,847	39,660,553	
Plant & Machinery	3,022,500	-	3,022,500	15%	34,078	2,988,393	5,112	2,993,505	28,995	
Electrical Installation	2,997,436	-	2,997,436	15%	36,232	378,548	5,435	383,983	2,613,453	
Office Equipment	1,077,499	-	1,077,499	15%	19,472	1,058,027	2,921	1,060,948	16,551	
Furniture & Fixture	1,001,858	-	1,001,858	10%	50,092	951,766	5,009	956,775	45,083	
Motor vehicle	622,176	-	622,176	20%	2,938	619,238	588	619,826	2,350	
Road, Bridge and Fencing	1,273,700	-	1,273,700	20%	22,902	628,004	4,580	632,584	641,116	
Electrical Appliances	125,487	-	125,487	15%	1,659	123,828	249	124,077	1,410	
Crockeries and Cutleries	14,946	-	14,946	20%	216	14,730	43	14,774	172	
Total Taka	80,846,002	-	80,846,002		188,075	7,324,285	28,034	7,352,318	73,493,684	

Depreciation has been charged to:-

Production

Administration

Taka

19,623

8,410

28,034

Tk.

Sd/-

(SHAFIQ BASAK & CO.)

Chartered Accountants

Desh Garments Limited

Schedule of Fixed Assets as on 30 June 2012.

Unit - 02

Annexure - "A-2"

Particulars	Cost		Depreciation				Written down value as on 30 June 2012
	Balance as on 01 July 2011	Addition during the year	Total as on 30 June 2012	Rate	Balance as on 01 July 2011	Charged During the Year	Total as on 30 June 2012
Factory Building	987,127	-	987,127	20%	956,393	6,147	962,540
Plant & Machinery	33,349,314	14,636,624	47,985,938	15%	25,252,603	3,410,000	28,662,603
Electrical Installation	694,316	-	694,316	15%	576,873	17,616	594,489
Office Equipment	665,810	3,850	669,660	15%	455,583	32,112	487,695
Furniture & Fixture	1,954,491	168,500	2,122,991	10%	660,376	146,262	806,638
Motor Vehicle	2,590,000	-	2,590,000	20%	1,590,035	199,993	1,790,028
Crockeries and Cutleries	1,666	-	1,666	20%	1,614	10	1,624
Boiler and Water Softener	443,297	-	443,297	15%	405,880	5,613	411,493
Generator	133,562	7,278,960	7,412,522	15%	122,227	1,093,544	1,215,771
Tools and Equipment	34,561	-	34,561	10%	25,025	954	25,979
Fire Extinguisher	160,818	20,985	181,803	15%	70,641	16,674	87,315
Computer & Computer Software	1,732,430	47,000	1,779,430	20%	1,234,921	108,902	1,343,823
Power Substation	1,060,000	-	1,060,000	20%	712,659	69,468	782,127
Total Taka :	43,807,392	22,155,919	65,963,311		32,064,830	5,107,295	37,172,125
							28,791,186

Depreciation has been charged to:

Production
Administration

Taka

3,508,844
1,598,451

Tk.

5,107,295

Sd/-

(SHAFIQ BASAK & CO.)

Chartered Accountants

Desh Garments Limited

The Directors
Desh Garments Limited

PROXY FORM

I/We,
of
being a member of Desh Garments Limited hereby appoint
Mr./Mrs.
of
as my/our proxy to attend and vote for me/us on my/our behalf at the 35th Annual General Meeting of the Company to be held on the 27th December, 2012 at 11.45 a.m. or at any adjournment thereof. As witness my/our hand this day of December, 2012 signed by the said in presence of Mr./Mrs.
of

(Signature of the Proxy)
Dated

(Signature of the Shareholder)
Folio/B.O. No.
Dated

Revenue Stamp of Tk. 20.00

(Signature of witness & date)

- Note :
1. A member entitled to attend and vote at the 35th Annual General Meeting may appoint a proxy to attend and vote in his/her stead.
 2. The proxy form, duly stamped, must be deposited at the Registered Office of the Company not later than 48 hours before the time appointed for the meeting.

Signature verified

Desh Garments Limited ATTENDANCE SLIP

(Please complete this slip and hand over at the entrance of the Hall)
I hereby record my attendance at the 35th Annual General Meeting held on the 27th December, 2012 at 11.45 a.m. in Dhaka.

Name of the Member/Proxy

Folio/B.O. No.

Signature
(Shareholder/Proxy)

Desh Garments Limited

পরিচালকবৃন্দ
দেশ গার্মেন্টস লিমিটেড

প্রক্সি ফরম

আমি/আমরা, ঠিকানা
..... দেশ গার্মেন্টস লিমিটেড-এর শেয়ারহোল্ডার হিসাবে এতদ্বারা
জনাব/জনাবা ঠিকানা
.....কে
আগামী ২৭শে ডিসেম্বর, ২০১২ইং তারিখে দুপুর ১১.৪৫ মিনিটে অনুষ্ঠিতব্য কোম্পানীর ৩৫তম বার্ষিক সাধারণ সভায় এবং পরবর্তী মূলতবী
সভায় আমার/আমাদের পক্ষে ভোট প্রদানের জন্য নিযুক্ত করিলাম। ২০১২ইং সনেরডিসেম্বর তারিখে আমার/আমাদের সম্মুখে
স্বাক্ষরী হিসেবে জনাব/জনাবা ঠিকানা
.....এর উপস্থিতিতে স্বাক্ষর করিলেন।

প্রতিনিধির স্বাক্ষর
তাং

শেয়ারহোল্ডার স্বাক্ষর
ফলিও/বিও নং--
তাং

২০.০০ টাকার
রেভিনিউ স্ট্যাম্প

(স্বাক্ষরী স্বাক্ষর ও তারিখ)

- বিঃ দ্রঃ ১। একজন সদস্য যিনি ৩৫তম বার্ষিক সাধারণ সভায় উপস্থিত হইবার এবং ভোট দিবার যোগ্য, তিনি তাঁহার পক্ষে উপস্থিত
থাকিবার জন্য এবং ভোট দেওয়ার জন্য একজন প্রক্সি নিযুক্ত করিতে পারিবেন।
২। প্রক্সি ফর্ম যথাযথ রেভিনিউ স্ট্যাম্পসহ কোম্পানীর রেজিস্ট্রার অফিসে সাধারণ সভার নির্ধারিত সময়ের অন্তত পক্ষে ৪৮ ঘন্টা
পূর্বে জমা দিতে হইবে।

স্বাক্ষর পরীক্ষিত

দেশ গার্মেন্টস লিমিটেড উপস্থিতির রশিদ

(এ রশিদটি পূরণ করে সভা কক্ষে জমা দিতে হবে)

২৭শে ডিসেম্বর, ২০১২ তারিখে দুপুর ১১.৪৫ মিনিটে ঢাকায় অনুষ্ঠিত কোম্পানীর ৩৫তম বার্ষিক সাধারণ সভায় আমার উপস্থিতি এতদ্বারা
তালিকাভুক্ত করা হইল।

সদস্যের নাম/প্রতিনিধির নাম.....

ফলিও/বিও নং.....

স্বাক্ষর
(শেয়ার হোল্ডার/প্রতিনিধি)