

# *27<sup>th</sup> Annual Report* *2014*



**Premium Textile Mills Ltd.**



**ANNUAL REPORT 2014**

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## COMPANY INFORMATION

<b>Board of Directors</b>	MR. ABDUL KADER HAJI ADAM MR. MOHAMMED YASIN SIDDIK MR. MOHAMMED ASLAM MR. MOHAMMED ALI AKBANI MR. MOHAMMED TUFAIL MR. GHULAM MOHAMMED SURTI MR. AAMIR AMIN (NIT Nominee)	Chairman/Chief Executive Executive Director Director Director Director Director Director
<b>Chief Financial Officer</b>	MR. GHULAM MOHAMMED SURTI	
<b>Company Secretary</b>	MR. IQBAL CHAPPRA	
<b>Auditor</b>	RAHMAN SARFARAZ RAHIM IQBAL RAFIQ Chartered Accountants	
<b>Audit Committee</b>	MR. MOHAMMED TUFAIL MR. MOHAMMED ASLAM MR. MOHAMMED ALI AKBANI	Chairman Member Member
<b>HR &amp; RC</b>	MR. MOHAMMED ALI AKBANI MR. MOHAMMED ASLAM MR. MOHAMMED TUFAIL	Chairman Member Member
<b>Chief Internal Auditor</b>	MR. ALI RAZA JESSANI	
<b>Bankers</b>	BANK AL-HABIB LIMITED NATIONAL BANK OF PAKISTAN	
<b>Registered Office</b>	1st Floor, Haji Adam Chambers, Altaf Hussain Road, New Challi, Karachi. Phone : 32400405-8 Fax : 32417908 E-mail : premhead@premiumtextile.com	
<b>Factory</b>	Plot 60-61 & 76-77, Main Super Highway, Nooriabad, Distt. Dadu (Sindh), Pakistan. Phone: (025) 4670181,4670228,4670047	
<b>Share Registry</b>	TECHNOLOGY TRADE(PVT)LTD. Dagia House, 241-C, Block-2, P.E.CH.S. Off: Shahrah-e-Qaideen, Karachi. Phone: 34391316-7 & 19	
<b>U R L</b>	<a href="http://www.premiumtextile.com">www.premiumtextile.com</a>	



## **VISION STATEMENT**

At Premium Textile Mills Ltd we envisage ourselves as a leading company in the manufacturing of value added yarn. Our relentless endeavors are directed to make our customers view Premium as a reliable brand that gets to the future first.

## **MISSION STATEMENT**

Our mission is to manage and operate the company in a manner that allows continued growth and profitability without high risk for investors. We do this by offering quality products to our customers, by constantly striving to improve our product to meet our customer's needs and by trying to keep abreast of the new developments taking place in the textile world.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 27th Annual General Meeting of the Shareholders of **PREMIUM TEXTILE MILLS LIMITED** will be held on **Thursday the 23rd October, 2014 at 11:30 a.m.** at Registered Office 1st Floor, Haji Adam Chambers, Altaf Hussain Road, Karachi, to transact the following business:

1. To confirm minutes of the 26th Annual General Meeting held on October 21, 2013.
2. To receive, consider and adopt the Report of Directors, Auditors and Audited Accounts of the Company for the year ended 30th June, 2014.
3. To approve the payment of dividend @ 35 % (i.e.Rs.3.5 per share) as recommended by the Board of Directors.
4. To appoint Auditors for the next year 2014-2015 and fix their remuneration.
5. To transact any other business with the permission of the Chair.

*By order of the Board of Directors*

**YASIN SIDDIK**  
*Executive Director*

Karachi:  
The 22nd September, 2014

### NOTES:

1. The Share Transfer Books of the Company will remain closed from 17th October 2014 to 23rd October 2014 (both days inclusive).
2. A member entitled to attend, speak and vote at the Annual General Meeting may appoint another member as his/her proxy in order to be effective must be received at Registered Office of the Company not less than 48 hours before the meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her Original CNIC or Passport to prove his/her identity and in case of Proxy must enclose additionally an attested copy of his/her CNIC or Passport, Representatives of corporate members should bring the usual documents required for such purpose.
4. Shareholders are requested to promptly notify the Company of any change in their address, if any.

## CHAIRMAN/DIRECTORS' REPORT

Dear Shareholders,

The Directors have pleasure in presenting to you the 27th Annual Report together with the audited accounts of the company for the year ended, **30th June, 2014** for your consideration and approval.

### OPERATING RESULT

The comparative financial results are as follows:

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
Operating Profit	521,126,832	690,472,633
Financial & others	<u>(470,397,949)</u>	<u>(182,025,557)</u>
<b>Profit before taxation</b>	50,728,883	508,447,076
Taxation	<u>16,130,052</u>	<u>(15,246,803)</u>
<b>Profit after Taxation</b>	<u>66,858,935</u>	<u>493,200,273</u>
Earning per Share	10.85	80.03
G.P %	9.51	16.38
O.P %	7.22	14.00

The net sale during the year under review amounted to Rs.7,212 Million as compared to Rs.4,932 Million last year showing increase of 46 % mainly due to increase in production capacity by 23 % and better selling prices in the local as well export markets upto 3rd quarter. The last quarter saw a sharp decline in selling prices and also during the last quarter there was a 7 to 8% revaluation in the value of PKR as a consequence of which the actual realization of the \$ value came to Rs.97 whereas at the time making the sale, the \$ value was calculated @ 107/108 to a dollar. Whereas, financial cost was also high due to additional procurement of raw material for additional capacity & also we had to take a loss on the Inventory of imported cotton as the market adjusted to the new cotton prices which are now much lower as compared to the last season as the world embraces for a Bumper Cotton crop and shift in the Stockpiling Policy of the Chinese Government

### ADDITION OF FIXED ASSETS

During the year under review following assets have been added.

<b>BUILDING</b>	Rs. 357.96	million
<b>MACHINERY</b>		
Generator CG-260-12	Rs. 161.48	million
21-Spindle Frame & invertors	Rs. 77.43	million
03-MurataCone winder	Rs. 78.32	million
Blow Room	Rs. 18.17	million
Argus Spark Diverter	Rs. 17.86	million
Auto Bale Plucker & Waste Opener	Rs. 06.99	million
Central Humudification Plant	Rs. 24.30	million
Draw Frame,Simplex & 5-Fly Frames	Rs. 64.19	million
Fire Sprinkler	Rs. 06.09	million
Count Analyser ,Waste Recycle & Air receiving Tank	Rs. 02.60	million
LED Tubes	Rs. 02.20	million
Bobbin Hangers,Sliver Cans & Others	Rs. 58.89	million
CCTV Camera & Yarn strength	Rs. 02.15	million
<b>VEHICLE</b>	Rs. 13.00	million
<b>OFFICE &amp; COMPUTER EQUIPMENT</b>	Rs. 00.69	million

## FUTURE OUTLOOK

The future outlook for the Company looks good, as now we have a larger production capacity as a result of the expansion which is now completed and on line. We have consumed major portion of the more expensive cotton inventory and are starting to buy cotton at new and lower rates to improve the cotton cost average.

Your company is also working on decreasing energy cost by installing new improved motors and FRP fans which are more cost effective and also replacing the light fixtures with LED options.

## CORPORATE & FINANCIAL REPORTING FRAME WORK

Your company is committed to standards of corporate governance and continually seeking improvements. The company applies the principles contained in the Code in the following manner:

- a) The financial statements, prepared by the company, fairly presents its state of affairs in operations, cash flows and changes in equity.
- b) Proper books of account have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. of financial statements and any deviation has been adequately disclosed
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There has been no deviation from the best practices of corporate governance, as mentioned in the listing regulations.
- g) The Company's record shows growth in terms of quantity and sales of value added yarn as per plan keeping in view future prospects regarding sales, the company has improved its production performance by making capital expenditure in different departments of the mill. This was done in line with the company's objective of providing quality products and value added yarn.

## **Premium Textile Mills Ltd.**

- h) During the year under review, four Board of Directors meetings were held and attended as follows:

<b>Name of Directors</b>	<b>No. of Meetings Attend</b>
01- Mr.Abdul Kadir Adam	3
02- Mr.M.Yasin Siddik	3
03- Mr.Tufail Sattar	4
04- Mr.M.Ali Akbani	3
05- Mr.G.M.Surti	4
06- Mr.Aslam Parekh	4
07- Mr.Aamir Amin (N.I.T)	3

(However, leave of absence was granted to the Directors who could not attend the Board Meetings due to their preoccupations).

- i) During the year under review, trading in shares of the Company by the Directors, CEO and their spouses are as follows:

	<b>Opening Balance 01-07-2013</b>	<b>Purchase</b>	<b>Sale</b>	<b>Closing Balance 30-06-2014</b>
Mr. Abdul Kadir Adam	83,986	-	-	83,986
Mr. Yasin Siddik	284,075	-	-	284,075
Mrs. Nabila Kadir (W/o Kadir Adam)	35,400	-	-	35,400
Mrs. Nabila Yasin (W/o Yasin Siddik)	120,000	-	-	120,000

### **AUDIT COMMITTEE**

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee and the following Directors are its members:

Mr. Mohammad Tufail	Chairman
Mr. Mohammad Ali Akbani	Member
Mr. Mohammad Aslam Parekh	Member

### **HUMAN RESOURCES & REMUNERATION COMMITTEE (HR & RC):**

Mr. Mohammad Ali Akbani	Chairman
Mr. Aslam Parekh	Member
Mr. Mohammad Tufail	Member

## **AUDITORS**

The present auditors of the Company M/s. Rahman Sarfaraz Rahim Iqbal Rafiq (Chartered Accountants) retire and being eligible, offer themselves for reappointment as Auditor for the ensuing year.

## **PATTERN OF SHAREHOLDING**

The pattern of share holding of the company as at June 30, 2014 is annexed.

## **ACKNOWLEDGEMENT**

The Board is pleased to record its appreciation to its bankers for their continued support, its staff member and workers for their hard work. The Board appreciates the valued share holders for their confidence & moral support. The Board also thanks its valued customers for their business and support to your Company.

On behalf of Board of Directors

**YASIN SIDDIK**  
Executive Director

Karachi:  
The 22nd September, 2014

## KEY OPERATING AND FINANCIAL RESULTS

	2014	2013	2012	2011	(Rupees in '000)	
					2010	2009
<b>OPERATING DATA</b>						
Sales (net)	7212829	4932271	4136399	4645118	3209472	2113500
Cost of Goods Sold	6526785	4124263	3677932	4088940	2706750	1899248
Gross Profit	686044	808008	458467	556178	502722	214252
Operating Profit	521127	690473	374283	476695	447018	173319
Financial charges & others	470398	182026	134586	197726	181583	171044
Profit /(Loss) before taxation	50729	508447	239697	278969	265435	2276
Profit /(Loss) after taxation	66859	493200	194159	242720	191548	2845
<b>FINANCIAL DATA</b>						
Shareholders equity	1208942	1223279	769939	608578	395308	206852
Surplus on revaluation of Plant & Machinery	7486	8847	9830	11047	12413	13944
Long term liabilities	700000	0	0	0	105000	248184
Deferred liabilities	52189	45642	71404	68759	80010	43137
Current liabilities	2685433	2817346	950245	1177324	864564	896671
	<b>4654050</b>	<b>4095115</b>	<b>1801419</b>	<b>1865708</b>	<b>1457295</b>	<b>1408787</b>
Fixed Assets	1841389	1458731	722621	640470	571982	586675
Long Term Deposit	1504	1191	1191	1191	843	853
Long Term Investment	1966	1966	1825	0	0	0
Current Assets	2809192	2633227	1075782	1224047	884470	821259
	<b>4654050</b>	<b>4095115</b>	<b>1801419</b>	<b>1865708</b>	<b>1457295</b>	<b>1408787</b>
<b>KEY RATIOS</b>						
Gross Margin	9.51%	16.38%	11.08%	11.97%	15.66%	10.14%
Operating Margin	7.22%	14.00%	9.05%	10.26%	13.93%	8.20%
Net Profit	0.93%	10.00%	4.69%	5.23%	5.97%	0.13%
Current Ratio	1.05	0.93	1.13	1.04	1.03	0.93
Earning Per Share (Rupees)	10.85	80.03	31.50	39.38	31.08	0.46
Break-up value of shares	Rs. 196.16	Rs. 198.49	Rs. 124.93	Rs. 98.75	Rs. 64.14	Rs. 33.56
Cash Dividend %	35.00%	125.00%	60.00%	55.00%	50.00%	7.50%
<b>STATISTICS</b>						
Spindles Installed	61260	47263	43716	41136	41136	41136
Spindles Worked	57718	45104	42253	40498	41097	38324
Production Capacity Conversion 20/s in Kgs.	20861356	16094846	14886958	14008370	14008370	13469586
Actual Production Conversion 20/s in Kgs.	19655151	15085312	14096368	13790986	13994991	12809235

**PATTERN OF HOLDING OF SHARES  
AS AT JUNE 30, 2014**

NO OF SHARES HOLDERS	SHARES HOLDING		TOTAL SHARES HOLD
589	Shareholding From 1	To 100	42,740
100	Shareholding From 101	To 500	31,903
41	Shareholding From 501	To 1000	37,485
45	Shareholding From 1001	To 5000	114,301
9	Shareholding From 5001	To 10000	80,600
9	Shareholding From 10001	To 15000	113,450
2	Shareholding From 15001	To 20000	36,700
2	Shareholding From 30001	To 35000	65,700
1	Shareholding From 55001	To 60000	56,500
1	Shareholding From 65001	To 70000	69,086
2	Shareholding From 70001	To 75000	149,010
1	Shareholding From 90001	To 95000	90,700
4	Shareholding From 110001	To 115000	442,800
1	Shareholding From 115001	To 120000	120,000
1	Shareholding From 165001	To 170000	167,389
1	Shareholding From 240001	To 245000	240,523
1	Shareholding From 280001	To 285000	284,075
1	Shareholding From 400001	To 405000	404,250
1	Shareholding From 805001	To 810000	809,523
1	Shareholding From 2805001	To 2810000	2,806,265
<b>813</b>			<b>6,163,000</b>

**Detail of Categories of Shareholders  
As at June 30, 2014**

Shareholders' Category	No. of Share Holders	% Percentage
<b>BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.</b>		
NATIONAL BANK OF PAKISTAN	455	
NATIONAL BANK OF PAKISTAN	167,389	
<b>Sub-Total :</b>	<b>167,844</b>	<b>2.72</b>
<b>DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN</b>		
MR.ABDUL KADER HAJI ADAM	CHIEF EXECUTIVE	83,986
MR MOHAMMAD YASIN SIDDIK	EXECUTIVE DIRECTOR	284,075
MR.MUHAMMAD ASLAM PAREKH	DIRECTOR	11,600
MR.GHULAM MOHAMMAD	DIRECTOR	3,000
MR.MOHAMMAD ALI AKBANI	DIRECTOR	3,000
MR.TUFAIL SATTAR	DIRECTOR	3,000
MRS.NABILA KADER	W/O.KADER ADAM	35,400
MRS. NABILA YASIN	W/O.YASIN SIDDIK	120,000
MR.ZAID YASIN	S/O YASIN SIDDIK	10,000
MS. SAADIA YASIN	D/O.YASIN SIDDIK	10,000
<b>Sub-Total :</b>	<b>564,061</b>	<b>9.15</b>
<b>NIT AND ICP</b>		
INVESTMENT CORP. OF PAKISTAN	500	
<b>Sub-Total :</b>	<b>500</b>	<b>0.01</b>
<b>OTHERS</b>		
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT)	809,523	
FIKREE'S (SMC -PVT) LTD.	380	
Y.H. SECURITIES (PVT.) LTD.	75,000	
128 SECURITIES (PVT) LTD.	115	
NCC - PRE SETTLEMENT DELIVERY ACCOUNT	1,800	
UHF CONSULTING (PRIVATE) LIMITED	102	
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BE	2,597	
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYE	74,010	
TRUSTEES OF ABDUL KADIR ADAM BENEFICIARY	2,806,265	
TRUSTEES OF NABILA AND ABDUL KADIR ADAM	240,523	
RAHMAT INVESTMENT COMPANY (PVT) LTD	404,250	
PAKISTAN MEMON EDUCATIONAL & WELFARE SOC	3,000	
MOOSANI SECURITIES (PVT) LTD.	3,000	
TREET CORPORATION LIMITED	1,800	
MUHAMMAD AHMAD NADEEM SEC(SMC -PVT)LTD (I	500	
FREEDOM ENTERPRISES (PVT) LTD	1,000	
M/S ABDUL KADIR ADAM BENEFICIARY TRUST	5,000	
<b>Sub-Total :</b>	<b>4,428,865</b>	<b>71.86</b>
<b>Individual</b>		
Local - Individuals	1,001,730	
<b>Sub-Total :</b>	<b>1,001,730</b>	<b>16.26</b>
<b>G-Total :</b>	<b>6,163,000</b>	<b>100.00</b>



## *Premium Textile Mills Ltd.*

### **STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE (See clause XL)**

Name of Company : PREMIUM TEXTILE MILLS LIMITED  
Year ended : June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of **Karachi Stock Exchange Ltd.**, 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 principle contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors including director representing minority interests on its Board of Directors. At present the Board includes one independent director representing NIT, four non-executive directors and two executive directors.
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 any NBFIs or, being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the board during the financial year 2013-2014.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all concerned.
6. The company has prepared a "Code of Conduct" and has been disseminated throughout the company along with its supporting policies and procedures.
7. The Board has developed vision and mission statement, overall corporate strategy and significant policies of the Company, which have been approved by the board in its meeting. A complete record of particulars of significant policies along-with the dates on which they were approved or amended has been maintained.
8. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

## *Premium Textile Mills Ltd.*

10. The Board arranges orientation courses for its directors as and when needed to apprise them of their duties and responsibilities. The incoming directors are also provided with appropriate briefing and orientation material to enable them firsthand Knowledge on the working of the company.
11. Directors of company have 14 years of education and 15 years of experience on the board of a listed company due to which they are exempted from having certification under any directors' training program offered by local institution or foreign institution that meet the criteria specified by the SECP.
12. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
13. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
14. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
15. 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.
16. The Company has complied with all the corporate and financial reporting requirements of the Code.
17. The Board has formed an audit committee. It comprises three members, of whom all are non-executive directors. The chairman of Audit Committee is independent director who is not the chairman of the board.
18. The meeting of the audit committee was held in every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have formed and advised to the committee for compliance.
19. The Board has formed HR and Remuneration committee. It comprises three members, of whom two are non-executive directors and the Chairman of the Committee is an independent director.
20. The Board has set-up an inter audit function, which are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they (or their representatives) are involved in internal audit function.
21. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programmed of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.
22. The statutory auditors or the person's associates with them have not been appointment 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.
23. The closed period prior to the announcement of interim/final results, and business decisions, which may have material affect on the market price of company's securities was determined and intimated to directors, employees and stock exchange.
24. No such material / price sensitive information existed which should be disseminated among all market participants at once through stock exchange.
25. We confirm that all other material principles contained in the Code have been complied with.

**On behalf of the Board of Directors**

**YASIN SIDDIK**  
Executive Director

**Karachi:**  
**the 22nd September, 2014**

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Premium Textile Mills Limited** for the year ended **June 30, 2014** to comply with the requirements of Listing Regulation No(s) 35 (Chapter XI) of the Karachi Stock Exchange Limited, where the Company is listed.

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

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

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

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

Karachi.

Date: 22nd September, 2014

**Rahman Sarfaraz Rahim Iqbal Rafiq**  
Chartered Accountants  
**Muhammad Rafiq Dosani**

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Premium Textile Mills Limited** ("the Company") as at **June 30, 2014**, and the related profit & loss account, statement of comprehensive income, statement of changes in equity and cash flow statement 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 the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts 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 & loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at **June 30, 2014**, and of the **Profit**, total comprehensive income, its changes in equity and cash flows for the year then 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.

Karachi.

Date: 22nd September, 2014

**Rahman Sarfaraz Rahim Iqbal Rafiq**  
Chartered Accountants

**Muhammad Rafiq Dosani**

**BALANCE SHEET  
AS AT JUNE 30, 2014**

		2014 Rupees	2013 Rupees Re-stated	2012 Rupees Re-stated
<b>Non - Current Assets</b>				
Property, plant and equipment	4	1,841,388,819	1,458,730,946	722,620,974
Long term deposits		1,504,100	1,191,100	1,191,100
Long term investment	5	1,965,854	1,965,854	1,825,000
<b>Current Assets</b>				
Stores and spares	6	45,785,782	38,777,608	30,494,689
Stock in trade	7	1,434,905,802	1,678,027,253	651,254,381
Trade debts - considered good	8	1,123,869,836	812,550,533	354,972,341
Taxation - net	9	134,647,295	41,469,335	3,067,938
Advances, deposits, prepayments and other receivables	10	56,180,948	57,596,129	32,921,037
Cash and bank balances	11	13,774,943	4,806,205	3,071,389
		<u>2,809,191,606</u>	<u>2,633,227,063</u>	<u>1,075,781,775</u>
		<u>4,654,050,379</u>	<u>4,095,114,963</u>	<u>1,801,418,849</u>
<b>Share Capital and Reserves</b>				
<b>Authorized Capital</b>				
7,000,000 (2012: 7,000,000) ordinary shares of Rs. 10/- each		<u>70,000,000</u>	<u>70,000,000</u>	<u>70,000,000</u>
Issued, subscribed and paid up capital				
6,163,000 (2012: 6,163,000) ordinary shares of Rs. 10/- each fully paid in cash		61,630,000	61,630,000	61,630,000
Unappropriated profit		1,147,311,981	1,161,649,372	708,309,066
		1,208,941,981	1,223,279,372	769,939,066
Surplus on revaluation of Property, plant and equipment - net of tax	12	7,486,220	8,847,351	9,830,390
<b>Non - Current Liabilities</b>				
Long term loan	13	700,000,000	-	-
Deferred liabilities	14	52,189,370	45,642,094	71,403,957
<b>Current liabilities</b>				
Loan from directors	15	40,000,000	40,000,000	40,000,000
Trade and other payables	16	256,949,139	222,184,510	144,598,614
Short term borrowing - secured	17	2,307,746,309	2,492,368,972	741,559,000
Accrued markup		80,737,360	62,792,664	24,087,822
		2,685,432,808	2,817,346,146	950,245,436
<b>Contingencies and commitments</b>	18	-	-	-
		<u>4,654,050,379</u>	<u>4,095,114,963</u>	<u>1,801,418,849</u>

*The annexed notes from 1 to 36 form an integral part of these financial statements.*

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

		<u>2014</u> <u>Rupees</u>	<u>2013</u> <u>Rupees</u>
Sales - net	19	7,212,829,001	4,932,270,872
Cost of sales	20	<u>(6,526,784,604)</u>	<u>(4,124,262,626)</u>
<b>Gross profit</b>		<b>686,044,397</b>	<b>808,008,246</b>
<b>Operating expenses</b>			
Administrative expenses	21	<u>(61,710,023)</u>	<u>(52,420,717)</u>
Distribution costs	22	<u>(103,207,542)</u>	<u>(65,114,896)</u>
		<u>(164,917,565)</u>	<u>(117,535,613)</u>
<b>Operating profit</b>		<b>521,126,832</b>	<b>690,472,633</b>
Finance costs	23	<u>(341,284,316)</u>	<u>(164,587,581)</u>
Other operating expenses	24	<u>(8,552,990)</u>	<u>(37,682,973)</u>
Other income	25	<u>(120,560,643)</u>	<u>20,244,997</u>
		<u>(470,397,949)</u>	<u>(182,025,557)</u>
<b>Profit before taxation</b>		<b>50,728,883</b>	<b>508,447,076</b>
Taxation			
- Current	26	<u>16,130,052</u>	<u>(42,814,319)</u>
- Deferred		<u>-</u>	<u>27,567,516</u>
		<u>16,130,052</u>	<u>(15,246,803)</u>
<b>Profit after taxation</b>	27	<u><u>66,858,935</u></u>	<u><u>493,200,273</u></u>
<b>Earnings per share - basic and diluted</b>		<u><u>10.85</u></u>	<u><u>80.03</u></u>

The annexed notes from 1 to 36 form an integral part of these financial statements.

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CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR

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

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Profit before taxation	50,728,883	508,447,076
<b>Adjustments for non cash and other items:</b>		
Depreciation	161,622,806	86,960,428
Gain on disposal of property, plant and equipment	26,237	(3,425,175)
Provision for gratuity	9,424,758	5,932,693
Contribution to Workers' Profit Participation Fund	2,964,094	27,306,502
Contribution to Workers' Welfare Fund	5,588,896	10,376,471
Exchange gain on Debtors	-	(16,678,968)
Gain on long term Investments	-	(140,854)
Finance cost	341,284,316	164,587,581
	<u>520,911,107</u>	<u>274,918,678</u>
<b>Operating cash flows before working capital changes</b>	<b>571,639,990</b>	<b>783,365,754</b>
<b>Changes in working capital</b>		
<b>Decrease / (increase) in current assets</b>		
Stores and spares	(7,008,174)	(8,282,919)
Stock in trade	243,121,451	(1,026,772,872)
Trade debtors	(311,346,303)	(440,899,224)
Advances, deposits, prepayments and other receivables	1,415,181	(24,675,092)
<b>Increase in current liability</b>		
Trade and other payables	63,894,624	57,667,761
	<u>(9,923,221)</u>	<u>(1,442,962,346)</u>
	<b>561,716,769</b>	<b>(659,596,592)</b>
Taxes paid	(77,047,907)	(81,215,716)
Gratuity paid	(8,397,439)	(7,992,046)
Payment of WPPF and WWF	(37,682,985)	(17,764,838)
Finance cost paid	(323,339,621)	(125,882,739)
<b>Net cash generated from / (used in) operating activities</b>	<b>115,248,817</b>	<b>(892,451,931)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Long term deposit	(313,000)	-
Proceeds from sale of property, plant and equipment	23,500	4,520,600
Capital expenditure	(544,330,416)	(824,165,825)
<b>Net cash used in investing activities</b>	<b>(544,619,916)</b>	<b>(819,645,225)</b>

	<u>2014</u> <u>Rupees</u>	<u>2013</u> <u>Rupees</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(77,037,500)	(36,978,000)
Long term loan	700,000,000	-
<b>Net cash generated from/ used in financing activities</b>	<b>622,962,500</b>	<b>(36,978,000)</b>
Net increase / (decrease) in cash and cash equivalents	193,591,401	(1,749,075,156)
Cash and cash equivalents at the beginning of the year	(2,487,562,767)	(738,487,611)
Cash and cash equivalents at the end of the year	<u>(2,293,971,366)</u>	<u>(2,487,562,767)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balance	11      13,774,943	4,806,205
Short term borrowing	17      (2,307,746,309)	(2,492,368,972)
	<u>(2,293,971,366)</u>	<u>(2,487,562,767)</u>

*The annexed notes from 1 to 36 form an integral part of these financial statements.*

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CHIEF EXECUTIVE

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DIRECTOR

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

	<i>Note</i>	<u>2014 Rupees</u>	<u>2013 Rupees</u>
Profit after taxation		66,858,935	493,200,273
<b>Other comprehensive Income</b>			
Surplus on revaluation of property, plant and equipment realized during the period on account of incremental depreciation- net of tax		1,361,131	983,039
Actuarial Losses on Defined Benefit Obligation-net of tax		<u>(5,519,957)</u>	<u>(3,865,007)</u>
Total comprehensive income for the year		<u><u>62,700,109</u></u>	<u><u>490,318,306</u></u>

*The annexed notes from 1 to 36 form an integral part of these financial statements.*

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CHIEF EXECUTIVE

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DIRECTOR

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

	Share Capital	Unappropriated Profit	Total
Balance as at July 1, 2012	61,630,000	708,427,651	770,057,651
Impact of change in accounting policy (Note 3.9.1)	-	(118,585)	(118,585)
Restated balance as at July 01, 2012	<u>61,630,000</u>	<u>708,309,066</u>	<u>769,939,066</u>
Total comprehensive Income for the year	-	490,318,306	490,318,306
Final cash dividend paid @ 60%	-	(36,978,000)	(36,978,000)
<b>Balance as at June 30, 2013</b>	<u><b>61,630,000</b></u>	<u><b>1,161,649,372</b></u>	<u><b>1,223,279,372</b></u>
.Balance as at July 1, 2013	61,630,000	<b>1,161,649,372</b>	<b>1,223,279,372</b>
Total comprehensive Income for the year	-	62,700,109	62,700,109
Final cash dividend paid @ 125%	-	(77,037,500)	(77,037,500)
<b>Balance as at June 30, 2014</b>	<u><b>61,630,000</b></u>	<u><b>1,147,311,981</b></u>	<u><b>1,208,941,981</b></u>

*The annexed notes from 1 to 36 form an integral part of these financial statements.*

CHIEF EXECUTIVE

DIRECTOR

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

Premium Textile Mills Limited ("the Company") was incorporated in Pakistan in 1987 and is quoted on the Karachi Stock Exchange (Gurantee) Limited. The Company is engaged in the business of manufacturing and sale of cotton and polyester yarn. The registered office of the company is situated at 1st floor, Haji Adam Chamber, Altaf Hussain Road, New Challi, Karachi.

**2 BASIS OF PREPARATION**

**2.1 Statement of Compliance**

These financial statements have been prepared in accordance with requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance, or the directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or of the said directives have been followed.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention except certain property, plant and equipment carried at revalued amounts and certain employee retirement benefits carried at present value.

**2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees which is the functional and presentation currency of the Company.

**2.4 Use of estimates and judgments**

The preparation of the financial statements in conformity with approved accounting standards requires the management to make the 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 results of which form the basis of making 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. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision

	<b>Note</b>
a) Residual values and useful lives of items of property, plant and equipment	<b>3.1</b>
b) Provision for obsolete inventory	<b>3.3</b>
c) Provision of slow moving and obsolete stores and spares	<b>3.4</b>
d) Provision for staff retirement benefits	<b>3.9</b>
e) Provision for taxation	<b>3.10</b>

## **Premium Textile Mills Ltd.**

### **2.5 Amendments / interpretation to existing standard and forthcoming requirements**

#### **a) standard, amendments or interpretations which became effective during the year**

Standards, amendments to published standards and interpretations that are effective in year beginning from July 01, 2013 and are relevant to the company:

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

**-IAS 16 Property, Plant and Equipment** is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. Applicable to annual periods beginning on or after January 1, 2013.

**-IAS 28 "Investments in Associates and Joint Ventures**, applicable to annual reporting periods beginning on or after January 1, 2013.

**-IAS 32 Financial Instruments: Presentation** - Applicable to annual periods beginning on or after 1 January 2013, is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.

**-IFRS 12, 'Disclosure of interests in other entities'**, effective for annual periods beginning on or after January 1, 2013.

**-IFRS 13, 'Fair value measurement'**, effective for annual periods beginning on or after January 1, 2013

**-IAS 19 (revised) 'Employee Benefits'** has eliminated the corridor approach and requires to calculate finance cost on net funding bases. The Company has applied this change in accounting policy retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded unrecognized actuarial losses net of taxes associated with retirement benefit plan by adjusting the opening balance of unappropriated profit and retirement benefit for the prior years presented.

#### **b) New / revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective:**

**-IFRIC 21- Levies** 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.

**-Amendments to IAS 27 'Separate Financial Statements'** (effective for annual period beginning on or after 1 January 2016). The amendments to IAS 27 allow entities to use equity method to account for its investment in subsidiaries, joint ventures and associates in the Separate Financial Statements. Management is currently evaluating the implication of the amendment.

**-Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)** – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company's financial statements.

Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

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

IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

## **Premium Textile Mills Ltd.**

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These are not expected to have any impact other than increased disclosures.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- Securities and Exchange Commission of Pakistan (SECP) vide SRO 633(1)/2014 dated 10th July 2014 has approved the below IFRSs:

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of interests in other entities'
- IFRS 13 'Fair Value Measurement'

### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Property, plant and equipment**

These are stated at cost less accumulated depreciation and impairment loss, if any, except Plant and machinery which are stated at revalued amount less accumulated depreciation and impairment loss, if any. Depreciation is charged to profit & loss account applying the reducing balance method whereby the cost or revalued amount of an asset is written off over its useful life at the rates specified in note 4 to the financial statements. Depreciation on additions is charged from the quarter in which an asset is put to use and full depreciation is charged in the quarter in which asset is disposed.

Capital work - in - progress is stated at cost less accumulated impairment losses, if any. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work - in - progress. These are transferred to specified assets as and when assets are available for use.

Any surplus arising on revaluation of plant and machinery 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 fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of plant and machinery (net of deferred taxation) is transferred directly to retained earning / unappropriated profit.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposal of assets, if any, are taken to the profit and loss account.

The assets' residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property and equipment as at 30 June 2013 did not require any adjustment as its impact is considered insignificant.

An item of property, plant and equipments is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year in which the asset is derecognized.

### **3.2 Impairment of non - financial assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceed their recoverable amount, an impairment loss is recognized in the profit and loss account.

### **3.3 Stock in trade**

Raw materials are valued at average cost and finished goods are valued at lower of average cost and net realizable value.

Work-in-process is valued at average cost of raw materials including a proportionate of manufacturing overheads.

Waste materials are stated at net realizable value and raw material in transit is valued at invoice value plus other charges paid thereon.

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

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding there future usability.

### **3.4 Stores and spares**

Stores, spares and loose tools excluding items in transit are valued at lower of average cost and net realizable value. Provision is made for slow moving and obsolete items.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date.

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

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding there future usability.

### **3.5 Trade and other receivables**

Trade and other receivables are carried at original invoice amount / cost, which is the fair value of the consideration to be received, less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balance considered bad and irrevocable are written off.

### **3.6 Cash and cash equivalents**

Cash in hand and at banks, short term bank deposits and short term running finances, if any, are carried at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and deposits in bank, net of short term running finances ( if any ) that are highly liquid in nature, readily convertible into known amounts of cash and subject to insignificant risks of changes in value.

### 3.7 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts and other receivables, cash and bank balances, trade and other payables, long term loan, accrued mark-up on short term finance and short term borrowings.

#### - Financial assets

The Company classifies its financial assets in held to maturity, fair value through profit and loss, and available-for-sale categories. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

##### (a) Held-to-maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold till maturity.

##### (b) Fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. There were no financial assets at fair value through profit or loss on the balance sheet date.

##### (c) Available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the right to receive the cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownerships.

Fair value of available-for-sale investments are determined on the basis of rates notified by Mutual Fund Association of Pakistan for debt securities, relevant redemption prices for the open-end mutual funds, or PKRV sheets.

Available-for-sale financial assets are subsequently carried at fair value with changes in fair value recognised in other comprehensive income until derecognised or impaired. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustment recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Company's right to receive the dividends is established.

The Company assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and is recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

The Company follows trade date accounting for regular way purchase and sales of securities.

## Premium Textile Mills Ltd.

### Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instruments. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

### 3.8 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are off set and the net amount is reported in the balance sheet only when the Company has a legally enforceable right to offset the recognised amount and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 3.9 Staff Retirement Benefits

The main features of the schemes operated by the company for its employees are as follows:

#### 3.9.1 Defined benefit plan

IAS 19 (Revised) 'Employee Benefits' amends the accounting for the employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on defined benefit obligation and the expected return on plan assets with a net interest cost / (income) at discount rate measured at the beginning of the year. Further the standard requires all unrecognised actuarial gains / losses to be recognised in the current period immediately eliminating the corridor approach as previously defined with a charge to other comprehensive income in the period in which they occur, which are not later classified to profit and loss account. Thus has been applied retrospectively in accordance with the transitional provisions of the standard and comparative figures have been restated. The effect of the adoption of IAS 19 (revised) has been summarised below:

Effects of change in accounting policy are as follows:

	June 30, 2013	June 30, 2012
Effect on balance sheet:	Rupees	
<b>Unappropriated Profit</b>		
As previously reported	1,165,632,963	708,427,651
Effect of change in accounting policy	(3,983,591)	(118,585)
As restated	<u>1,161,649,372</u>	<u>708,309,066</u>
<b>Deferred Liabilities</b>		
As previously reported	41,658,503	71,285,372
Effect of change in accounting policy	3,983,591	118,585
As restated	<u>45,642,094</u>	<u>71,403,957</u>

### 3.10 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

#### Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date or minimum or turnover tax under Income Tax Ordinance, 2001, whichever is higher and any adjustment to tax payable in respect of previous years.

#### Deferred

Deferred tax is recognised using balance sheet liability method, providing for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

## Premium Textile Mills Ltd.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### 3.11 Provisions

Provision is recognized when, as a result of past event, the company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Subsequently, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 3.12 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognised on the following basis:

- Sales revenue is recognized on dispatch of goods to customers.
- Rebate income is recognized on accrual basis.
- Markup / interest income is recognized on a time proportion basis that takes into account the effective yield.

### 3.13 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset are capitalized as a part of the cost of that asset. Borrowing costs includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

### 3.14 Foreign currency transaction and translation

Foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates. Non-monetary assets are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in income currently.

### 3.15 Related party transactions

Transactions with related parties are carried out on commercial terms and conditions.

	Note	2014	2013
		Rupees	
<b>4</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	Operating fixed assets	1,815,678,404	1,085,033,429
	Capital work in process	25,710,415	373,697,517
		<u>1,841,388,819</u>	<u>1,458,730,946</u>

# Premium Textile Mills Ltd.



## 4.1 Operating fixed assets

	Free hold Land	Building and godown on Free hold land	Plant and Machinery	Office, tools fire fighting and laboratory equipments	Furniture & fixture	Computer & allied equipments	Vehicles	Electrical Instruments and installations	Arms and Ammunition	Total
<b>As at July 1, 2012</b>										
Cost	7,188,261	253,625,610	774,422,661	11,950,237	9,895,064	3,777,427	54,061,892	168,429,169	37,150	1,283,387,701
Accumulated depreciation	-	(134,957,832)	(408,303,454)	(4,345,627)	(6,688,193)	(3,429,739)	(25,206,117)	(50,667,514)	(32,863)	(633,631,339)
Net book value	7,188,261	118,667,778	366,119,437	7,604,610	3,206,871	347,688	28,855,775	117,761,655	4,287	649,756,362
<b>Year ended June 30, 2013</b>										
Opening net book value	7,188,261	118,667,778	366,119,437	7,604,610	3,206,871	347,688	28,855,775	117,761,655	4,287	649,756,362
Additions / transfers during the year	6,527,613	8,318,317	396,314,226	133,010	855,100	431,450	6,988,955	103,764,249	-	523,332,920
Disposals / transfers	-	-	-	-	-	(1,076,321)	(2,995,046)	-	-	(4,366,238)
Cost	(294,871)	-	-	-	-	1,059,840	2,200,973	-	-	3,270,813
Accumulated depreciation	-	-	-	-	-	(6,481)	(794,073)	-	-	(1,095,425)
Net book value	(294,871)	(11,705,459)	(53,124,726)	(738,984)	(363,822)	(169,526)	(5,868,751)	(14,989,745)	(413)	(86,960,428)
Depreciation for the year	-	-	-	-	-	604,131	29,181,906	206,536,159	3,874	1,085,033,429
Closing net book value	13,421,003	115,280,636	709,308,935	6,998,636	3,698,149	604,131	29,181,906	206,536,159	3,874	1,085,033,429
<b>As at June 30, 2013</b>										
Cost	13,421,003	261,943,927	1,170,737,117	12,083,247	10,750,164	3,132,566	58,055,801	272,193,418	37,150	1,802,354,383
Accumulated depreciation	-	(146,663,291)	(461,428,182)	(5,084,611)	(7,052,015)	(2,528,425)	(28,873,895)	(65,667,259)	(33,276)	(717,320,954)
Net book value	13,421,003	115,280,636	709,308,935	6,998,636	3,698,149	604,131	29,181,906	206,536,159	3,874	1,085,033,429
<b>Year ended June 30, 2014</b>										
Opening net book value	13,421,003	115,280,636	709,308,935	6,998,636	3,698,149	604,131	29,181,906	206,536,159	3,874	1,085,033,429
Additions / transfers during the year	-	357,964,162	318,644,128	2,154,716	341,550	685,600	13,082,500	199,444,862	-	892,317,518
Disposals / transfers	-	-	-	-	-	(589,715)	-	-	-	(588,524)
Cost	-	-	-	-	(108,809)	585,646	-	-	-	648,787
Accumulated depreciation	-	-	-	-	63,141	(4,069)	-	-	-	(49,737)
Net book value	-	(33,757,646)	(88,616,396)	(812,517)	(370,879)	(316,219)	(7,312,277)	(30,436,499)	(373)	(161,622,806)
Depreciation for the year	-	-	-	-	-	969,443	34,952,129	375,544,522	3,501	1,815,678,404
Closing net book value	13,421,003	439,487,152	939,336,667	8,340,835	3,623,152	969,443	34,952,129	375,544,522	3,501	1,815,678,404
<b>As at June 30, 2014</b>										
Cost	13,421,003	619,908,089	1,489,381,245	14,237,963	10,982,905	3,228,441	71,138,301	471,638,280	37,150	2,693,973,377
Accumulated depreciation	-	(180,420,937)	(550,044,578)	(5,897,128)	(7,359,753)	(2,258,998)	(36,086,172)	(96,093,758)	(33,649)	(878,294,973)
Net book value	13,421,003	439,487,152	939,336,667	8,340,835	3,623,152	969,443	34,952,129	375,544,522	3,501	1,815,678,404
Annual rates of depreciation	-	10%	10%	10%	10%	30%	20%	10%	10%	10%

	Note	2014 Rupees	2013 Rupees
4.1.1 Depreciation for the year has been allocated as under :			
Cost of sales		158,273,410	84,311,097
Administrative expenses		3,349,396	2,649,331
		<u>161,622,806</u>	<u>86,960,428</u>

4.1.2 Details of disposals made during the year are as follows :

Particulars	Cost	Accumulated Depreciation	Book Value	Proceeds	Gain/ (Loss) on Disposal	Mode of Disposal	Purchaser
2014							
Furniture & fixtures	100,809	63,141	45,668	20,000	(25,668)	Negotiation	AB Electronics
Computer & Accessories							
Computers	589,715	585,646	4,069	3,500	(569)	Negotiation	Individuals
	<u>698,524</u>	<u>648,787</u>	<u>49,737</u>	<u>23,500</u>	<u>(26,237)</u>		

4.1.3 Had there been no revaluation, the net carrying amount of Plant and machinery would have been amounting to Rs: 931,374,051 (2013 : 700,461,584)

4.2 Capital work in progress

Opening balance	373,697,517	72,864,612
Additions		
- Machinery	294,578,132	370,245,107
- Civil works	245,364,276	203,567,129
	539,942,408	573,812,236
Transferred to operating fixed assets	(887,929,510)	(272,979,331)
	<u>25,710,415</u>	<u>373,697,517</u>

5 LONG TERM INVESTMENT

This represents investment in Term Deposit Receipt of National Bank Limited for a period of 36 months maturing on April 18, 2015.

6 STORES AND SPARES

Stores and spares	39,409,764	35,606,034
Packing materials	6,376,018	3,171,574
	<u>45,785,782</u>	<u>38,777,608</u>

7 STOCK IN TRADE

Raw material		
- In hand	7.1 1,126,853,690	1,489,984,904
- In transit	-	41,879,235
	1,126,853,690	1,531,864,139
Work in process	36,522,987	26,574,547
Finished goods	271,045,851	119,353,153
Waste material	483,274	235,414
	271,529,125	119,588,567
	<u>1,434,905,802</u>	<u>1,678,027,253</u>

7.1 This includes 44,833 Bales of raw cotton, 588 Bales of dyed cotton, 18,000 Bags of Cotton yarn and 1,548 Bales of Polyester Staple Fibre against finance facility (refer note 17) obtained from banks.

	<u>2014</u> <u>Rupees</u>	<u>2013</u> <u>Rupees</u>
<b>8 TRADE DEBTORS - Considered good</b>		
Local debtors - unsecured	334,793,367	182,950,315
Foreign debtors - secured	789,103,469	629,600,218
	<u>1,123,896,836</u>	<u>812,550,533</u>
<b>9 TAXATION - NET</b>		
Advance tax deducted	169,982,064	91,757,021
Less: Current tax for the year	(35,334,769)	(50,287,686)
	<u>134,647,295</u>	<u>41,469,335</u>
<b>10 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Advances - considered good:		
- Staff	3,452,069	2,505,012
- Suppliers	7,810,467	23,164,521
	11,262,536	25,669,533
Security deposits	505,388	398,160
Prepaid markup	-	993,791
Sales tax refundable	10,263,873	28,894,988
Receivables against Claim	34,143,166	1,638,912
Other receivables	5,985	745
	<u>56,180,948</u>	<u>57,596,129</u>
<b>11 CASH AND BANK BALANCES</b>		
Cash in hand	736,242	1,290,351
Cash with banks - current accounts	13,038,701	35,158,544
	<u>13,774,943</u>	<u>4,806,205</u>
<b>12 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		
Balance as at July 1	13,611,311	15,123,679
Surplus relating to disposal of revalued assets transferred to retained earnings	-	-
Incremental depreciation charged during the year	(1,361,131)	(983,039)
Related deferred tax liability	-	(529,329)
	<u>(1,361,131)</u>	<u>(1,512,368)</u>
<b>Related deferred tax:</b>	<u>12,250,180</u>	<u>13,611,311</u>
As at July 1	4,763,960	5,293,289
On incremental depreciation	-	(529,329)
	<u>(4,763,960)</u>	<u>(4,763,960)</u>
	<u>7,486,220</u>	<u>8,847,351</u>
<b>13 LONG TERM LOAN</b>		
Bank Al-Habib Limited		
- Term Finance	13.1 500,000,000	-
- Term Finance	13.2 200,000,000	-
	<u>700,000,000</u>	<u>-</u>

13.1 This represent liability against Term Finance for Import of Machinery to be repaid in 7 years expiring in Aug.2020.The loan is secured against Registered Hypothecation charge over all present and Future Plant and Machinery for Rs 556 Million.The rate of Mark-up is 3 month Kibor+1%.The Bank has allowed 2 Years grace Period for repayment of Principal.

## Premium Textile Mills Ltd.

13.2 This represent liability against Term Finance for Import of Machinery to be repaid in 7 years expiring in Sep,2020.The loan is secured against 1st Equitable Mortgage Charge for Rs 500 Million over Factory Property measuring 16 Acres situated at Plot # 60,61,76 and 77 at District Nooriabad,Sindh.The rate of Mark-up is 6 month Kibor+1%.The Bank has allowed 2 Years grace Period for repayment of Principal.

14	DEFERRED LIABILITIES	Note	2014 Rupees	2013 Rupees			
	Deferred taxation	14.1	34,639,932	34,639,932			
	Staff gratuity	14.2	17,549,438	11,002,162			
			<u>52,189,370</u>	<u>45,642,094</u>			
14.1	<b>Deferred taxation:</b>						
	Represents the tax effect of taxable/(deductible) temporary differences relating to:						
	Accelerated depreciation allowance		37,375,335	37,375,335			
	Debits arising in respect of provision for staff gratuity		(2,582,616)	(2,582,616)			
	Debits arising in respect of minimum tax		(152,787)	(152,787)			
			<u>34,639,932</u>	<u>34,639,932</u>			
14.2	<b>Staff gratuity</b>		<u>17,549,438</u>	<u>11,002,162</u>			
	<b>Movement in net liability recognized</b>						
	Opening net liability		11,002,162	7,115,351			
	Expenses recognized	14.2.1	9,424,758	5,932,693			
			<u>20,426,920</u>	<u>13,048,044</u>			
	Benefits paid during the year		(8,397,439)	(7,992,046)			
	Experience Adjustment		5,519,957	5,946,164			
			<u>17,549,438</u>	<u>11,002,162</u>			
14.2.1	<b>Charge for defined benefit plan</b>						
	Current service cost		8,269,531	5,007,697			
	Interest cost		1,155,227	924,996			
			<u>9,424,758</u>	<u>5,932,693</u>			
14.2.2	Comparison of present value of defined benefit obligation for the current year and pervious four years is as follows:		2014	2013	2012	2011	2010
					Rupees		
5	Present Value of defined free loan from directors.		17,549,438	11,002,162	11,002,162	5,554,501	7,527,692
	<b>LOAN FROM DIRECTORS</b>						
	This represents interest free loan from directors.						
16	<b>TRADE AND OTHER PAYABLES</b>						
	Creditors		93,913,072			86,251,290	
	Accrued liabilities		152,421,358			96,743,019	
	Workers' profits participation fund	16.1	2,964,094			27,306,514	
	Workers welfare fund		5,588,896			10,376,471	
	Unclaimed dividend		2,061,719			1,507,216	
			<u>256,949,139</u>			<u>222,184,510</u>	



## Premium Textile Mills Ltd.

	<u>2014</u> <u>Rupees</u>	<u>2013</u> <u>Rupees</u>
<b>16.1 Workers' profit participation fund</b>		
Opening balance	27,306,514	12,873,071
Add:		
- Contribution for the year	2,964,094	27,306,502
- Interest accrued	1,382,532	829,520
	4,346,626	28,136,022
Less: Payment during the year	(28,689,046)	(13,702,579)
	2,964,094	27,306,514

### 17 SHORT TERM BORROWING - Secured

#### Bank Al-Habib Limited

- Cash finance	1,650,681,215	1,597,207,998
- Running finance	-	374,623,698
- Foreign currency export finance	657,065,094	205,801,205
- Finance against foreign bills	-	276,760,000
	2,307,746,309	2,454,392,901

#### National Bank Limited - Running finance

	-	37,976,071
	2,307,746,309	2,492,368,972

- 17.1 This represents short term cash and running finance facilities, finance against foreign bills, Foreign currency export finance of Rs. 4.800 billion (2013: Rs. 3.250 billion) which is secured by:
- > Registered Hypothecation charge over Recievables.
  - > Pledge over stocks under effective control of bank's approved mucaadam(refer note 7.1)
  - > Registered Subordinated Hypothecation Charge over present and future Plant and Machinery of the Company to the extent of PKR 556 million
  - > Lien over Export LC/Contract
  - > Fresh personal gurnatees from Sponsor Directors of RS 6 billion each
  - > Registered Subordinated Hypothecation charge over Moveable of for Rs. 99 million
  - > 1st Equitable mortgage charge over factory property at plot # 60, 61, 76 & 77: measuring 16.0 acers at deh kale kohar, Tehsil Thana Bola Khan, Distt. Dadu, Nooriabad, Sindh
  - > Lien over Local Bills.
  - > Truck Reciepts and Accepted Drafts

the rate of mark-up for running finance ranges from 1 Month KIBOR + 1% to 3 Month KIBOR + 2.25% per annum (2013: 1 Month KIBOR + 1% to 3 Month KIBIOR + 2.25% per annum). The rates of mark-up for foreign currency finance is at 6 month LIBOR + minimum of 2.5% per annum (2013:6 months LIBOR + minimum 2.5% per annum). The rate of mark-up for finance against foreign bills is 6 months KIBOR + 1.0%

As at 30 June 2014, the Company has unavailed financing facilities of Rs. 1.192 billion (2013: Rs. 0.683 billion).

## Premium Textile Mills Ltd.

### 18 CONTINGENCIES AND COMMITMENTS

#### 18.1 Contingencies

The Company filed a suit against Shashandev Cotton Trading (Private) Limited, Ahmedabad, India for recovery of damages for breach of contract number PTML/003/07-08 in the year 2008. The Cotton Association of India decided the case (arbitration # 5 of 2009/10) and gave decree (dated: March 5, 2010) in favour of the company of Indian Rupees 4,657,712 (Pak Rupees 9,315,424). The company's application for execution of decree in Ahmedabad City Civil Court, India for the recovery of damages is currently pending. The company has deferred the recognition of the above said amount as receivables in these financial statements till the amount is realised.

18.2 Commitments	2014 Note	2013 Rupees
<b>In respect of:</b>		
Capital expenditure	65,707,500	508,967,450
Letter of credit to SSGC	52,564,000	22,300,000
Letter of guarantee	51,200,000	33,000,000
Letter of credit in respect of raw material	155,485,200	96,043,950

#### 19 SALES - NET

Local sales	288,979,555	617,836,700
Export sales - indirect	3,049,046,196	2,454,020,960
Export sales	3,515,669,172	1,897,412,176
Raw material and wastage	455,199,105	37,516,942
	<b>7,308,894,028</b>	<b>5,006,786,778</b>
Commission and brokerage	(94,257,491)	(73,702,117)
Discount and claims	(1,807,536)	(813,789)
	<b>(96,065,027)</b>	<b>(74,515,906)</b>
	<b>7,212,829,001</b>	<b>4,932,270,872</b>

#### 20 COST OF SALES

Raw materials consumed	20.1 5,095,944,297	3,418,182,629
Store and spares consumed	20.2 221,884,116	139,474,367
Production expenses	20.3 966,000,991	618,556,011
Work in process:		
Opening	26,574,547	18,772,851
Closing	(36,522,987)	(26,574,547)
	<b>(9,948,440)</b>	<b>(7,801,696)</b>
<b>Cost of goods manufactured</b>	<b>6,273,880,964</b>	<b>4,168,411,311</b>
Trading cost	404,844,198	26,656,297
Purchase of yarn		4,541,000
Opening stock of finished goods	119,588,567	44,242,585
<b>Cost of goods available for sale</b>	<b>6,798,313,729</b>	<b>4,243,851,193</b>
Closing stock of finished goods	(271,529,125)	(119,588,567)
	<b>6,526,784,604</b>	<b>4,124,262,626</b>

## Premium Textile Mills Ltd.

	Note	2014 Rupees	2013 Rupees
<b>20.1 Raw material consumed</b>			
Opening stock		1,489,984,904	588,117,435
Purchases		5,137,657,281	4,346,706,395
		6,627,642,185	4,934,823,830
Sale of raw material		(404,844,198)	(26,656,297)
Closing stock		(1,126,853,690)	(1,489,984,904)
		<u>5,095,944,297</u>	<u>3,418,182,629</u>
<b>20.2 Stores and spares consumed</b>			
Opening stock		38,777,608	30,494,689
Purchases		228,892,290	147,757,286
		267,669,898	178,251,975
Closing stock		(45,785,782)	(38,777,608)
		<u>221,884,116</u>	<u>139,474,367</u>
<b>20.3 Production expenses</b>			
Salaries, wages and other benefits	20.3.1	325,403,278	218,252,417
Fuel and power		425,677,498	275,545,710
Water charges		8,926,060	6,649,100
Vehicle running and maintenance		4,928,841	4,170,711
Repairs and maintenance		3,304,186	4,675,937
Insurance		23,376,354	11,272,893
Depreciation	4.1.1	158,273,410	84,311,097
Other manufacturing expenses		16,111,364	13,678,146
		<u>966,000,991</u>	<u>618,556,011</u>

20.3.1 This includes amount of Rs. 8,576,530/- (2013:Rs. 5,576,731/-) in respect of staff retirement benefits.

	Notes	2014 Rupees	2013
<b>21 ADMINISTRATIVE EXPENSES</b>			
Directors' & Executive remuneration	28	24,593,550	16,008,505
Meeting fees		70,000	80,000
Salaries, allowances and other benefits	21.1	13,368,747	14,293,885
Travelling and conveyance		3,510,655	1,712,337
Printing and stationery		833,625	736,942
Utilities		1,547,932	1,103,179
Advertisement		44,050	213,800
Newspaper and periodicals		41,172	35,673
Fees and subscription		1,076,708	640,217
Vehicle running and maintenance		5,215,146	4,718,363
Postage and telephone		1,382,280	1,427,255
Legal and professional		338,500	833,000
Auditors' remuneration	21.2	1,260,100	1,047,000
Entertainment expense		799,602	749,460
Repairs and maintenance		560,662	271,427
Insurance		2,029,738	1,833,515
Charity and donations	21.3	1,083,500	1,568,000
Depreciation	4.1.1	3,349,396	2,649,331
Others		604,660	2,498,828
		<u>61,710,023</u>	<u>52,420,717</u>

21.1 This includes amount of Rs. 848,228/- (2013:Rs. 355,962/-) in respect of staff retirement benefits.

	<u>2014</u> <u>Rupees</u>	<u>2013</u> <u>Rupees</u>
<b>21.2 Auditors' remuneration</b>		
Audit fee	1,000,000	800,000
Half yearly review fee	220,000	220,000
Other certifications' fee	30,100	27,000
Out of Pocket Expenses	10,000	-
	<u>1,260,100</u>	<u>1,047,000</u>
<b>21.3</b> None of the directors or their spouses have any interest in the above donee funds.		
<b>22 DISTRIBUTION COST</b>	Note <u>2014</u> Rupees	<u>2013</u>
Freight and handling charges		
- Local	20,729,629	16,196,101
- Export	76,575,704	45,521,420
Packing charges	5,902,209	3,397,375
	<u>103,207,542</u>	<u>65,114,896</u>
<b>23 FINANCE COSTS</b>		
Markup and interest charges on:		
- Long term finances	61,603,225	-
- Short term borrowings	250,410,663	146,923,057
- Workers' profit participation fund	1,382,532	829,520
Bank charges	27,887,896	16,835,004
	<u>341,284,316</u>	<u>164,587,581</u>
<b>24 OTHER OPERATING EXPENSES</b>		
Workers' welfare fund	5,588,896	10,376,471
Workers' profit participation fund	2,964,094	27,306,502
	<u>8,552,990</u>	<u>37,682,973</u>
<b>25 OTHER INCOME</b>		
Exchange gain / (loss)		
- Realised	6,814,455	13,096,595
- Unrealised	(526,993)	3,582,373
	6,287,462	16,678,968
(Loss) on Import Cotton	(126,821,868)	-
Gain/(Loss) on disposal of fixed assets	(26,237)	3,425,175
Others	-	140,854
	<u>(120,560,643)</u>	<u>20,244,997</u>
<b>26 TAXATION</b>		
<b>Current</b>		
-for the year	26.1 35,334,769	50,287,686
-prior year	(51,464,821)	(7,473,367)
	(16,130,052)	42,814,319
<b>Deferred</b>	-	(27,567,516)
	<u>(16,130,052)</u>	<u>15,246,803</u>

26.1 The Company's income is chargeable to tax under Final Tax Regime prescribed under the Income Tax Ordinance, 2001 and hence tax reconciliation is not being presented.

27 EARNINGS PER SHARE - BASIC AND DILUTED	2014	2013
	Rupees	
Profit after taxation	66,858,935	493,200,273
	Number	
Weighted average number of ordinary shares	6,163,000	6,163,000
	Rupees	
Earnings per share - basic and diluted	10.85	80.03

**28 CHIEF EXECUTIVE, DIRECTORS' & EXECUTIVE OFFICERS' REMUNERATION**  
Remuneration of chief Executive, directors and executives is as follows:

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
Remuneration	2,513,808	2,255,744	1,933,160	1,675,100	11,385,000	6,246,090	15,831,968	10,176,934
House Rent	1,131,216	1,015,084	869,920	753,788	5,123,250	2,998,212	7,124,386	4,767,084
Conveyance allowance	3,600	3,600	3,600	3,600	46,800	39,600	54,000	46,800
Utilities	251,376	225,572	193,320	167,512	1,138,500	624,603	1,583,196	1,017,687
	<b>3,900,000</b>	<b>3,500,000</b>	<b>3,000,000</b>	<b>2,600,000</b>	<b>17,693,500</b>	<b>9,908,505</b>	<b>24,593,550</b>	<b>16,008,505</b>
	1	1	1	1	13	12	15	14

**2014**  
**Rupees**

**2013**  
**Rupees**

28.1 The chief executive and executive director are also provided with free use of company maintained cars and residential telephones.

**29 CAPACITY AND PRODUCTION**

Number of spindels installed	61,260	47,263
Number of spindels operated	57,718	45,104
Installed capacity in Kgs. after conversion into 20 single count	20,861,356	16,094,846
Actual production of yarn in Kgs. after conversion into 20 single count	19,655,151	15,085,312
Number of shifts worked during the year	1,092	1,092

	Notes	2014 <u>Rupees</u>	2013 <u>Rupees</u>
<b>30 FINANCIAL INSTRUMENTS</b>			
<b>30.1 Financial instruments by category</b>			
<b>FINANCIAL ASSETS</b>			
Trade debts - considered good	8	1,123,896,836	812,550,533
Advances, deposits, prepayments and other receivables	10	56,180,948	57,596,129
Cash and bank balances	11	13,774,943	4,806,205
		<u>1,193,852,727</u>	<u>874,952,867</u>
<b>FINANCIAL LIABILITIES</b>			
Loans from directors	15	40,000,000	40,000,000
Trade and other payables	16	248,396,149	184,501,525
Short term borrowings - secured	17	2,307,746,309	2,492,368,972
Accrued markup		80,737,359	62,792,664
		<u>2,676,879,817</u>	<u>2,779,663,161</u>

**30.2 Financial risk management objectives and policies**

The Company's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk (including foreign exchange or currency risk, interest/mark-up rate risk and price risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

**30.3 Capital risk management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

The companies finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance.

**30.4 Market risk**

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk and interest rate risk.

**a) Currency risk**

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

**Exposure to currency risk**

The Company is exposed to currency risk on trade debts and sales that are denominated in a currency other than the respective functional currency of the Company. The currency in which these transactions are denominated is US Dollars . The Company's exposure to foreign currency risk is as follows:

	2014		2013	
	Rupees	US Dollars	Rupees	US Dollars
<b>Trade debts</b>	<b>789,103,469</b>	<b>7,990,921</b>	<b>629,600,218</b>	<b>6,330,822</b>

The following significant exchange rates applied during the year:

	Average rates		Reporting date rate	
	2014	2013	2014	2013
US Dollars	99.75	98.40	98.75	100.75

## *Premium Textile Mills Ltd.*

### Sensitivity Analysis

A 10 percent strengthening of the Rupee against US Dollar at 30 June would have increased / (decreased) profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit & Loss Rupees
<b>As at 30 June 2014</b>	
Effect in US Dollars	78,910,347
<b>As at 30 June 2013</b>	
Effect in US Dollars	62,960,022

A 10 percent weakening of the Rupees against the above currency at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### b) Interest rate risk

Interest/mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest/mark up rate risk arises from mismatches of financial liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The long-term financing and short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	<u>Effective interest rate (%)</u>			
	2014	2013	2014	2013
	Rupees			
Long term finance	10.03% to 11.15%	-	700,000,000	-
Short term borrowing	10.01% to 12.34%	9.19% to 14.24%	2,307,746,309	2,492,368,972

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

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit and loss Rupees
<b>As at 30 June 2014</b>	
Cash flow sensitivity - Variable rate instruments	30,077,463
<b>As at 30 June 2013</b>	
Cash flow sensitivity - Variable rate instruments	24,956,213

**30.5 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 change in economics, political or other conditions. Concentration of credit risk indicates that relative sensitivity of the company's performance to development affecting a particular industry.

The carrying amount of financial assets represents the maximum credit exposure. To manage exposure to credit risk, the company applies credit limits to their customers and exports to China and Turkey is against sight L/C. Cash is held only with banks with high quality credit worthiness.

The maximum exposure to credit risk at the balance sheet date is as follows:

	2014		2013	
	Balance Sheet	Maximum exposure	Balance Sheet	Maximum exposure
	Rupees			
Trade debts	1,123,896,836	1,123,896,836	812,550,533	812,550,533
Advances, deposits, prepayments and other receivables	56,180,948	56,180,948	57,596,129	57,596,129
Cash and bank balances	13,774,943	13,774,943	4,806,205	4,806,205
	<u>1,193,852,727</u>	<u>1,193,852,727</u>	<u>874,952,867</u>	<u>874,952,867</u>



## Premium Textile Mills Ltd.

The maximum exposure to credit risk at the Balance sheet date by geographic region is as follows:

	2014 Rupees	2013 Rupees
Local	334,793,367	182,950,315
China	586,252,195	505,705,324
Turkey	179,712,492	123,894,894
Bangladesh	193,062	-
Korea	12,162,766	-
Egypt	10,782,954	-
	<u>1,123,896,836</u>	<u>812,550,533</u>

### Impairment losses

The aging of trade debts at the balance sheet date was.

	2014		2013	
	Gross	Impairment	Gross	Impairment
Not past due	763,992,357	-	751,839,738	-
Past due 1 to 60 days	306,047,404	-	58,480,795	-
Past due 61 days to 1 year	53,857,075	-	2,230,000	-
	<u>1,123,896,836</u>	<u>-</u>	<u>812,550,533</u>	<u>-</u>

The credit quality of company's liquid funds can be assessed with reference to external credit ratings as follows:

	2014 Rupees	2013 Rupees
A 1+	12,139,800	854,267
A - 1+	453,621	1,657,987
A - 2	-	1,003,599
A-3	445,280	-
	<u>13,038,701</u>	<u>3,515,853</u>

### 30.6 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or 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, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities (including interest payments):

	Carrying Amount	Contractual cash flows	2014		
			Twelve months or less Rupees	Two to five years	more than five years
<b>Non-Derivative Financial Liabilities</b>					
Loan from Directors	40,000,000	40,000,000	40,000,000	-	-
Trade and other payables	256,949,139	256,949,139	256,949,139	-	-
Short term borrowing	2,307,746,309	2,369,049,559	2,369,049,559	-	-
Long Term Loan	700,000,000	1,499,699,728	167,999,998	1,113,809,319	217,890,411
	<u>3,304,695,448</u>	<u>4,165,698,126</u>	<u>2,833,998,696</u>	<u>1,113,809,319</u>	<u>217,890,411</u>
			2013		
	Carrying Amount	Contractual cash flows	Twelve months or less Rupees	Two to five years	more than five years
<b>Non-Derivative Financial Liabilities</b>					
Loan from Directors	40,000,000	40,000,000	40,000,000	-	-
Trade and other payables	222,184,510	222,184,510	222,184,510	-	-
Short term borrowing	2,492,368,972	2,555,161,636	2,555,161,636	-	-
Long Term Loan	-	-	-	-	-
	<u>2,754,553,482</u>	<u>2,817,346,146</u>	<u>2,817,346,146</u>	<u>-</u>	<u>-</u>

**30.7 Fair value of financial instruments**

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties at arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of all financial assets and financial liabilities are estimated to approximate their respective carrying amount.

**31 RELATED PARTY TRANSACTIONS**

Related parties comprise of group companies, directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules.:

	2014	2013
	Rupees	
Sale of goods to associated company - Premium Knits	241,274,401	259,425,369
Amount outstanding from Premium Knits	2,707,464	1,867,642
Directors remuneration	6,900,000	6,100,000
Workers' profit participation fund	2,964,094	27,306,502
Workers' Welfare fund	5,588,896	10,376,471

**32 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation.

**33 NON - ADJUSTING EVENT AFTER BALANCE SHEET DATE**

The Board of Directors in its meeting held on 22nd Sept,2014 has proposed a final cash dividend of Rs. 3.50 per share (2013: Rs 12.50/- per share) for approval of the members at the Annual General Meeting to be held on 23rd Oct,2014.

The financial statements for the year ended June 30, 2014 do not include the effect of the proposed cash dividend, which will be accounted for in the financial statements for the year ending June 30, 2015.

**34 NUMBER OF EMPLOYEES**

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2014	2013
	(Number)	
Total number of employees as at June 30	<u>2,302</u>	<u>1,989</u>
Average number of employees during the year	<u>2,200</u>	<u>1,900</u>

**35 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue on 22nd September, 2014 by the Board of Directors of the Company.

**36 GENERAL**

Figures have been rounded off to the nearest rupee.

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**CHIEF EXECUTIVE**

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**DIRECTOR**



**PREMIUM TEXTILE MILLS LIMITED,**  
1st Floor, Haji Adam Chambers,  
Altat Hussain Road,  
New Challi,  
Karachi.

## PROXY FORM



*Premium Textile Mills Ltd.*

Please quote Reg. Folio Number

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

of \_\_\_\_\_

being a member of Premium Textile Mills Limited and holder of \_\_\_\_\_

Ordinary Shares hereby appoint \_\_\_\_\_

of \_\_\_\_\_

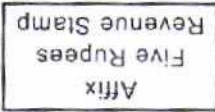
or failing him/her \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on October 23rd, 2014 at 11:30 a.m. at 1st Floor, Haji Adam Chambers, Altat Hussain Road, New Challi, Karachi.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014 in the presence of

(Witness Signature)



(Member's Signature)

(Signature of Proxy)

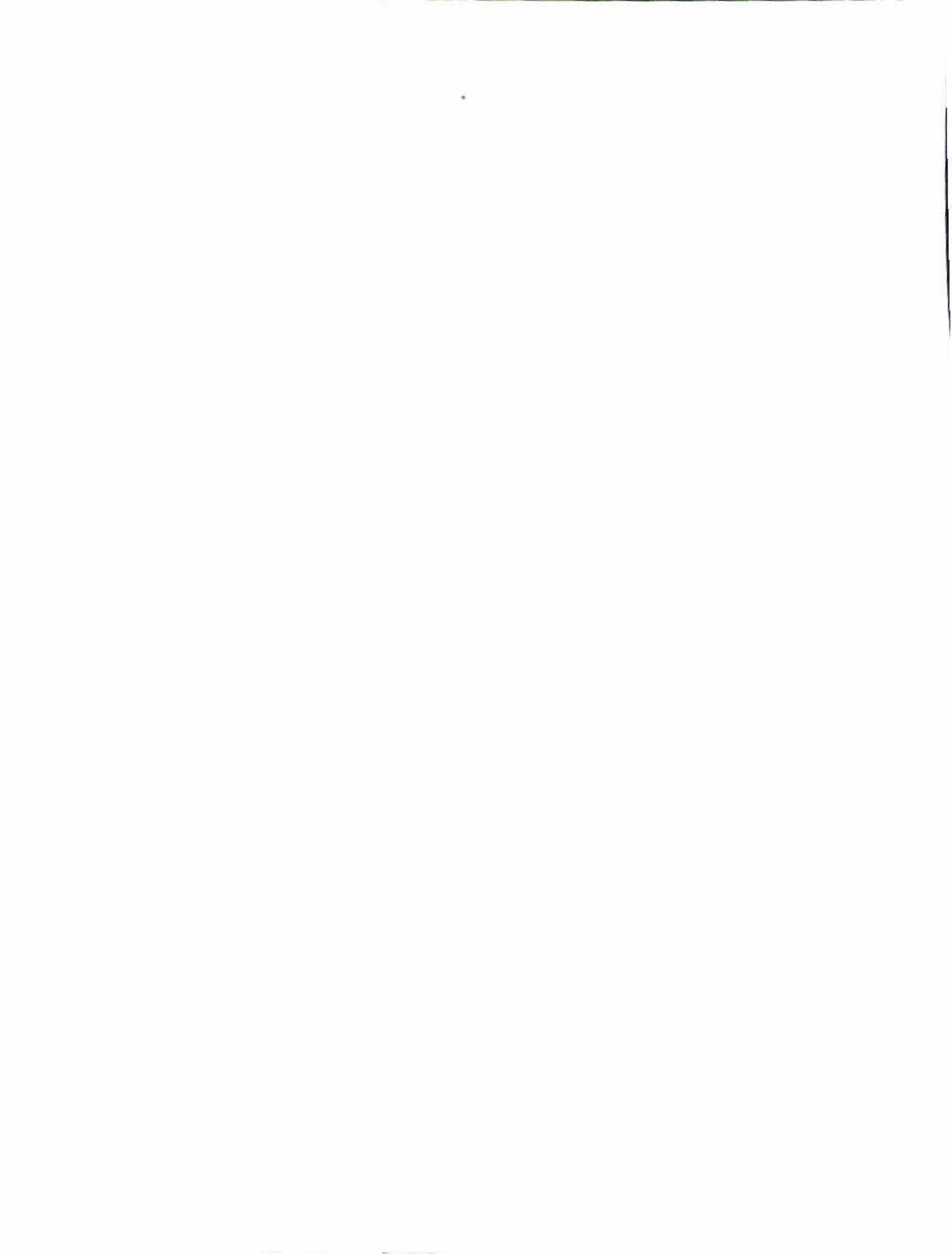
NOTE: (i) This form of proxy, in order to be effective, must be deposited duly completed with the Company not less than 48 hours before the time for holding the meeting.

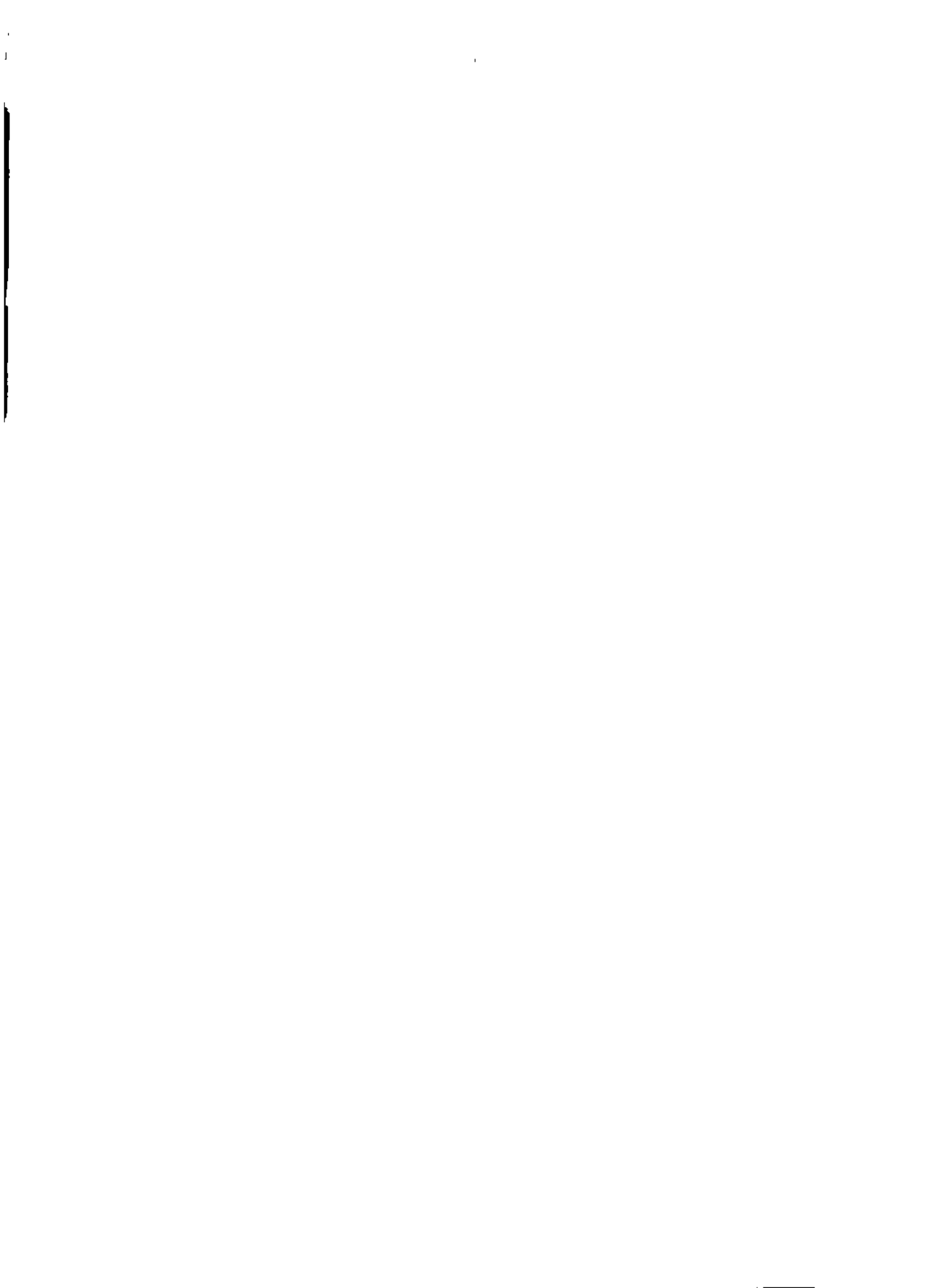
(ii) The proxy must be signed across a Rs.5/- Revenue Stamp.

(iii) Signature should agree with the specimen registered with the Company.

(iv) Proxies granted by shareholders who have deposited their shares into Central Depository Company of Pakistan Limited must be accompanied with attested copies of the Computerised National Identity Card (CNIC) or the Passport of the beneficial owners. Representatives of corporate members should bring the usual documents required for such purpose.

(v) In case of CDC Account Holders, attested copies of CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.





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