

**IDREES**

**TEXTILE MILLS LIMITED**

*Annual Report 2015*





## **MISSION / VISION STATEMENT**

- To concentrate on the changing Yarn/Fabric requirements with higher profitability, both in local as well as in the international market.
- Maximization of profit regardless of the turnover quantum, reducing the cost at all levels.
- Customer satisfaction is our priority and good return to the shareholders is our aim, while maintaining friendly and congenial environment for our employee.



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## COMPANY INFORMATION

<b>BOARD OF DIRECTORS</b>	Mr. S.M. Idrees Allawala	- Chairman
	Mr. S. M. Mansoor Allawala	- CEO
	Mr. Kamran Idrees Allawala	- Director
	Mr. Naeem Idrees Allawala	- Director
	Mr. Omair Idrees Allawala	- Director
	Mr. Rizwan Idrees Allawala	- Director
	Mr. Muhammad Israil	- Director
	Mr. Muhammad Saeed	- Director
<b>AUDIT COMMITTEE</b>	Mr. Rizwan Idrees Allawala	- Chairman
	Mr. Muhammad Saeed	- Member
	Mr. Muhammad Israil	- Member
	Syed Shahid Sultan	- Secretary
<b>COMPANY SECRETARY</b>	Syed Shahid Sultan	
<b>CHIEF FINANCIAL OFFICER</b>	Mr. Muhammad Jawaid	
<b>AUDITORS</b>	M/s. Deloitte Yousuf Adil	
	Chartered Accountants	
<b>HUMAN RESOURCE &amp; REMUNERATION COMMITTEE</b>	Mr. Kamran Idrees Allawala	- Chairman
	Mr. Rizwan Idrees Allawala	- Member
	Mr. Muhammad Saeed	- Member
<b>BANKERS</b>	National Bank of Pakistan	
	Bank Alfalah Limited	
	Habib Metropolitan Bank Ltd.	
	Soneri Bank Limited	
	United Bank Ltd. (UBL Ameen)	
	Silk Bank Ltd.	
	Meezan Bank Ltd.	
	Bank of Punjab Ltd.	
	BankIslami Pakistan Ltd.	
	Bank Al Habib Ltd.	
	Dubai Islamic Bank Pakistan Ltd.	
<b>REGISTERED OFFICE</b>	6-C, Ismail Centre, 1st Floor,	
	Central Commercial Area,	
	Bahadurabad,	
	Karachi - 74800.	
<b>SHARES REGISTRAR</b>	M/S. NI Associates (Pvt) Ltd.	
<b>MILLS</b>	Kot Shah Mohammad,	
	Tehsil Nankana,	
	District Nankana,	
	Punjab.	

Notice is hereby given that the 26<sup>th</sup> Annual General Meeting of the Shareholders of Idrees Textile Mills Ltd. will be held on Friday, October 30, 2015 at 12.00 Noon at Sadabahar, 53 Kokan Society, Alamgir Road/Hyder Ali Road, Karachi to transact the following business:

**ORDINARY BUSINESS:**

1. To confirm the minutes of the last Annual General Meeting held on October 29, 2014.
2. To receive, consider and adopt Reports of Directors and Auditors together with Audited financial statements of the Company for the year ended June 30, 2015
3. To appoint Auditors for the year ending June 30, 2016 and fix their remuneration. The retiring auditor M/s Deloitte Yousuf Adil Chartered Accountants, being eligible, offer Themselves for re-appointment.
4. To approve cash dividend @ 5% (i.e Re.0.50 per share) to minority shareholders, as recommended by the Board of Directors.
5. To transact any other business that may be placed before the meeting with the permission of the Chair

Karachi  
Dated : October 05, 2015

By order of the Board

**SYED SHAHID SULTAN**  
Company Secretary

Notes:

- i) Shareholders are advised to promptly notify any change in their addresses.
- ii) Share Transfer Books of the Company will remain closed from October 24, 2015 to October 31, 2015 (both days inclusive).
- iii) A member eligible to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend, and vote for him/her.
- iv) An instrument of proxy under which it is signed, in order to be valid must be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the Meeting.
- v) Shareholders of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) entitled to attend and vote at this meeting, must bring their Original CNIC or passport to provide their identity and, in case of Proxy must enclose additionally and attested copy of their CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.
- vi) Members who have not yet submitted photocopies of their CNIC to the Company's Registrar, are requested to send the same at the earliest.

The Directors are pleased to present the annual report of your Company for the year ended June 30, 2015.

### **FINANCIAL AND OPERATIONAL RESULTS**

During the year under review your Company has achieved a turnover of Rs. 2,307 million as compare to Rs 2,901 million in the last year. Gross profit for the year declined to Rs. 192.774 million from Rs. 213.526 million in the corresponding period. Profit after tax amounted to Rs. 5.168 million as compared to Rs. 31.305 million for the last year.

FY15 proved to be another difficult year for the textile industry. Slow down in Chinese economy has severely affected the demand of yarn. Not only the country's exports have suffered but the price of yarn in the local market also remained under pressure. The prevalent situation has eroded the overall profitability of the spinning sector. Major challenges to business competitiveness such as expensive energy, load shedding/curtailment of gas supply and lack of incentives persisted during the year under review.

### **EARNINGS PER SHARE**

Earnings per share for the year under review worked out to Re. 0.29 as compared to Rs.1.73 for the corresponding period.

### **DIVIDEND**

The Directors of the Company are pleased to recommend cash dividend @ 5%, i.e., Re. 0.50 for each share of Rs. 10/- to be paid to the minority shareholders.

### **FUTURE OUTLOOK**

Sluggish demand of yarn in the local & international market has caused a downward trend in its price. In order to run the business profitably, it is imperative to control costs at all levels. Recently, the government has enormously increased the gas tariff for industrial sector from Rs. 488 per MMBTU to Rs. 600 per MMBTU which is like adding fuel to fire.

On the positive side, gas, coal and solar energy projects planned under the China-Pakistan Economic Corridor (CPEC) framework have the potential to double Pakistan's current capacity. Implementation of infrastructure projects planned under CPEC would create favorable investment environment which is necessary to sustain economic growth. Reduced international oil price, healthy growth in workers' remittances, realization of privatization proceeds, issuance of Eurobonds/Sukuks, low inflation, reduced discount rate and the steps announced in the textile policy 2014-2019, aiming to double the exports of textile industry in the next five years, may provide the much needed stimulus to the country's ailing economy. Resolution of Greek crisis has also revitalized hopes of pick up in exports to EU besides the GSP plus status which continues to show positive impact.

To add value and achieve better results, the management of your Company is diligently working to explore new export destinations, enhance efficiency & improve quality through BMR besides endeavoring to optimize energy cost. Concerted efforts are direly needed on the part of the government for sustainability and growth of the textile sector.

### **STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

- (a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- (b) Proper books of account of the Company have been maintained.
- (c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgement.
- (d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- (e) The system of internal control is sound in design and has been effectively implemented and monitored.
- (f) There are no significant doubts upon the Company's ability to continue as a going concern.
- (g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

(h) The book value of investments made by the Employees' Provident Fund, being operated for head office employees only, is Rs.13,551,448/- (2013: Rs.11,113,307) as per audited financial statements of the Fund as on June 30, 2014. Mills employees are entitled to gratuity as per law and appropriate provision has been made in the financial statements.

(i) Key operating and financial data of last six years in a summarized form is annexed.

(j) During the year under review, 9 Board of Directors, 6 Audit Committee and 2 Human Resource & Remuneration Committee (HR & RC) meetings were held and attended as follows:

Name of Director	Board of Directors	Audit Committee	HR & RC
Mr. S. M. Idrees Allawala	9	N/A	N/A
Mr. S.M.Mansoor Allawala	7	3	1
Mr. Kamran Idrees Allawala	9	3	2
Mr. Naeem Idrees Allawala	6	N/A	N/A
Mr. Rizwan Idrees Allawala	8	3	1
Mr. Omair Idrees Allawala	8	N/A	N/A
Mr. Muhammad Israil	9	6	1
Mr. Muhammad Saeed	5	3	1

Leave of absence was duly granted to the directors.

(k) During the year under review, there has been no trading in shares of the Company by CEO, Directors and their Spouses, however, shares of the Company have changed hands among directors/spouse as follows:

NAME	No of Shares
Mr. S.M. Idrees Allawala	(467,500)
Mrs. Naseema Begum	(314,500)
Mr. Kamran Idrees Allawala	260,668
Mr. Naeem Idrees Allawala	260,666
Mr. Rizwan Idrees Allawala	130,333
Mr. Omair Idrees Allawala	130,333

(l) The statement of pattern of shareholding of the Company as at June 30, 2015 is annexed. This statement is prepared in accordance with the Code of Corporate Governance.

#### VARIATION IN TERMS OF APPOINTMENT OF CEO AND DIRECTORS

During the year under review the Board approved variation in terms of appointment of the CEO, Mr. S. M. Mansoor Allawala and three directors, Mr. Naeem Idrees Allawala, Mr. Omair Idrees Allawala and Mr. Rizwan Idrees Allawala. In compliance of the Companies Ordinance, 1984, an abstract under section 218 has been circulated to all members of the Company.

#### AUDITORS

The retiring auditors M/s. Deloitte Yousuf Adil, Chartered Accountants have offered themselves for re- appointment for the ensuing year 2015-2016. The audit committee in its meeting held on September 30, 2015 has recommended appointment of the retiring auditors.

#### ACKNOWLEDGEMENT

The directors wish to thank the bankers, vendors and customers of the Company and also place on record their appreciation for dedicated services rendered by employees of the Company.

Karachi:  
October 05, 2015

By order of the Board  
S. M. IDREES ALLAWALA  
Chairman/Director

COMPARATIVE STATEMENT OF OPERATING RESULTS



	2010	2011	2012	2013	2014	2015
Sales	1,237,401,725	1,203,111,500	1,169,019,495	2,242,355,182	2,901,068,553	2,306,871,955
Cost of goods sold	(1,056,854,634)	(1,042,952,530)	(1,003,060,782)	(1,997,815,097)	(2,687,542,978)	(2,114,097,785)
Gross Profit	180,547,091	160,158,970	165,958,713	244,540,085	213,525,575	192,774,170
Other operating Income/loss	16,979,930	83,003,886	(2,373,975)	3,156,568	8,772,603	3,590,645
	197,527,021	243,162,856	163,584,738	247,696,653	222,298,178	196,364,815
Distribution Cost	(1,080,785)	(3,063,407)	(871,811)	(8,206,345)	(17,520,357)	(22,100,541)
Administration expenses	(25,621,021)	(32,468,721)	(34,409,770)	(46,294,576)	(65,360,402)	(64,211,617)
Other operating expenses	(6,349,267)	(20,242,315)	(3,888,380)	(22,832,524)	(7,725,995)	(15,491,593)
Finance cost	(112,397,324)	(95,932,992)	(81,873,201)	(91,103,014)	(106,021,261)	(94,073,566)
	(145,448,397)	(151,707,435)	(121,043,162)	(168,436,459)	(196,628,015)	(195,877,317)
Profit before taxation	52,078,624	91,455,421	42,541,576	79,260,194	25,670,163	487,498
Taxation	(20,486,651)	(39,396,035)	(8,850,417)	(17,712,110)	5,634,909	4,680,745
Profit after taxation	31,591,973	52,059,386	33,691,159	61,548,084	31,305,072	5,168,243
Other Comprehensive income for the year	-	-	-	-	65,152	485,406
Total comprehensive income for the year	31,591,973	52,059,386	33,691,159	61,548,084	31,370,224	5,653,649
Earning per shares	1.75	2.88	1.87	3.41	1.73	0.29

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

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

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Director ("the Board"). At present, the Board includes:

Category	Names
Independent Director	Mr. Muhammad Saeed
Executive Director	Mr. S. M. Mansoor Allawala Mr. Naeem Idrees Allawala Mr. Omair Idrees Allawala
Non-Executive Directors	Mr. S. M. Idrees Allawala Mr. Kamran Idrees Allawala Mr. Rizwan Idrees Allawala Mr. Muhammad Israil

The independent director meet the criteria of independence as contained in the CCG.

2. The directors have confirmed that none of them is serving as a director in 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The election of the Directors were held during the year in which eight Directors were elected for a term of three years. No casual vacancy occurred on the Board during the current 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 for the Company. A complete record of particulars of significant policies along with the dates on which these 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 Chief Executive Officer (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 Board meetings, along with agenda and working papers, were also circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors have been made aware of the Listing regulations of Stock Exchanges, the Company's Memorandum and Articles of Association and the CCG during various Board meetings. The directors are therefore well conversant with their duties and responsibilities. Five out of eight Directors meet the exemption requirement of the directors' training

program. One director has attended the training program last year. The Company plans to arrange Director's Training Programs for the remaining two directors in financial year 2016.

10. No new appointment of Chief Financial Officer (CFO), Company Secretary or Head of Internal Audit has been made during the year.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG 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 formed an Audit Committee. It comprises of three members of whom one is an independent director and two are non-executive directors. Chairman of the Audit Committee is a non-executive 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 as required by the CCG. The terms of reference of the Audit Committee have been formed and approved by the Board and advised to the Audit Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are non-executive directors including Chairman of the committee and one independent director.
18. The Board has set up an internal audit function. The head of Internal Audit and the staff are experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a 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 ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles contained in the Code have been complied with.

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For and on behalf of the Board  
**S M Idrees Allawala**  
Chairman  
Karachi: October 05, 2015

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 **Idrees Textile Mills Limited** (the Company) for the year ended June 30, 2015 to comply with the requirements of listing regulations of Karachi and Lahore Stock Exchanges.

The responsibility for compliance with the Code is that of the Board of Directors (the Board) 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 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 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, 2015.

#### **Chartered Accountants**

**Engagement Partner:**

Nadeem Yousuf Adil  
Deloitte Yousuf Adil

**Place:** Karachi

**Dated:** October 05, 2015

A member firm of  
Deloitte Touche Tohmatsu Limited

We have audited the annexed balance sheet of **IDREES TEXTILE MILLS LIMITED** (the Company) as at June 30, 2015 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the profit, its cash flows and changes in equity for the year ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

#### **Chartered Accountants**

#### **Engagement Partner:**

Nadeem Yousuf Adil  
Deloitte Yousuf Adil

**Place:** Karachi

**Dated:** October 05, 2015

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	Note	2015 Rupees	2014 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	4	180,480,000	180,480,000
Revenue reserve			
Unappropriated profit		455,620,076	391,660,728
		<u>636,100,076</u>	<u>572,140,728</u>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
	5	544,894,888	527,539,162
<b>NON-CURRENT LIABILITIES</b>			
Long-term finance			
Banking companies	6	-	-
Related parties	7	68,045,303	100,330,001
		<u>68,045,303</u>	<u>100,330,001</u>
Liabilities against assets subject to finance lease	8	72,213,511	67,314,404
Deferred liabilities	9	293,428,229	362,035,002
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	262,158,421	202,675,162
Interest / mark-up accrued	11	12,446,560	19,172,191
Short-term borrowings	12	782,091,973	539,586,737
Current portion of long-term finance	6	-	9,428,523
liabilities against assets subject to finance lease	8	58,246,798	52,075,379
Provision for taxation		18,795,754	22,164,022
		<u>1,133,739,506</u>	<u>845,102,014</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13		
		<u>2,748,421,513</u>	<u>2,474,461,311</u>

CHIEF EXECUTIVE OFFICER

	Note	2015 Rupees	2014 Rupees
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	1,455,823,917	1,421,111,564
Long-term deposits	15	26,606,009	20,715,691
		<b>1,482,429,926</b>	<b>1,441,827,255</b>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	16	39,362,182	40,762,902
Stock-in-trade	17	668,568,133	408,577,217
Trade debts	18	429,974,424	423,341,712
Loans and advances	19	66,372,792	87,439,928
Deposits and short-term prepayments	20	8,965,747	13,515,751
Other receivables	21	9,555,205	12,451,494
Other financial asset	22	33,550,710	32,009,710
Cash and bank balances	23	9,642,394	14,535,342
		<b>1,265,991,587</b>	<b>1,032,634,056</b>
		<b>2,748,421,513</b>	<b>2,474,461,311</b>

The annexed notes 1 to 42 form an integral part of these financial statements.

**DIRECTOR**

	Note	2015 Rupees	2014 Rupees
Sales - net	24	2,306,871,955	2,901,068,553
Cost of sales	25	(2,114,097,785)	(2,687,542,978)
Gross profit		192,774,170	213,525,575
Distribution cost	26	(22,100,541)	(17,520,357)
Administrative expenses	27	(64,211,617)	(65,360,402)
		(86,312,158)	(82,880,759)
		106,462,012	130,644,816
Finance cost	28	(94,073,566)	(106,021,261)
Other operating expenses	29	(15,491,593)	(7,725,995)
		(3,103,147)	16,897,560
Other income	30	3,590,645	8,772,603
Profit before taxation		487,498	25,670,163
Taxation	31	4,680,745	5,634,909
Profit after taxation		5,168,243	31,305,072
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
<b>Items that will not be reclassified to profit or loss</b>			
- Remeasurement of defined benefit obligation	9.2.5	675,670	98,659
- Related tax		(190,264)	(33,507)
		485,406	65,152
<b>Total comprehensive income for the year</b>		<b>5,653,649</b>	<b>31,370,224</b>
Earnings per share - basic and diluted	32	0.29	1.73

The annexed notes 1 to 42 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**CASH FLOW STATEMENT**  
For the Year ended June 30, 2015



	Note	2015 Rupees	2014 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		487,498	25,670,163
<b>Adjustments for :</b>			
Depreciation		90,312,668	85,842,843
Provision for slow moving store items		914,644	-
Provision for doubtful debts		10,648,778	-
Provision for staff retirement gratuity		14,456,260	11,837,343
Finance cost		94,073,566	106,021,261
Loss on disposal of property, plant and equipment		-	54,990
Operating cash flows before working capital changes		210,893,414	229,426,600
<b>(Increase) / decrease in current assets</b>			
Stores, spares and loose tools		486,076	9,331,094
Stock-in-trade		(259,990,916)	127,644,652
Trade debts		(17,281,490)	(22,358,140)
Loans and advances		20,511,609	(48,115,733)
Deposits and short-term prepayments		4,550,004	(11,662,317)
Other receivables		2,896,289	5,596,233
<b>Increase in current liabilities</b>			
Trade and other payables		56,784,009	91,516,089
Working capital changes		(192,044,419)	151,951,878
Cash generated from operations		18,848,995	381,378,478
Finance cost paid		(89,761,086)	(92,199,541)
Staff retirement gratuity paid		(8,463,380)	(2,509,050)
Income tax paid		(21,758,370)	(25,557,820)
Net cash (used in) / generated from operating activities		(101,133,841)	261,112,067
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(40,464,613)	(76,969,638)
Proceeds from disposal of property, plant and equipment		-	27,061,465
Long-term deposits		(5,890,318)	4,693,131
Other financial asset - net		(1,541,000)	1,160,960
Net cash used in investing activities		(47,895,931)	(44,054,082)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term finance - net		(9,428,523)	(44,000,000)
Lease rental paid		(84,527,993)	(58,419,504)
Dividend paid		(4,411,896)	(17,622,399)
Net cash used in financing activities		(98,368,412)	(120,041,903)
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>		<b>(247,398,184)</b>	<b>97,016,082</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(525,051,395)</b>	<b>(622,067,477)</b>
<b>Cash and cash equivalents at the end of the year</b>	33	<b>(772,449,579)</b>	<b>(525,051,395)</b>

The annexed notes 1 to 42 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

# STATEMENT OF CHANGES IN EQUITY

For the Year ended June 30, 2015



	Issued, subscribed and paid-up capital	Unappropriated profit	Total
Note-----	Rupees -----		
<b>Balance as at July 1, 2013</b>	180,480,000	345,683,616	526,163,616
<b>Total comprehensive income for the year</b>			
Profit for the year	-	31,305,072	31,305,072
Other comprehensive income	-	65,152	65,152
	-	31,370,224	31,370,224
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation charged thereon - net of tax	-	32,654,888	32,654,888
<b>Transactions with owners recognized directly in equity</b>			
Final cash dividend for the year ended June 30, 2013 @ Re. 1 per share to all shareholders	-	(18,048,000)	(18,048,000)
<b>Balance as at June 30, 2014</b>	<b>180,480,000</b>	<b>391,660,728</b>	<b>572,140,728</b>
<b>Total comprehensive income for the year</b>			
Profit for the year	-	5,168,243	5,168,243
Other comprehensive income	-	485,406	485,406
	-	5,653,649	5,653,649
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation charged thereon - net of tax	-	31,851,227	31,851,227
<b>Transactions with owners recognized directly in equity</b>			
Present value adjustment on interest free loan from related parties *      7	-	32,284,698	32,284,698
Final cash dividend for the year ended June 30, 2014 @ Re. 1 per share to minority shareholders	-	(5,830,226)	(5,830,226)
<b>Balance as at June 30, 2015</b>	<b>180,480,000</b>	<b>455,620,076</b>	<b>636,100,076</b>

\* This represents the unamortized portion of interest free loan obtained from related parties, which is not available for distribution.

The annexed notes 1 to 42 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**1. STATUS AND NATURE OF BUSINESS**

- 1.1 Idrees Textile Mills Limited (the Company) was incorporated in Pakistan as an unquoted public limited company on June 5, 1990 under the Companies Ordinance, 1984 and was listed on Karachi and Lahore Stock Exchanges on April 28, 1992. The registered office of the Company is situated at 6-C, Ismail Centre, 1st floor, Central Commercial Area, Bahadurabad, Karachi, in the Province of Sindh. The principal activity of the Company is manufacturing, processing and sale of fabrics and all kinds of yarn. The Company's manufacturing facility is located at Kot Shah Muhammad, District Nankana in the Province of Punjab.

**2. BASIS OF PREPARATION****2.1 Statement of compliance**

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

**2.2 Basis of measurement**

These financial statements have been prepared under historical cost convention except that certain categories of property, plant and equipment are stated at revalued amounts and the Company's liability under defined benefit plan (gratuity) is stated at present value of defined benefit obligation.

**2.3 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest rupee.

**2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of approved accounting standards, as applicable in Pakistan, that have a significant effect on the financial statements and estimates with significant risk of material judgment in the next financial year are set forth below:

- assumptions and estimates used in accounting for defined benefit plan (notes 3.1.1 and 9.2);
- assumptions and estimates used in determining revalued amounts of certain items of property, plant and equipment (notes 3.5 and 14.1);
- assumptions and estimates used in determining provision for taxation including deferred taxation (notes 3.2, 9.1 and 31);
- assumptions and estimates used in determining residual values, useful lives and recoverable amount of property, plant and equipment (notes 3.5, 3.14.2 and 14.1);

- assumptions and estimates used in determining the provision for slow moving stores and spares (notes 3.8 and 16);
- assumptions and estimates used in writing down items of stock-in-trade to their net realizable value (notes 3.9 and 17); and;
- assumptions and estimates used in calculating the provision for impairment for trade debts (notes 3.10 and 18).

**2.5 Amendments to accounting standards and new IFRS interpretation that are effective for the year ended June 30, 2015**

The following amendments and interpretation are effective for the year ended June 30, 2015. These amendments and interpretation are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

- Amendments to IAS 19 'Employee Benefits' Employee contribution
- Amendments to IAS 32 'Financial Instruments: Presentation' - Offsetting financial assets and financial liabilities
- Amendments to IAS 36 'Impairment of Assets' Recoverable amount disclosures for non-financial assets
- Amendments to IAS 39 'Financial Instruments: Recognition and measurement' - Novation of derivatives and continuation.
- IFRIC 21 'Levies'

**2.6 Amendments to accounting standards and IFRS interpretations that are not yet effective**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

- |  |  |
|--|--|
| - Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization | Effective from accounting period beginning on or after January 1, 2016 |
| - Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' - Bearer plants  | Effective from accounting period beginning on or after January 1, 2016 |
| - IAS 27 (Revised 2011) 'Separate Financial Statements'  | Effective from accounting period beginning on or after January 1, 2015 |
| - IAS 28 (Revised 2011) 'Investments in Associates and Joint Ventures'   | Effective from accounting period beginning on or after January 1, 2015 |
| - IFRS 10 'Consolidated Financial Statements'  | Effective from accounting period beginning on or after January 1, 2015 |
| - IFRS 11 'Joint Arrangements'   | Effective from accounting period beginning on or after January 1, 2015 |
| - IFRS 12 'Disclosure of Interests in Other Entities'  | Effective from accounting period beginning on or after January 1, 2015 |
| - IFRS 13 'Fair Value Measurement'   | Effective from accounting period beginning on or after January 1, 2015 |

Other than the aforesaid standards, amendments and interpretations, the (IASB) has also issued following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 'First Time Adoption of International Financial Reporting Standards'
- IFRS 9 'Financial Instruments'
- IFRS 14 'Regulatory Deferral Accounts'
- IFRS 15 'Revenue from Contracts with Customers'



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these financial statements are the same, as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2014 and are enumerated as follows:

**3.1 Staff retirement benefits**

**3.1.1 Defined benefit plan**

The Company operates an unfunded gratuity scheme covering all its factory workers who have completed the minimum qualifying period of service as defined under the scheme. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses are recognized immediately in other comprehensive income.

The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and current service cost are recognized in profit and loss account. The most recent valuation of the scheme was carried out as at June 30, 2015. Details of the scheme are given in note 9.2 of these financial statements.

**3.1.2 Defined contribution plan**

The Company operates an approved funded contributory provident fund scheme for all head office staff. Equal monthly contributions are made both by the Company and the employees at the rate of 8.33% of basic salary per annum.

**3.2 Taxation**

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

**3.2.1 Current tax**

Provision for current taxation is based on the taxability of certain income streams of the Company under the Final Tax Regime at the applicable tax rates and the remaining income streams chargeable at current rate of taxation under the Normal Tax Regime after taking into account available tax credits and tax rebates, if any, or on turnover at the specified rate or Alternate Corporate Tax as defined in section 113C of the Income Tax Ordinance, 2001, whichever is higher. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessment framed / finalized during the year.

**3.2.2 Deferred tax**

Deferred tax is recognized using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date.

The Company recognizes a deferred tax asset to the extent that it is probable that taxable profits in the foreseeable future will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Further, the Company also recognizes a deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

**3.3 Trade and other payables**

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

**3.4 Markup bearing borrowings**

Markup bearing borrowings are recognized initially at fair value, less attributable transaction cost. Subsequent to initial recognition, markup bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in profit and loss account over the period of borrowings on an effective interest basis.



**3.5 Property, plant and equipment**

**3.5.1 Owned assets**

Property, plant and equipment are stated as follows:

- Land is stated at revalued amount less impairment loss, if any;
- Building, labour colony, plant and machinery, electric installations and mill equipment are stated at revalued amounts less accumulated depreciation and impairment losses, if any; and
- Office equipment, furniture and fixtures and vehicles are stated at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of an asset including borrowing costs, if any. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in an asset's carrying amount or recognized 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 its cost can be measured reliably. Cost incurred to replace a component of an item of property, plant and equipment is capitalized and the asset so replaced is derecognized. Normal repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Depreciation is charged to the profit and loss account on a straight line basis at the rates specified in note 14.1. Depreciation on additions is charged from the month an asset is available for use upto the month prior to its disposal.

Depreciation methods, useful lives and residual values of each item of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed and adjusted, if appropriate at each balance sheet date.

Surplus on revaluation of assets is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the estimated fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of assets (net of deferred taxation) is transferred directly to retained earnings (unappropriated profit).

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized in other income / other expenses in the profit and loss account. When revalued assets are sold, any related amount included in the surplus on revaluation is transferred to retained earnings (unappropriated profit).

**Capital work-in-progress**

Capital work-in-progress is stated at cost less impairment loss, if any, and consists of expenditure incurred and advances made in respect of assets in the course of their acquisition, construction and installation. Transfers are made to relevant asset categories as and when assets are available for intended use.

**3.5.2 Leased assets**

Leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases and are capitalized at the inception of the lease at the fair value of leased assets or, if lower, at the present value of the minimum lease payments. Other leases are classified as operating leases.

Plant and machinery acquired under finance lease is stated at revalued amounts less accumulated depreciation and impairment losses, if any. Vehicles acquired under finance lease are stated at cost less accumulated depreciation and impairment losses, if any. Assets acquired under finance lease are depreciated over the useful life of the assets commencing from the year in which the leased assets are put into operation. Depreciation and other policies are same as for the owned assets described above.

**3.6 Leases**

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's policy on borrowing costs.



**3.7 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the respective assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit and loss account in the period in which they are incurred.

**3.8 Stores, spares and loose tools**

These are stated at lower of moving average cost and net realizable value, less allowance for obsolete and slow moving items (if any). Items in transit are stated at cost comprising invoice value plus other charges incurred thereon upto the balance sheet date. Provision for obsolete and slow moving stores, spares and loose tools is determined based on the management's estimate regarding their future usability.

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

**3.9 Stock-in-trade**

These are stated at lower of cost and net realizable value applying the following basis:

- Raw material	Weighted average cost
- Stock-in-transit	Cost accumulated up to balance sheet date
- Work-in-process and finished goods	Average manufacturing cost
- Waste	Net realizable value.

Average manufacturing cost in relation to work-in-process and finished goods signifies cost including a portion of related direct overheads.

Net realizable value (NRV) signifies the estimated selling price in the ordinary course of business less the net estimated costs necessary to be incurred to make the sale.

**3.10 Trade debts and other receivables**

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

**3.11 Cash and cash equivalents**

Cash and cash equivalents for cash flow purposes include cash in hand and balances with banks in current and deposit accounts. Short-term borrowings availed by the Company, which are payable on demand and form an integral part of the Company's cash management, are included as part of cash and cash equivalents for the purpose of the cash flow statement.

**3.12 Financial instruments**

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provision of instruments. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Any gain or loss on derecognition of the financial assets or liabilities is taken to profit and loss account.

**3.13 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only where there is legally enforceable right to set-off the recognized amounts and Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

**3.14 Impairment**

**3.14.1 Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

**3.14.2 Non-financial assets**

The carrying amounts of non-financial assets, other than inventories and deferred tax asset, are reviewed at each balance sheet date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**3.15 Foreign currency translation**

Transactions in foreign currencies are translated into Pakistani Rupees at the rates of exchange approximating those prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing on the balance sheet date.

Exchange differences are included in the profit and loss account currently.

**3.16 Provisions**

Provisions are recognized in the balance sheet when the Company has a present, legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**3.17 Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

- Revenue from sales of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.
- Revenue from export sales are recognized upon transfer of significant risks and rewards of ownership, which coincides with date of bill of lading.
- Interest income is recognized on a time-apportioned basis using the effective rate of return.

**3.18 Dividend and appropriation to / from reserves**

Dividend distribution to the Company's shareholders and appropriations to / from reserves is recognized in the period in which these are approved.

**3.19 Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4. SHARE CAPITAL

2015	2014		2015	2014
Number of shares			Rupees	Rupees
<u>22,000,000</u>	<u>22,000,000</u>	Authorized		
		Ordinary shares of Rs. 10/- each	<u>220,000,000</u>	<u>220,000,000</u>
		Issued, subscribed and paid-up		
<u>18,048,000</u>	<u>18,048,000</u>	Ordinary shares of Rs. 10/- each fully paid in cash	<u>180,480,000</u>	<u>180,480,000</u>

4.1 The Company has one class of ordinary shares which carry equal voting rights but no right to fixed income.

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax

	Note	2015	2014
		Rupees	Rupees
As at July 1,		762,152,342	811,601,376
Less: transferred to unappropriated profit on account of:			
- incremental depreciation - net of deferred tax		(31,851,227)	(32,654,888)
- related deferred tax liability		(11,684,783)	(16,794,146)
		<u>(43,536,010)</u>	<u>(49,449,034)</u>
As at June 30,		718,616,332	762,152,342
Related deferred tax liability on:			
As at July 1,		234,613,180	255,511,738
Adjustment due to change in tax rate	9.1 & 31.2	(49,206,953)	(4,104,412)
Incremental depreciation		(11,684,783)	(16,794,146)
		<u>173,721,444</u>	<u>234,613,180</u>
		<u>544,894,888</u>	<u>527,539,162</u>

6. LONG-TERM FINANCE - Banking companies - secured

Term finance	-	9,428,523
Less: current portion shown under current liabilities	-	(9,428,523)
	-	-

6.1 The amount has been fully repaid during the year.

7. LONG-TERM FINANCE - Related parties - unsecured

Interest free loan	7.1	100,330,001	100,330,001
Less: present value adjustment		<u>32,284,698</u>	-
		<u>68,045,303</u>	<u>100,330,001</u>

7.1 During the year, the Company entered into agreements with the various related parties (directors / shareholders and their closed family members) in their capacity as sponsors, whereby the repayment of the loan paid in the previous years was deferred for a period of four years from the date of the agreement, i.e., June 4, 2015. The loans are interest free, unsecured and are repayable in full at the end of four-year period until further extended by mutual agreement. Using the discount rate of 10% per annum, the fair value of the loans is estimated at Rs. 68.045 million. The difference of Rs. 32.285 million between the gross proceeds and the fair value of loans has been recognized in equity through a transfer to unappropriated profit (the unamortized portions is not available for distribution). Subsequently, the interest (i.e., unwinding of the difference between present value on initial recognition and the amount received) will be recognized on the loan in the profit and loss account using the effective interest method.



8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2015 Rupees	2014 Rupees
Present value of minimum lease payments	130,460,309	119,389,783
Less: current maturity	(58,246,798)	(52,075,379)
	<u>72,213,511</u>	<u>67,314,404</u>

These represent plant and machinery and vehicles acquired under finance leases (and musharaka arrangement) from leasing companies and financial institutions. Future minimum lease payments under lease together with the present value of the net minimum lease payments are as follows:

	2015			2014		
	Minimum lease payments	Finance cost	Present Value	Minimum lease payments	Finance cost	Present Value
	----- Rupees -----					
Not later than one year	65,084,080	6,837,282	58,246,798	60,156,919	8,081,540	52,075,379
Later than one year but not later than five years	78,196,287	5,982,776	72,213,511	70,690,471	3,376,067	67,314,404
Total	<u>143,280,367</u>	<u>12,820,058</u>	<u>130,460,309</u>	<u>130,847,390</u>	<u>11,457,607</u>	<u>119,389,783</u>

The rates of mark-up ranges from 9.81% to 15.42% (2014: 12.09% to 19%) per annum and are used as discounting factor. The lease terms are 3 years. The Company intends to exercise its option to purchase the leased assets upon completion of the lease period. Liabilities are secured against leased assets, demand promissory notes and security deposits.

9. DEFERRED LIABILITIES

	Note	2015 Rupees	2014 Rupees
Deferred taxation - net	9.1	264,583,145	337,226,208
Staff gratuity	9.2	35,215,204	29,897,994
Less: benefits due but not yet paid	10	(6,370,120)	(5,089,200)
		<u>28,845,084</u>	<u>24,808,794</u>
		<u>293,428,229</u>	<u>362,035,002</u>

9.1 Deferred taxation - net

Balance as at July 1,		337,226,208	366,375,172
Reversal to profit and loss account	31	(23,626,374)	(25,078,059)
Charged to other comprehensive income		190,264	33,507
Adjustment to the related deferred tax liability on revaluation surplus	5	(49,206,953)	(4,104,412)
Balance as at June 30,		<u>264,583,145</u>	<u>337,226,208</u>

This comprises of the following:

Deferred tax credits:

- accelerated depreciation on property, plant and equipment	118,168,655	127,392,478
- surplus on revaluation of property, plant and equipment	173,721,444	234,613,180
	<u>291,890,099</u>	<u>362,005,658</u>



	Note	2015 Rupees	2014 Rupees
Deferred tax debits:			
- provision for doubtful trade debts		3,388,587	742,791
- provision for stores and spares		446,562	263,862
- provision for doubtful other receivables		1,273,763	745,255
- provision for staff gratuity		9,324,617	10,154,117
- minimum tax		12,873,425	12,873,425
		(27,306,954)	(24,779,450)
		<u>264,583,145</u>	<u>337,226,208</u>
<b>9.2 Staff retirement gratuity</b>			
Mills	9.2.2	34,962,832	29,645,622
Head Office	9.2.10	252,372	252,372
		<u>35,215,204</u>	<u>29,897,994</u>
<b>9.2.1 Staff gratuity - defined benefit plan</b>			
The Projected Unit Credit Method based on following significant assumptions was used for valuation of the scheme. The basis of recognition together with details as per actuarial valuation are as under:			
The principal assumptions used are as follows:			
- Discount rate		9.75% p.a.	13.25% p.a.
- Expected rate of salary increase		8.75% p.a.	12.25% p.a.
- Mortality rate		SLIC 2001-2005 set back one year	SLIC 2001-2005 set back one year
	Note	2015 Rupees	2014 Rupees
<b>9.2.2 Liability recognized in the balance sheet</b>			
Present value of defined benefit obligation		28,592,712	24,556,422
Benefits due but not yet paid		6,370,120	5,089,200
Present value of defined benefit obligation		<u>34,962,832</u>	<u>29,645,622</u>
<b>9.2.3 Movement in liability during the year</b>			
Balance as at July 1,		29,645,622	20,415,988
Expense recognized in profit or loss	9.2.4	14,456,260	11,837,343
Total remeasurements recognized in other comprehensive income	9.2.5	(675,670)	(98,659)
Benefits paid		(8,463,380)	(2,509,050)
		<u>34,962,832</u>	<u>29,645,622</u>
<b>9.2.4 Expense recognized in profit and loss account</b>			
Current service cost		11,848,094	9,965,176
Interest cost		2,608,166	1,872,167
		<u>14,456,260</u>	<u>11,837,343</u>
<b>9.2.5 Total remeasurements recognized in other comprehensive income</b>			
Actuarial loss / (gain) on liability arising on			
- financial assumptions		-	-
- demographic assumptions		-	-
- experience adjustments		(675,670)	(1,311,959)
- remeasurement loss of prior year		-	1,213,300
		<u>(675,670)</u>	<u>(98,659)</u>

9.2.6 Sensitivity analysis

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

	Change in assumption	Increase / (decrease) in defined benefit obligation due to	
		Increase in assumption Rupees	Decrease in assumption Rupees
Discount rate	1%	(1,998,755)	2,358,257
Salary growth rate	1%	2,467,057	(2,132,838)

9.2.7 The gratuity scheme exposes the Company to the following risks:

Longevity risks: The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk: The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk: The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the defined benefit obligation. The movement of the liability can go either way.

9.2.8 The weighted average duration of the benefit obligation as at June 30, 2015 is 8 years (2014: 7 years).

9.2.9 Number of employees covered by the scheme are 1,004 (2014: 972) employees.

	Note	2015 Rupees	2014 Rupees
9.2.10 Staff retirement gratuity - head office			
Balance as at July 1,		252,372	252,372
Paid during the year		-	-
Balance as at June 30,	9.2.11	252,372	252,372

9.2.11 This amount relates to the unfunded gratuity scheme for the head office staff which has been freezed in 2002 as per the Company policy.

10. TRADE AND OTHER PAYABLES

Creditors	10.1	99,001,907	117,087,317
Accrued liabilities		52,336,342	41,680,645
Bills payable		23,054,054	-
Advance from customers		11,024,070	6,202,688
Workers' profit participation fund	10.2	26,181	1,396,709
Workers' welfare fund		8,474,582	8,464,633
Infrastructure cess	10.3	15,035,290	12,464,837
Unclaimed dividend		3,660,351	2,242,021
Provident fund		262,099	217,599
Gratuity due but not yet paid	9	6,370,120	5,089,200
Withholding tax payable		12,683,455	7,829,513
Murabaha finance	10.4	30,229,970	-
		262,158,421	202,675,162



**10.1 Trade payables are non-interest bearing and are normally settled on 90-days term.**

	Note	2015 Rupees	2014 Rupees
<b>10.2 Workers' profit participation fund</b>			
Balance as at July 1,		1,396,709	4,731,221
Allocation during the year	29	26,181	1,396,709
Interest on funds utilized in Company's business	28	99,577	426,199
		<u>1,522,467</u>	<u>6,554,129</u>
Paid during the year		(1,496,286)	(5,157,420)
		<u>26,181</u>	<u>1,396,709</u>

10.3 The Government of Sindh through Sindh Finance Act, 1994 provided for imposition of an infrastructure fee for the development and maintenance of infrastructure on goods entering or leaving the Province through air or sea at prescribed rates. The levy was challenged by the Company along with other companies in the High Court of Sindh through civil suits which were dismissed by the single judge of the High Court of Sindh through its decision in October 2003. On appeal filed there against, the High Court of Sindh has held through an order passed in September 2008 that the levy as imposed through the Sindh Finance Act, 1994 (amended time to time) was not valid till December 28, 2006, however, thereafter on account of an amendment in the Sindh Finance (Amendment) Ordinance, 2006, it had become valid and is payable by the Appellants. The Company, along with other companies, filed an appeal in the Supreme Court of Pakistan against the aforementioned order of the High Court of Sindh. The Supreme Court granted stay by passing an interim order on January 22, 2009. The order passed by the High Court of Sindh was set aside by the Supreme Court vide its order dated May 20, 2011. Consequently, a new petition has been filed in the High Court of Sindh. Through the interim order passed on May 31, 2011, the High Court has ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure fee should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed.

The management of the Company is confident for a favorable outcome. However, as a matter of prudence, the Company has made provision as follows:

	Note	2015 Rupees	2014 Rupees
Balance as at July 1,		12,464,837	10,400,442
Provision during the year		5,140,906	4,128,790
		<u>17,605,743</u>	<u>14,529,232</u>
Payments made during the year		(2,570,453)	(2,064,395)
		<u>15,035,290</u>	<u>12,464,837</u>

10.4 Facilities for murabaha finance are available from various banks up to Rs. 300 million. Murabaha finance obtained from banking companies are subject to mark-up at the rate of KIBOR plus 2% per annum. There are secured against pledge of cotton, personal guarantee of directors of the Company and ranking charge on the fixed assets of the Company.

	Note	2015 Rupees	2014 Rupees
<b>11. INTEREST / MARKUP ACCRUED</b>			
Long-term finance		-	374,491
Short-term borrowings		12,446,560	18,797,700
		<u>12,446,560</u>	<u>19,172,191</u>



12. SHORT-TERM BORROWINGS	Note	2015 Rupees	2014 Rupees
From banking companies-secured			
Running finance	12.1	284,536,833	245,492,424
Cash finance	12.1	198,619,433	270,702,424
Finance Against Imported Merchandise (FIM)	12.1	298,935,707	23,391,889
		782,091,973	539,586,737

12.1 Facilities for running finance, cash finance and FIM are available from various banks up to Rs. 1,095 million (2014: Rs. 1,250 million). These facilities are subject to mark-up at the rates ranging from KIBOR plus 1.75% % to 3% (2014: KIBOR plus 2% to 2.75% ) per annum payable quarterly. These are secured against various assets including first pari passu hypothecation charge over present and future stock-in-trade, pledge of cotton, first hypothecation charge over present and future book debts, ranking charge on the stocks and receivables of the Company, equitable mortgage on various properties and personal guarantees of all directors of the Company.

The aggregate unavailed short-term borrowing facilities amounted to Rs. 537.79 million (2014: Rs. 875.81) million.

**13. CONTINGENCIES AND COMMITMENTS**

**13.1 Contingencies**

**13.1.1 Letters of guarantee issued by banks on behalf of the Company to:**

	2015 Rupees	2014 Rupees
- Lahore Electric Supply Company Limited	9,975,220	4,482,000
- Sui Northern Gas Pipelines Limited	24,314,000	24,314,000
- Excise and Taxation Office	15,258,600	13,258,600

13.1.2 Under the Gas Infrastructure Development Cess Act, 2011, Government of Pakistan levied Gas Infrastructure Development (GID) Cess on gas bills at the rate of Rs. 13 per MMBTU on all industrial consumers. In the month of June 2012, the Federal Government revised GID Cess rate from Rs. 13 per MMBTU to Rs. 100 per MMBTU.

The Company along with group of other plaintiffs filed a suit before the High Court of Sindh, challenging the applicability of Gas Infrastructure Cess Act, 2011. The Sindh High Court had restrained the Federation and gas companies from recovering GID Cess over and above Rs. 13 per MMBTU. On August 22, 2014, the Supreme Court of Pakistan declared that the levy of GID Cess as a tax was not validly levied in accordance with the Constitution.

In September 2014, the Federal Government promulgated Gas Infrastructure Cess (GIDC) Ordinance No. VI of 2014. In May 2015, the said Ordinance was approved in the parliament and became an Act. Under the Act, GID Cess at the rate of Rs. 100 per MMBTU on all industrial consumers and Rs. 200 per MMBTU on all Captive Power Plant (CPP) has been levied. Subsequent to the approval of the Act, the Company received gas bills at the rate of Rs. 200 per MMBTU, as the Company was considered a CPP by the utility company. The Company, while considering itself as industrial consumer, has paid / accrued GID Cess at the rate of Rs. 100 per MMBTU from May 2015. Further, the Company along with group of other plaintiffs is in the process of filing appeal against the rates billed. Management is confident that the Company will not have to pay at the rates prescribed for CPP consumer and accordingly has not recorded any provision in this respect.

13.2 Commitments	Note	2015 Rupees	2014 Rupees
Letters of credit opened and outstanding for import of:			
- plant and machinery		13,363,845	46,745,591
- raw material		44,641,500	80,689,331
- stores and spares		14,423,390	5,301,709

**14. PROPERTY, PLANT AND EQUIPMENT**

Operating fixed assets	14.1	1,455,723,917	1,418,972,880
Capital work-in-progress - civil work		100,000	2,138,684
		1,455,823,917	1,421,111,564



# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2015



Particulars	COST / REVALUATION				ACCUMULATED DEPRECIATION				Dep. rate %	
	As at July 1, 2013	Additions/ (disposals)	Transfer*	As at June 30, 2014	As at July 1, 2013	Depreciation/ (adjustment) for the year	Transfer*	As at June 30, 2014		Carrying value as at June 30, 2014
Rupees										
<b>Owned assets</b>										
Land - freehold	80,125,000	-	-	80,125,000	-	-	-	-	80,125,000	-
Mills building on freehold land	334,772,589	-	-	334,772,589	115,495,840	18,232,895	-	133,728,735	201,043,854	5 - 10
Labour colony on freehold land	42,968,810	-	-	42,968,810	13,651,310	2,638,575	-	16,289,885	26,678,925	10
Plant and machinery	1,469,767,739	68,002,257 (28,431,837)	-	1,509,338,159	614,648,936	49,161,432 (1,370,880)	-	662,439,488	846,898,671	4 - 10
Electric installations	81,134,403	3,545,018	-	84,679,421	34,023,653	3,717,783	-	37,741,436	46,937,985	5 - 10
Mills equipment	21,262,215	-	-	21,262,215	8,959,007	906,361	-	9,865,368	11,396,847	5 - 10
Office equipment	9,759,252	1,760,381	-	11,519,633	8,173,207	283,889	-	8,457,096	3,062,537	10
Furniture and fixtures	3,594,062	65,400	-	3,659,462	3,587,224	6,860	-	3,594,084	65,378	10
Vehicles	30,218,051	1,457,898 (83,986)	7,441,500	39,033,463	29,036,402	760,761 (28,488)	4,505,192	34,273,867	4,759,596	20
	2,073,602,121	74,830,954 (28,515,823)	7,441,500	2,127,358,752	827,575,579	75,708,556 (1,399,368)	4,505,192	906,389,959	1,220,968,793	
<b>Leased assets</b>										
Plant and machinery	144,278,200	30,873,793	-	175,151,993	7,521,719	4,005,745	-	11,527,464	163,624,529	4 - 10
Vehicles	24,362,500	24,689,000 (7,441,500)		41,610,000	5,607,092	6,128,542 (4,505,192)		7,230,442	34,379,558	20
	168,640,700	55,562,793 (7,441,500)		216,761,993	13,128,811	10,134,287 (4,505,192)		18,757,906	198,004,087	
	2,242,242,821	130,393,747 (28,515,823)	-	2,344,120,745	840,704,390	85,842,843 (1,399,368)	-	925,147,865	1,418,972,880	

\* Represents transfer from leased assets to owned assets on maturity of leasing arrangements.



	Note	2015 Rupees	2014 Rupees
<b>14.2 Depreciation for the year has been allocated as under</b>			
Cost of sales	25	81,922,995	77,756,430
Administrative expenses	27	8,389,673	8,086,413
		<u>90,312,668</u>	<u>85,842,843</u>

**14.3 No operating fixed assets were disposed off during the year.**

14.4 The revaluation of the land, building, labour colony, plant and machinery, electric installations and mill equipment was carried out as of June 30, 2013 by M/s Al-Noor Consultants & Evaluators (an independent valuer located in Lahore) on the basis of present market values, which resulted in surplus on revaluation amounting to Rs. 325.797 million which was incorporated in the books of the Company as at June 30, 2013.

The Company commissioned independent valuations of land, building, labour colony, plant and machinery, electric installations and mill equipment during the years ended June 30, 2006 and June 30, 2010. The resulting revaluation surpluses have been disclosed in notes 5 and 14.1 to the financial statements and have been credited to the revaluation surplus account net of their related tax effect.

The carrying amount of the aforementioned assets as at June 30, 2015, if the said assets had been carried at historical cost, would have been as follows:

	2015			2014		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
	Rupees					
Land - freehold	8,772,600	-	8,772,600	8,772,600	-	8,772,600
Mills building on freehold land	140,359,650	(95,754,608)	44,605,042	140,359,650	(85,524,230)	54,835,420
Labour colony on freehold land	17,173,197	(15,150,561)	2,022,636	15,134,513	(15,134,513)	-
Plant and machinery	1,216,576,957	(607,444,904)	609,132,053	1,102,574,851	(582,512,745)	520,062,106
Electric installations	48,897,080	(23,957,639)	24,939,441	48,897,080	(21,159,266)	27,737,814
Mills equipment	7,083,976	(4,300,472)	2,783,504	7,035,977	(3,890,448)	3,145,529
	<u>1,438,863,460</u>	<u>(746,608,184)</u>	<u>692,255,276</u>	<u>1,322,774,671</u>	<u>(708,221,202)</u>	<u>614,553,469</u>

	Note	2015 Rupees	2014 Rupees
<b>15. LONG-TERM DEPOSITS</b>			
Deposits			
- lease		32,046,313	32,120,054
- others		3,045,263	2,087,243
		<u>35,091,576</u>	<u>34,207,297</u>
Less: current portion	20	(8,485,567)	(13,491,606)
		<u>26,606,009</u>	<u>20,715,691</u>



	Note	2015 Rupees	2014 Rupees
<b>16. STORES, SPARES AND LOOSE TOOLS</b>			
Stores		26,645,787	25,225,291
Spares		13,787,704	14,204,957
Stores and spares in transit		555,670	1,893,613
Loose tools		64,585	215,961
		<u>41,053,746</u>	<u>41,539,822</u>
Less: provision for slow moving items	16.1	<u>(1,691,564)</u>	<u>(776,920)</u>
		<u>39,362,182</u>	<u>40,762,902</u>
<b>16.1 Movement in provision for slow moving items</b>			
Balance as at July 1,		776,920	776,920
Provision made during the year	25	<u>914,644</u>	<u>-</u>
Balance as at June 30,		<u>1,691,564</u>	<u>776,920</u>
<b>17. STOCK-IN-TRADE</b>			
Raw material			
- In hand		305,798,539	174,655,732
- In transit		143,925,681	213,727
Work-in-process		20,104,990	26,464,751
Finished goods		192,958,198	201,016,992
Waste		5,780,725	6,226,015
		<u>668,568,133</u>	<u>408,577,217</u>
<b>17.1 The Company has recognized a write down of Rs. 19.6 million to adjust the carrying value of stock-in-trade to net realizable value.</b>			
	Note	2015 Rupees	2014 Rupees
<b>18. TRADE DEBTS</b>			
Considered good	18.1	429,974,424	423,341,712
Considered doubtful		<u>12,835,867</u>	<u>2,187,089</u>
		<u>442,810,291</u>	<u>425,528,801</u>
Less: Provision for doubtful debts	18.3	<u>(12,835,867)</u>	<u>(2,187,089)</u>
		<u>429,974,424</u>	<u>423,341,712</u>
<b>18.1 Trade debts are non-interest bearing and are generally on 60 to 90 days terms.</b>			
<b>18.2 Trade debts include debtors with a carrying amount of Rs. 192.23 million (2014: Rs. 149.83 million) which are past due at the reporting date for which the Company has not made any provision for doubtful recovery as there has not been a significant change in credit quality and the amounts are still considered recoverable.</b>			
		2015 Rupees	2014 Rupees
<b>18.3 Movement in provision for doubtful debts</b>			
Balance as at July 1,		2,187,089	2,187,089
Provision made during the year	29	<u>10,648,778</u>	<u>-</u>
Balance as at June 30,		<u>12,835,867</u>	<u>2,187,089</u>



	Note	2015 Rupees	2014 Rupees
<b>18.4 Ageing of trade debts past due but not impaired</b>			
91-180 days		106,817,209	73,287,210
181 days and above		85,415,700	76,540,803
		<u>192,232,909</u>	<u>149,828,013</u>
<b>19. LOANS AND ADVANCES</b>			
<b>Considered good</b>			
Loans to employees - unsecured		471,571	1,011,305
Advance to employees		597,100	5,045,000
Advances - unsecured			
to suppliers		28,787,505	45,929,551
for expenses		2,113,524	495,453
		30,901,029	46,425,004
Advance income tax		34,403,092	34,958,619
		<u>66,372,792</u>	<u>87,439,928</u>
<b>20. DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Current portion of long-term deposits	15	8,485,567	13,491,606
Prepayments		480,180	24,145
		<u>8,965,747</u>	<u>13,515,751</u>
<b>21. OTHER RECEIVABLES</b>			
Sales tax			
- considered good		7,209,288	11,436,931
- considered doubtful		2,507,844	2,507,844
Export rebate - considered doubtful		2,194,344	2,194,344
Cotton quality and weight claims			
- considered good		997,739	559,446
- considered doubtful		122,785	122,785
Profit on deposits		1,158,377	409,917
Others		189,801	45,200
		14,380,178	17,276,467
Less: provision for doubtful receivables		(4,824,973)	(4,824,973)
		<u>9,555,205</u>	<u>12,451,494</u>
<b>22. OTHER FINANCIAL ASSET</b>			
Term Deposit Receipts	22.1	<u>33,550,710</u>	<u>32,009,710</u>
22.1	This represents term deposit receipts with various banks for a period ranging from six months to one year carrying mark-up at the rates ranging from 7% to 9.7% (2014: 8.5% to 9.5%) per annum. The banks have lien on these term deposit receipts on account of guarantees provided by such banks as disclosed in note 13.1.1 to the financial statements.		
<b>23. CASH AND BANK BALANCES</b>			
Cash in hand		80,750	267,380
Cash at banks			
- in current accounts		9,527,907	14,235,024
- in saving account	23.1	33,737	32,938
		<u>9,642,394</u>	<u>14,535,342</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2015



	Note	2015 Rupees	2014 Rupees
23.1	It carries markup ranging from 5% to 7.25% (2014: 5% to 6%) per annum.		
<b>24. SALES - NET</b>			
Yarn			
- Local		1,726,768,043	2,404,516,485
- Export		537,315,687	306,745,635
		2,264,083,730	2,711,262,120
Fabric - Local		22,711,946	163,065,595
Waste - Local		71,190,189	97,995,988
		<u>2,357,985,865</u>	<u>2,972,323,703</u>
Less:			
Sales tax on local sales		35,387,310	47,147,387
Brokerage and commission		15,726,600	24,107,763
		<u>(51,113,910)</u>	<u>(71,255,150)</u>
		<u>2,306,871,955</u>	<u>2,901,068,553</u>
<b>25. COST OF SALES</b>			
Raw material consumed	25.1	1,489,759,877	1,944,417,791
Salaries, wages and benefits	25.2	168,525,086	153,854,820
Fuel and power		248,934,415	336,689,948
Depreciation	14.2	81,922,995	77,756,430
Stores and spares consumed		42,761,616	47,386,370
Packing material		40,775,613	41,540,418
Insurance		7,281,865	6,023,209
Repairs and maintenance		3,953,093	3,663,244
Vehicles running and maintenance		2,300,743	2,246,886
Provision for slow moving store items	16.1	914,644	-
Fabric processing cost		5,250,000	14,474,212
Other manufacturing overheads		6,853,993	11,070,881
		<u>609,474,063</u>	<u>694,706,418</u>
		2,099,233,940	2,639,124,209
Work-in-process			
Opening stock		26,464,751	25,583,030
Closing stock		(20,104,990)	(26,464,751)
		<u>6,359,761</u>	<u>(881,721)</u>
Cost of goods manufactured		2,105,593,701	2,638,242,488
Finished goods			
Opening stock		207,243,007	109,764,778
Yarn purchased		-	146,778,719
Closing stock		(198,738,923)	(207,243,007)
		<u>8,504,084</u>	<u>49,300,490</u>
		<u>2,114,097,785</u>	<u>2,687,542,978</u>
<b>25.1 Raw material consumed</b>			
Opening stock		174,655,732	400,874,061
Purchases - net		1,620,902,684	1,718,199,462
		<u>1,795,558,416</u>	<u>2,119,073,523</u>
Closing stock		(305,798,539)	(174,655,732)
		<u>1,489,759,877</u>	<u>1,944,417,791</u>



25.2 **Salaries, wages and benefits include Rs. 14.75 million (2014: Rs. 11.84 million) in respect of staff retirement benefits.**

	Note	2015 Rupees	2014 Rupees
<b>26. DISTRIBUTION COST</b>			
Freight and octroi		14,820,199	13,168,807
Commission and other charges		2,427,098	1,338,579
Clearing and forwarding		3,510,981	2,118,126
Export development surcharge		1,342,263	894,845
		<u>22,100,541</u>	<u>17,520,357</u>

**27. ADMINISTRATIVE EXPENSES**

Salaries and benefits	27.1	36,204,116	34,698,158
Fees, subscription and periodicals		1,128,935	1,715,071
Entertainment		3,932,022	5,068,595
Traveling and conveyance		2,020,897	1,996,030
Postage and telephone		1,813,466	1,938,588
Electricity, gas and water		2,069,286	2,225,101
Vehicles running and maintenance		4,339,886	5,708,890
Depreciation	14.2	8,389,673	8,086,413
Legal and professional		898,829	541,000
Auditors' remuneration	27.2	865,000	840,000
Printing and stationery		459,971	499,602
Computer		152,870	562,055
Rest house		244,349	289,191
Advertisement		53,275	36,075
Donation	27.3	1,115,000	826,000
Others		524,042	329,633
		<u>64,211,617</u>	<u>65,360,402</u>

27.1 **Salaries and benefits include Rs. 0.92 million (2014: Rs. 0.90 million) in respect of staff retirement benefits.**

	Note	2015 Rupees	2014 Rupees
<b>27.2 Auditors' remuneration</b>			
Audit fee		625,000	600,000
Half year review fee		120,000	120,000
Other services		45,000	45,000
Out of pocket expenses		75,000	75,000
		<u>865,000</u>	<u>840,000</u>

27.3 **No director or their spouse had any interest in the donees' fund.**

**28. FINANCE COST**

Markup / interest on:

Long-term finance		221,095	2,546,208
Short-term borrowings		71,276,957	82,293,765
Finance lease arrangements		11,038,111	11,263,647
Murabaha finance		1,570,130	528,548
Workers' profit participation fund	10.2	99,577	426,199
Markup charges on letters of credit		5,131,337	4,834,857
Bank charges, guarantee commission and other related charges		4,736,359	4,128,037
		<u>94,073,566</u>	<u>106,021,261</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2015



	Note	2015 Rupees	2014 Rupees
<b>29. OTHER OPERATING EXPENSES</b>			
Workers' profit participation fund	10.2	26,181	1,396,709
Workers' welfare fund		9,949	867,300
Infrastructure cess		2,570,453	2,064,395
Provision for doubtful debts	18.3	10,648,778	-
Exchange loss		1,561,902	1,984,518
Demurrage charges		674,330	1,358,083
Loss on disposal of property, plant and equipment		-	54,990
		<u>15,491,593</u>	<u>7,725,995</u>
<b>30. OTHER INCOME</b>			
Income from financial assets			
Profit on deposits		2,909,321	2,605,399
Income from non-financial assets			
Operating income on trading of raw material	30.1	100,074	5,651,713
Sale of scrap		581,250	365,748
Other		-	149,743
		<u>3,590,645</u>	<u>8,772,603</u>
<b>30.1 Operating income on trading of raw material</b>			
Local sales		9,214,173	74,319,873
Less: cost of sales		(9,068,028)	(68,567,237)
brokerage and commission		(46,071)	(100,923)
		<u>(9,114,099)</u>	<u>(68,668,160)</u>
		<u>100,074</u>	<u>5,651,713</u>
<b>31. TAXATION</b>			
Current			
- for the year		18,795,754	22,164,022
- prior year		149,875	(2,720,872)
Deferred	9.1	18,945,629	19,443,150
		(23,626,374)	(25,078,059)
		<u>(4,680,745)</u>	<u>(5,634,909)</u>
<b>31.1 Relationship between tax expense and accounting profit</b>			
Accounting profit before tax		487,498	25,670,163
Tax @ 33% (2014: 34%)		160,874	8,727,855
Effect of:			
Tax effect of rebate / credits		(4,522,373)	(7,830,940)
Tax effect on exports under Final Tax Regime		5,346,649	1,290,505
Effect of change in prior year's tax		149,875	(2,720,872)
Effect of minimum tax		17,944,970	-
Effect of change in tax rate		(24,201,066)	(1,602,002)
Tax effect of permanent difference		(367,950)	-
Other		808,276	(3,499,455)
		<u>(4,680,745)</u>	<u>(5,634,909)</u>
<b>31.2</b>			
Finance Act, 2015 has introduced tax rates of 32%, 31% and 30% for the tax years 2016, 2017 and 2018 (and onwards), respectively. Accordingly, deferred tax liability has been recorded on the basis of tax rates that are expected to apply to the taxable profit of the periods in which the temporary differences are expected to reverse.			



31.3 Finance Act, 2015 introduced income tax at the rate of 10% on undistributed reserves where such reserves of the company are in excess of its paid up capital and the company derives profits for a tax year but does not distribute requisite cash dividend within six months of the end of the said tax year. Liability in respect of such income tax, if any, is recognized when the prescribed time period for distribution of dividend expires.

**32. EARNINGS PER SHARE - BASIC AND DILUTED**

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

		2015	2014
Profit for the year	Rupees	5,168,243	31,305,072
Weighted average number of ordinary shares outstanding during the year		18,048,000	18,048,000
Earnings per share	Rupees	0.29	1.73
	Note	2015 Rupees	2014 Rupees

**33. CASH AND CASH EQUIVALENTS**

	Note	2015 Rupees	2014 Rupees
Cash and bank balances	23	9,642,394	14,535,342
Short-term borrowings	12	(782,091,973)	(539,586,737)
		<u>(772,449,579)</u>	<u>(525,051,395)</u>

**34. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise associated undertakings, key management personnel and post employment contribution plan. Long-term loans obtained from directors and associated undertakings and remuneration of Chief Executive Officer, directors and executives are disclosed in note 7 and note 35 respectively. Other significant transaction with a related party is as follows:

	Note	2015 Rupees	2014 Rupees
Contribution to employees' provident fund	27.1	<u>923,730</u>	<u>896,891</u>

**35. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	2015			2014		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Remuneration	1,253,336	3,159,996	4,836,112	1,200,000	2,999,988	3,531,614
House rent allowance	376,000	948,000	1,489,724	360,000	900,000	1,059,484
Utilities	125,328	316,008	507,024	120,000	300,012	351,838
Medical	125,336	315,996	289,204	120,000	300,000	351,838
Retirement benefits	-	-	-	-	-	-
	<u>1,880,000</u>	<u>4,740,000</u>	<u>7,122,064</u>	<u>1,800,000</u>	<u>4,500,000</u>	<u>5,294,774</u>
Number of persons	<u>1</u>	<u>3</u>	<u>7</u>	<u>1</u>	<u>3</u>	<u>5</u>

The Chief Executive, directors and some executives are provided with free use of Company maintained cars.

**36. OPERATING SEGMENTS**

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision maker. The Chief Executive of the Company has been identified as the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive considers the business as a single operating segment as the Company's assets allocation decisions are based on a single, integrated business strategy, and the Company's performance is evaluated on an overall basis.

	2015	2014
<b>37. PLANT CAPACITY AND ACTUAL PRODUCTION</b>		
Installed production capacity 20/s count - yarn in kgs.	14,795,745	14,795,745
Actual production during the year at 20/s count - yarn in Kgs.	7,635,988	9,387,054

Variation between actual and installed capacity is due to power and gas load shedding during the year. Further, it is difficult to describe precisely the production capacity and compare it with actual production in the textile industry since it fluctuates widely depending upon various factors such as count of yarn spun, spindles speeds, twist per inch, raw material used, etc.

**38. NUMBER OF EMPLOYEES**

The total average number of employees during the year and as at June 30, 2015 and 2014 respectively are as follows:

	2015	2014
Average number of employees during the year	<u>985</u>	<u>1040</u>
Number of employees as at June 30	<u>1047</u>	<u>1019</u>

**39. PROVIDENT FUND**

The financial information of the Fund is as follows:

	2015 Rupees (Unaudited)	2014 Rupees (Audited)
a) Size of the fund - Total assets	<u>18,383,629</u>	<u>16,185,996</u>
Cost of investments made	<u>14,612,102</u>	<u>13,551,448</u>
Fair value of investments	<u>14,612,102</u>	<u>13,551,448</u>
Percentage of investments made (%)	<u>79%</u>	<u>84%</u>

	2015		2014	
	Rupees	%	Rupees	%
b) The break-up of fair value of investments is:				
Bank balances	1,335,433	9	781,295	6
Government securities	-	-	-	-
Fixed income securities	3,000,000	21	6,500,000	48
Mutual funds	10,276,669	70	6,270,153	46
	<u>14,612,102</u>	<u>100</u>	<u>13,551,448</u>	<u>100</u>

39.1 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.



**40. FINANCIAL INSTRUMENTS BY CATEGORY**

	2015 Rupees	2014 Rupees
Financial assets as per balance sheet		
Loans and receivables		
Security deposits	35,091,576	34,207,297
Trade debts	429,974,424	423,341,712
Loans and advances	1,068,671	6,056,305
Other receivables	2,345,917	1,014,563
Other financial asset	33,550,710	32,009,710
Cash and bank balances	9,642,394	14,535,342
	<u>511,673,692</u>	<u>511,164,929</u>
Financial liabilities as per balance sheet		
At amortized cost		
Long-term financing		
- from banking companies	-	9,428,523
- from related parties	68,045,303	100,330,001
Liabilities against assets subject to finance lease	130,460,309	119,389,783
Trade and other payables	214,914,843	166,316,782
Interest / mark-up accrued	12,446,560	19,172,191
Short-term borrowings	782,091,973	539,586,737
	<u>1,207,958,988</u>	<u>954,224,017</u>

**41. FINANCIAL RISK MANAGEMENT**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

**41.1 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk of the Company arises principally from the trade debts, security deposits, loans and advances, other financial asset and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:



	2015 Rupees	2014 Rupees
Security deposits	35,091,576	34,207,297
Trade debts	429,974,424	423,341,712
Loans and advances	1,068,671	6,056,305
Other receivables	2,345,917	1,014,563
Other financial asset	33,550,710	32,009,710
Cash and bank balances	9,561,644	14,267,962
	<u>511,592,942</u>	<u>510,897,549</u>

**Trade debts**

The trade debts at year end are primarily due from local customers against local sales. Management assesses the credit quality of customers, taking into account their financial position, past experience and other factors. The Company's exposure to credit risk arising from trade debtors is mainly influenced by the individual characteristics of each customer. The Company has no major concentration of credit risk with any single customer. The Company establishes an allowance for impairment that represents its estimate of incurred losses for overdue balances based on analysis of each customer. The trade debts that are past due but not impaired are disclosed in note 18.4.

**Deposits**

Deposits primarily include deposits given to leasing companies / financial institutions for lease of plant and machinery and vehicles. These deposits are usually adjusted at the end of lease term against the purchase of leased asset.

**Loans and advances**

These include loans and advances given primarily to employees against salaries, which will be adjusted against their future salaries.

**Other financial asset and balances with banks**

The Company deposits its funds and invests in term deposit receipts (other financial assets) with banks carrying good credit standings assessed by reputable credit agencies. These banks are credit rated as follows:

	Short term	Long term
Local banks	A-1+	AAA to AA

**41.2 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or would have difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages liquidity risk by maintaining sufficient cash and bank balances and availability of financing through banking arrangements. The following are the contractual maturities of financial liabilities, including interest payments, excluding the impact of netting agreements:

	June 30, 2015			
	Carrying amount	Contractual maturities	Maturity upto one year	Maturity after one year
	----- Rupees -----			
Long-term financing				
- from related parties	68,045,303	100,330,001	-	100,330,001
Liabilities against assets subject to finance lease	130,460,309	143,280,367	65,084,080	78,196,287
Trade and other payables	214,914,843	214,914,843	214,914,843	-
Interest / markup accrued	12,446,560	12,446,560	12,446,560	-
Short-term borrowings	782,091,973	782,091,973	782,091,973	-
	<u>1,207,958,988</u>	<u>1,253,063,744</u>	<u>1,074,537,456</u>	<u>178,526,288</u>



**June 30, 2014**

	Carrying amount	Contractual maturities	Maturity upto one year	Maturity after one year
	----- Rupees -----			
Long-term financing				
- from banking companies	9,428,523	10,144,148	10,144,148	-
- from related parties	100,330,001	100,330,001	-	100,330,001
Liabilities against assets subject to finance lease	119,389,783	130,847,390	60,156,919	70,690,471
Trade and other payables	166,316,782	174,146,295	174,146,295	-
Interest / markup accrued	19,172,191	19,172,191	19,172,191	-
Short-term borrowings	539,586,737	539,586,737	539,586,737	-
	<u>954,224,017</u>	<u>974,226,762</u>	<u>803,206,290</u>	<u>171,020,472</u>

**41.3 Market risk**

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

**41.3.1 Interest rate risk**

Interest rate risk is 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's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term borrowings, liabilities against assets subject to finance lease, other financial assets and bank balances in saving account.

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

	Carrying Amount	
	2015 Rupees	2014 Rupees
Fixed rate instruments		
Financial assets	<u>33,584,447</u>	<u>32,042,648</u>
Financial liabilities	<u>68,045,303</u>	<u>100,330,001</u>
Variable rate instruments		
Financial liabilities - KIBOR based	<u>912,552,282</u>	<u>668,405,043</u>

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

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rate at the reporting date would not affect profit and loss account.

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

A change of 50 basis points in KIBOR based financial liabilities at the reporting date would have increased / (decreased) equity and profit before tax by Rs. 4.71 million (2014: Rs. 3.34 million). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as in 2014.

**41.4 Fair value of financial assets and liabilities**

The carrying values of financial assets and financial liabilities reported in the financial statements approximate their fair values.



**41.5 Capital risk management**

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to the shareholders or issue bonus / new shares.

The Company is not subject to externally imposed capital requirements.

**42. GENERAL**

**42.1 Non - adjusting event after balance sheet date**

The Board of Directors have proposed a final cash dividend for its shareholders of Re. 0.50 (2014: Re.1/-) per share for the year ended June 30, 2015, amounting to Rs. 2,915,113/- (2014: Rs. 5,830,226/-) in their meeting held on October 05, 2015, for approval by the members of the Company in the Annual General Meeting. These financial statements do not reflect this cash dividend payable, as per the Company's accounting policy disclosed in note 3.18.

**42.2 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on October 05, 2015 by the Board of Directors of the Company.

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

**PATTERN OF SHAREHOLDING**

As on June 30, 2015



NO. OF SHAREHOLDERS	SHARE-HOLDING		TOTAL SHARES HELD
	FROM	TO	
375	1	100	28,513
873	101	500	399,037
111	501	1000	108,900
91	1001	5000	257,989
18	5001	10000	146,700
10	10001	15000	122,950
16	15001	20000	311,400
6	20001	25000	144,500
4	25001	30000	116,085
1	30001	35000	32,500
2	50001	55000	107,547
1	55001	60000	59,000
1	60001	65000	65,000
2	65001	70000	134,970
2	70001	75000	148,400
3	75001	80000	240,000
1	80001	85000	81,500
1	95001	100000	100,000
1	115001	120000	118,500
1	160001	165001	165,000
1	170001	175000	173,900
1	220001	225000	221,300
1	295001	300000	300,000
1	315001	320000	318,643
1	360001	365000	364,980
1	375001	380000	375,588
1	445001	450000	450,000
1	610001	615000	611,700
2	880001	885000	1,762,478
1	965001	970000	968,692
1	1145001	1150000	1,150,000
1	1910001	1915000	1,910,966
1	2510001	2515000	2,512,838
1	4035001	4040000	4,038,424
1535			18,048,000

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
Associated Companies, Undertaking, and Related Parties	1	1,150,000	6.372
Directors, CFO & their Spouse & Minor Children	10	11,047,774	61.213
Joint Stock Companies	4	1,301	0.007
Bank, Development Finance Institutions Insurance Companies, Modarabas	3	169,400	0.939
Individuals	1517	5,679,525	31.469
	1535	18,048,000	100.00

Categories of Shareholders	No. of Shareholders	Shares held	Percentage
<b><u>Associated Companies, Undertaking and Related Parties</u></b>	1		
Mr. Omar Idrees Allawala		1,150,000	6.372
<b><u>Directors, CFO &amp; their Spouse and Minor Children</u></b>	10		
Mr. S. M. Idrees Allawala		500	0.003
Mr. S. M. Mansoor Allawala		1,910,966	10.588
Mr. Kamran Idrees Allawala		2,512,838	13.923
Mr. Naeem Idrees Allawala		4,038,424	22.376
Mr. Rizwan Idrees Allawala		881,239	4.883
Mr. Omair Idrees Allawala		881,239	4.883
Mr. Muhammad Israil		2,000	0.011
Mr. Muhammad Saeed		80,000	0.443
Mrs. Saba Kamran W/o Kamran Idrees Allawala		375,588	2.081
Mrs. Ambreen Mansoor W/o S. M. Mansoor Allawala		364,980	2.022
<b><u>Executive Joint Stock Companies</u></b>	4	1,301	0.007
<b><u>NIT &amp; ICP</u></b>	-	-	-
<b><u>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas &amp; Mutual Funds</u></b>	3	169,400	0.939
<b>Shareholders holding 5% or more voting interest</b>			
Mr. S. M. Mansoor Allawala		1,910,966	10.588
Mr. Kamran Idrees Allawala		2,252,170	12.479
Mr. Naeem Idrees Allawala		3,777,758	20.932
Mr. Omar Idrees Allawala		1,150,000	6.372
Mr. Muhammad Iqbal		968,692	5.367



A MEMBER OF THE



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ALLAWALA GROUP