ANNUAL REPORT

33RD

SHUAIL JUTE MILLS LIMITED

2014

33rd Annual Report 2014

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Company Information

BOARD OF DIRECTORS

Chief Executive
Sohail Farooq Shaikh

Directors
Farrukh Haroon Rahid
Mahir Mohsin Shaikh
Mrs. Neelum Sohail Shaikh
Mrs. Sadia Mohsin
Mrs. Nadia Shaikh
Shahmeer Shaikh

Audit Committee
Mrs. Sadia Mohsin
Mrs. Neelum Sohail Shaikh
Farrukh Haroon Rashid

Company Secretary
Farzand Ali Khan Bangash

Chief Financial Officer
Mohammad Amjad Iqbal

Share Registrar
Nasir Absar & Co (Pvt) Ltd. Islamabad.

Auditors
Amir Alam Khan & Co.
Chartered Accountants, Rawalpindi

Registered Office
125 - Murree Road, Rawalpindi.

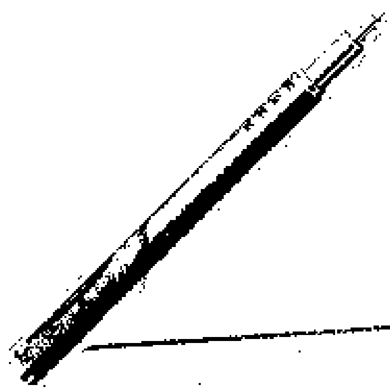
Factory
Kabul River Railway Station,
Mardan Road,
Nowshera, K.P

Vision

To excel in delivering highest standards quality Jute products to customers as per their customized needs.

Mission Statement

To transform Company into a modern and dynamic Jute Industry and to provide quality products to consumers and explore new markets to promote / extend sale of the Company's products through good governance and foster a sound and dynamic team, so as to achieve optimum profitability.



SUHAIL JUTE MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 33rd Annual General Meeting of the Shareholders of Suhail Jute Mills Limited will be held on Friday the 31st Day of October, 2014 at 1530 hrs at the Company's Registered Office 125- Murree Road, Rawalpindi to transact the following business: -

1. To confirm the minutes of Extra Ordinary Annual General Meeting held on 17th February, 2014 (Adjourned to 31st March, 2014 and again 15th April, 2014)
2. To receive, consider and adopt the Balance Sheet and Profit & Loss Account along with the notes for the year ended 30th June, 2014 together with the Directors and Auditors Report thereon.
3. To appoint Auditors of the Company for the year 2014-2015 and fix their Remuneration.
4. To transact any other business with the permission of the chair.

By order of the Board.

Rawalpindi.
09th October, 2014

(FARZAND ALI KHAN BANGASH)
Company Secretary

Notes: -

1. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote for him/her. Proxies in order to be effective must be received at the registered office of the Company at least 48 hrs before the time of meeting.
2. Members are requested to promptly communicate the company any change in their address to ensure prompt delivery of mail.
3. The share transfer books of the company will remain closed from 25th October 2014 to 31st October 2014 (both days inclusive) for purpose of entitlement if any.

DIRECTOR S' REPORT TO THE SHAREHOLDERS

The Directors of your Company are pleased to place before you the Financial Statements for,and as at, the Year ended 30 June 2014, along with the Notes thereon, at the 33rdAnnual General Meeting of Suhail Jute Mills Limited.

COMPANY'S AFFAIRS
There have been no material changes or commitments affecting the financial position of the Company since the close of the current Financial Year on 30 June 2014.

During the financial year ended 30 June 2014, the Company was unable to carry on normal commercial activity and suffered a net loss for the year ended June 30, 2014 of Rupees 47.474 Million (Loss 2013: RS. 54.130Million)

While the Directors are cognizant of the fact that the flood event and the financial consequences that have flowed from the event has given rise to material uncertainties that the Company can continue as a Going Concern, management has also taken practical and verifiable steps to mitigate this uncertainty with the aim to ultimately eliminate it.

The management has, at no time, considered liquidating the Company and remains of the opinion that the steps already taken and those planned to be taken, are a viable alternative to sustain the Company as a Going Concern.

1. During the year ended 30 June 2014, the Company has actively continued to pursue the proposed Scheme of Arrangement which contemplates a merger with the Company's Associated Company, (Colony) Sarhad Textile Mills Limited.

    a. In the matter of the Petition filed under Section 284 of the Companies Ordinance 1984, in The Lahore High Court, Rawalpindi Bench,the Honorable Court fixed a date for ajoint extraordinary general meeting of the shareholders, under the Court's supervision, to consider the Scheme.
    b. At the Meeting, shareholders of both Companies unanimously voted to approve the Scheme, by adopting Resolutions to this effect, as Special Resolutions.
    c. Significantly, the implementation of the Scheme will result in the large negative equity of the Company becoming positive, thereby eliminating a major constraint to Bank financing under the Prudential Regulations.
    d. It is further envisaged that the valuable Land assets that will come under the ownership of the Company, will serve to open up new avenues of financing at better terms.

e. Moreover, pursuant to the scheme, the large inter-company receivable will also be eliminated, thereby improving the Company's overall financial position.

2. Management is confident that with once the Scheme of Arrangement is put into effect the Company will emerge financially stronger and remain sustainable.

3. It is contended that, for the reasons set out, there is an adequate mitigating framework in place and a sound basis for continuing to present the Company's Financial Statements on a Going Concern basis.,

AUDITORS' QUALIFICATIONS:

1. The amount of Rs66.033 Million receivable from the Associated Companyis to be settled as a direct consequence of the Scheme of Arrangement, which has been filed with the Court.

2. The Company is of the view that the material uncertainty referred to shall be substantively mitigated by the Scheme of Arrangement.

In respect of the qualification in the Auditors Report our comments are as follows:

The Company reiterates that its Accounts rightly continue to be prepared on a Going Concern basis for the following reasons:

a. Management has, at no time, considered liquidating the Company, as is borne out by the fact that the Directors have continued to pursue the options and keep the Company 'alive' by injecting or arranging to inject in loans and advances to the Company.
b. Management has taken effective steps that emphatically manifest its intentions to continue operating the Company as a going concern and eliminate any material uncertainties in this regard by formulating and filing with the Court of appropriate jurisdiction a Petition for implementing a Scheme of Arrangement for the benefit of its stakeholders in accordance with Law.
c. Management has, in assessing whether the Going Concern assumption is appropriate, taken into account all reasonably available information for the foreseeable future.
d. Furthermore, the shareholders have, in unanimously backing the proposed Scheme of Arrangement with its Associated Company M/s (Colony) Sarhad Textile Mills Limited supported and effectively ratified the management's stated intention NOT to liquidate the Company.

e. A viable realistic alternative to liquidation, in the considered opinion of the management and shareholders, exists in the form of the Plan for entering into the Scheme of Arrangement referred to above.
f. In furtherance of the objective of restructuring the Company through a Scheme, management has, during the current financial year ended 30 June 2014, taken practical, verifiable steps to proceed with finalizing and implementing the proposed Scheme.
g. The Company has, during the current financial year helda Court-ordered Joint Extraordinary General Meeting of the shareholders of both the Companies.
h. The Members unanimously voted in favor of the Scheme and adopted the necessary Resolutions to effect to it, by Special Resolution.
i. The Hon High Court has held a number of hearings on the matter.
j. Objections filed by the SECP in Court have been addressed and are expected to be satisfactorily resolved.
k. It can be reasonably expected that the Scheme will be sanctioned by the Honorable Court by the end of the year.

In the light of the above, it is contended that there has been positive forward movement by management towards completing and realizing the Scheme and in our view, this will substantively mitigate, if not completely eliminate, the material uncertainties referred to in the Auditors' Report.

The Auditors have expressed an opinion in (c) of their report that the Financial Statements in question: '...do not give a true and fair view of the State of the Company's affairs as at June 30, 2014...".

1. In expressing their opinion, the Auditors have not given due weightage to the positive developments during the year, i.e., that the shareholders have unanimously approved the Scheme of Arrangement and adopted Resolutions to give effect to the Scheme in the Court-ordered Joint Extraordinary General Meeting.
2. It is reasonably expected that the proposed merger shall mature in the foreseeable future.
3. We affirm that, in the light of the shareholders' intentions, duly backed by Management's actions, the filing of the Petition to enter into a Scheme of Arrangement, involving *inter alia*, a merger with its Associated Company, (Colony) Sarhad Textile Mills Limited, constitutes a definitive Plan that permits the Company, under the approved accounting standards as applicable in Pakistan, to continue to present its Accounts on the Going Concern assumption.

The benefits accruing to all stakeholders from the Scheme, which is a viable Plan to restructure the Company's finances going forward, reinforces the management's firmly held view that the Company continues to remain a Going Concern

RESERVES

There are no surpluses available for the year for transfer to reserves.

DIVIDEND

The operating losses incurred for the reasons given above, does not allow us to recommend a dividend for the time being. As such, no payout is contemplated for now.

LOSS PER SHARE

The Loss per share for the year amounted to Rs12.68 compared to a loss per share of RS. 14.45 in the previous year.

FUTURE OUTLOOK

The Company has been able to rehabilitate its Installations, Plant and Machineryand has put into legal process the implementation of a Scheme of Arrangement, duly approved by the shareholders, which, when sanctioned, will allow the Company to return to a normal operating mode in the future.

GENERAL

The Board would like to express their appreciation for the efforts of all officers, staff and workers of the company, during these difficult times.

NAME OF DIRECTOR	NUMBER OF MEETINGS ATTENDED
1. Mr Sohail Farooq Shaikh	4
2. Mr Farrukh Haroon Rashid	4
3. Mr Mahir Mohsin Shaikh	3
4. Mrs Neelum Sohail Shaikh	4
5. Mrs Saddia Mohsin	3
6. Mrs Nadia Shaikh	4
7. Mr Mohammad Shahmeer Shaikh	4

ON BEHALF OF THE DIRECTORS

RAWALPINDI

Dated: 09th October 2014

CHIEF EXECUTIVE

PATERN OF SHAREHOLDING
as on 30 June 2014

No. of shareholders	HAVING SHARES From	To	SHARES HELD	PERCENTAGE
191	1	100	19,100	0.51
109	101	500	38,401	1.03
41	501	1000	33,401	0.98
35	1001	2500	61,700	1.65
20	2501	5000	76,000	2.03
7	5001	10000	43,100	1.15
1	10001	15000	10,400	0.28
2	15001	20000	37,500	1.00
2	20001	200000	277,998	7.42
4	200001	400000	1,292,900	34.52
1	400001	1000000	500,000	13.35
1	1000001	1500000	1,354,500	36.17
414			**3,745,000**	**100.00**

CATEGORIES OF SHAREHOLDONGS
as on 30 June 2014

PARTICULARS	No. of Shareholders	BALANCE SHARE	PERCENTAGE
DIRECTOR, CEO & SPOUSE	8	2,003,300	53.49
ASSOCIATED COMPANIES	3	520,500	13.90
FINANCIAL INSTITUTION	3	9,700	0.26
INSURANCE COMPANIES	1	200	0.01
MODARBAS & MUTUAL FUNDS	-	-	-
GENERAL PUBLIC	398	1,139,500	30.43
OTHERS	2	71,800	1.92
Company Total	415	3,745,000	100.00

DETAILED CATEGORIES OF SHAREHOLDONGS as on 30 June 2014

Folio No	NAME	SHARES	PERCENTAGE
	DIRECTORS, CEO & SPOUSE		
	DIRECTORS & CEO		
2	MIAN SOHAIL FAROOQ SHAIKH	1,354,500	36.17
6	MRS. SADDIA MOHSIN	322,800	8.62
1705	MRS NEELUM SOHAIL	500	0.01
1706	MIAN FARRUKH HAROON RASHID	500	0.01
1738	Mr. SHAHMEER SHAIKH	600	0.02
1740	MISS NADIA SHAIKH	600	0.02
1755	MR. MAHIR MOHSIN	500	0.01
	SPOUSE		
3	MRS. MEHREEN HAROON RASHID	323,300	8.63
		2,003,300	**53.49**

Folio No	NAME	SHARES	PERCENTAGE
	ASSOCIATED COMPANIES		
11	SURIYYA FAROQQ CHARITABLE FOUNDATION	20,000	0.53
15	(COLONY) SARHAD TEXTILE MILLS LTD	500,000	13.35
1508	M. FAROOQ (PVT.) LIMITED	500	0.01
		520,500	**13.90**

Folio No	NAME	SHARES	PERCENTAGE
	FINANCIAL INSTITUTIONS		
108	INVESTMENT CORPORATION OF PAKISTAN	900	0.02
302	NATIONAL INDUSTRIAL COOPERATIVE FINANCE CORPORATION	4,000	0.11
1732	EASTERN CAPITAL LIMITED	5,000	0.13
		9,900	**0.26**

Folio No	NAME	SHARES	PERCENTAGE
	INSURANCE COMPANIES		
144	ASIA INSURANCE CO LTD.	200	0.005
		200	**0.005**

Folio No	NAME	SHARES	PERCENTAGE
	MUDARBAS & MUTUAL FUNDS		
21	FIRST EQUITY MUDARBA	2000	0.053
		2000	**0.053**

Folio No	NAME	SHARES	PERCENTAGE
	OTHERS		
29	MOHAMMAD MUNIR MOHAMMAD	6,000	0.160
1650	PUNJAB COOPERATIVE BOARD FOR LIQUIDATION	1,000	0.027
		7,000	**0.187**

Folio No	NAME	SHARES	PERCENTAGE
	GENERAL PUBLIC		
		1,202,100	32.10
		1,202,100	**32.10**

	TOTAL	**3,745,000**	**100.00**

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE COMPANY
as on 30 June 2014

Folio No	NAME	SHARES	PERCENTAGE
2	MIAN SOHAIL FAROOQ SHAIKH	1,354,500	36.17
3	MRS. MEHREEN HAROON RASHID	323,300	8.63
5	MRS. SHARMEEN AZAM	323,500	8.64
6	MRS. SADDIA MOHSIN	322,800	8.62
10	MRS. AMBREEN ZAHID BASHIR	323,300	8.63
15	(COLONY) SARHAD TEXTILE MILLS LTD	500,000	13.35
		3,147,400	**84.043**

KEY OPERATING AND FINANCIAL DATA

A statement of summarised key operating and financial data of the Company for the last seven (7) years is annexed to the annual report

PARTICULARS	2014	2013	2012	2011	2010	2009	2008
Net Sales	-	-	18,092,556	2,653,200	414,395,488	344,967,220	248,562,696
Cost of Sales	-	-	18,182,800	24,140,657	370,695,852	296,143,895	239,254,981
Operating Expenses	48,854,450	55,859,981	72,332,258	37,461,027	49,931,738	69,220,348	63,873,433
Other Income	1,135,863	723,942	(2,936,072)	(6,730,971)	7,540,080	(3,839,340)	82,679,370
Earning per Share - Rupees	(12.74)	(14.52)	(18.93)	(17.13)	(3.04)	(7.96)	6.15
Financial Position							
Equity	(239,095,397)	(198,710,689)	(151,364,770)	23,204,448	70,895,506	74,482,046	198,345,716
Reserve on Reveluation of Fixed Assets	809,187,630	815,887,487	822,822,708	719,139,238	714,128,284	719,434,507	724,585,662
Long from director	53,914,942	40,445,995	22,975,000	-	-	-	-
Deferred Liabilities	3,825,599	3,556,871	3,953,405	24,485,610	26,037,962	23,104,009	22,682,102
Current Liabilities	299,667,184	273,225,578	250,907,714	234,063,510	226,763,312	194,576,441	257,544,464
	927,499,958	**934,405,241**	**949,294,057**	**1000,892,805**	**1037,825,064**	**1,011,597,003**	**1,203,157,944**
Fixed Capital Expenditure	830,675,520	838,282,127	846,217,173	854,279,081	739,181,710	749,424,677	757,489,838
Due from Associated Undertaking	66,032,859	64,541,376	68,299,636	67,338,030	64,882,679	62,441,292	59,985,941
Current Assets	30,791,579	31,581,739	34,777,248	79,275,695	233,760,675	199,731,034	385,682,165
	927,499,958	**934,405,241**	**949,294,057**	**1,000,892,805**	**1037,825,064**	**1,011,597,003**	**1,203,157,944**

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

Code of corporate governance as applicable as on 30th June 2014 has been complied with.

For and on behalf of the Board.

Chief Executive

Rawalpindi
Dated: 09, October 2014

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Suhail Jute Mills Limited to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such controls, the Company's corporate governance procedures and risks.

Further, the Listing Regulations of the Stock Exchanges where the Company is listed, require the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 of Corporate Governance as applicable to the Company for the year ended June 30, 2014.

RAWALPINDI
Dated: 09 October 2014

AMIR ALAM KHAN & CO.
CHARTERED ACCOUNTANTS
ABDUL BASIT

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

1. At present the board consists of following Non Executive and Executive Directors:

   Executive Director

   Sohail Farooq Shaikh Chief Executive

   Non Executive Directors

   1. Farrukh Haroon Rashid
   2. Mr Mahir Mohsin Shaikh
   3. Mrs Neelum Sohail Shaikh
   4. Mrs Sadia Mohsin
   5. Mrs Nadia Shaikh
   6. Mr Muhammad Shahmeer Shaikh

2. The directors have confirmed that none of them is serving as a director on more than seven listed Companies, including this Company

3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking Company, a DPI 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 year.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, and non executive directors, have been taken by the board / shareholders as required by the relevant law.

8. The meetings of the board of directors were presided over by the Chairman and, in his absence, by a director elected by the board for the purpose.

9. The board has not arranged training programs for its directors during the year.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and other terms and conditions of employment.

11. The directors report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to br disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises three members, of whom all three are non executive directors.

16. The meetings of the audit committee were held at least once every quarter "prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has not formed an HR and Remuneration Committee.

18. The board has set up an effective internal audit function within the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control, review programme of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold the shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The "closed period" prior to the announcement of interim / final results, and business decision, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

EXCEPTIONS:

1. In respect of (9) above the Company was unable to comply with the requirement to arrange formal training courses because of financial constraints. Every effort is made to keep Directors abreast of requirements by the Company, otherwise. It is intended to comply during the next financial year and we seek a condonation in the light of our financial constraints.

2. In respect of (17), the Board has not formed the requisite committee as yet. The principal reason for this is that the Company operations are currently suspended and it is in the process of a substantial restructuring in the form of a proposed Scheme of Arrangement. It is intended to constitute the Committee after the completion of the Scheme of Arrangement and condonation is sought in the light of the facts submitted above.

Sohail Farooq Shaikh
Chief Executive

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. 'Loans and receivables' and 'held to maturity' investments are carried at amortized cost using effective interest rate method.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or 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 recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

5.15.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortized cost using the effective yield method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

5.15.3 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the financial statements if the Company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.16 Contingent liabilities

Contingent liabilities are disclosed when:

a) there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company; or

b) there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

5.17 Related party transactions

Comparable uncontrolled price method is used for valuation of transfer of any asset.

5.18 Revenue recognition

- Local sales are recorded when the goods are dispatched and significant risks and rewards of ownership are transferred to the customer.
- Export sales are recorded on shipment basis while export rebate is accounted for on receipt basis.
- Return on investment in associated undertaking is recorded on accrual basis while return on bank deposits are accounted for on a time proportioned basis on the principal amount outstanding.
- Dividend income on investments is recognized when the right to receive the payment is established.

	Note	2014 Rupees	Restated 2013 Rupees
6. SHARE CAPITAL			
Authorized share capital			
5,000,000 (2013 : 5,000,000) Ordinary shares of Rs. 10/- each.		**50,000,000**	50,000,000
Issued, subscribed and paid up share capital			
Issued for cash :			
3,245,000 (2013 : 3,245,000) Ordinary shares of Rs. 10/- each.		**32,450,000**	32,450,000
Issued for consideration other than cash:			
500,000 (2013 : 500,000) Ordinary shares of Rs. 10/- each	6.2	**5,000,000**	5,000,000
		37,450,000	37,450,000

6.1 Shares held by associated undertakings and related parties:

	No. of shares held 2014	Restated 2013
(Colony) Sarhad Textile Mills Limited	**500,000**	500,000
M. Farooq (Private) Limited	**500**	500
Surriya Farooq Charitable Foundation	**20,000**	20,000

6.2 These issue of shares to (Colony) Sarhad Textile Mills Limited is in accordance with the Deed of Composition dated April 10, 1983 between Nowshera Textiles Limited, Nowshera (Khyber Pakhtunkhwa), (Colony) Sarhad Textile Mills Limited, Nowshera, (Khyber Pakhtunkhwa) and Suhail Jute Mills Limited, Nowshera (Khyber Pakhtunkhwa).

	Note	2014 Rupees	Restated 2013 Rupees
7. GENERAL RESERVE			
General reserve	7.1	**3,380,000**	3,380,000
Dividend equalization reserve	7.2	**7,490,000**	7,490,000
		10,870,000	10,870,000

BALANCE SHEET AS AT JUNE 30, 2014

	Note	2014 Rupees	Restated 2013 Rupees
SHARE CAPITAL AND RESERVES			
Share capital	6	37,450,000	37,450,000
General reserve	7	10,870,000	10,870,000
Fair value reserve		247,026	110,732
Accumulated loss		(287,662,423)	(247,586,439)
		(239,095,397)	(199,155,707)
SURPLUS ON REVALUATION OF FIXED ASSETS	8	809,187,630	815,887,487
NON-CURRENT LIABILITIES			
Loan from director	9	53,914,942	40,445,995
Staff retirement benefits	10	3,825,599	4,001,889
		57,740,541	44,447,884
CURRENT LIABILITIES			
Trade and other payables	11	86,771,080	76,914,744
Accrued mark-up		54,086,276	37,501,006
Short term borrowings	12	158,809,828	158,809,828
Provision for taxation	13	-	-
		299,667,184	273,225,578
CONTINGENCIES AND COMMITMENTS	14	-	-
		927,499,958	934,405,242
NON-CURRENT ASSETS			
Property, plant and equipment	15	830,675,520	838,282,127
Due from associated undertakings	16	66,032,859	64,541,376
Long term investment	17	190,000	190,000
		896,898,379	903,013,503
CURRENT ASSETS			
Stores and spare parts	18	6,357,331	7,388,329
Stock in trade - Raw material		824,389	824,389
Trade debts - unsecured - considered good	19	-	-
Short term investments - available for sale	20	454,990	296,825
Advances	21	229,144	235,381
Deposits and prepayments	22	229,010	217,710
Receivables	23	22,364,766	22,256,650
Cash and bank balances	24	141,949	172,455
		30,601,579	31,391,739
		927,499,958	934,405,242

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

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

	Note	2014 Rupees	Restated 2013 Rupees
SALES		-	-
COST OF SALES	25	-	-
GROSS LOSS		-	-
FACTORY OPERATING EXPENSES	26	-	-
ADMINISTRATIVE EXPENSES	27	(29,549,280)	(36,789,288)
FINANCE COST	28	(19,305,170)	(18,832,820)
OTHER OPERATING INCOME	29	1,135,863	723,942
LOSS BEFORE TAXATION		(47,718,587)	(54,898,166)
TAXATION	13	(5,000)	767,978
NET LOSS AFTER TAXATION		(47,723,587)	(54,130,188)
LOSS PER SHARE - Basic & diluted	30	(12.74)	(14.45)

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	Restated 2013 Rupees
CASH FLOWS USED IN OPERATING ACTIVITIES	31	**(12,510,551)**	(22,149,711)
CASH FLOWS FROM INVESTING ACTIVITIES			
Due from associated undertaking		**(988,902)**	4,400,000
Net cash flows (used in) / generated from investing activities		**(988,902)**	4,400,000
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from director		**13,468,947**	17,470,995
Net cash generated from financing activities		**13,468,947**	17,470,995
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		**(30,506)**	(278,716)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**172,455**	451,171
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**141,949**	172,455

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

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

	Share Capital	General Reserve	Fair Value Reserve	Accumulated Loss	Total
	Rupees				
BALANCE AS AT JUNE 30, 2012	37,450,000	10,870,000	23,810	(199,708,581)	(151,364,771)
Change in accounting policy for recognition of actuarial gain and losses - note 5.4	-	-	-	(954,596)	(954,596)
BALANCE AS AT JUNE 30, 2012 - Restated	37,450,000	10,870,000	23,810	(200,663,177)	(152,319,367)
Total comprehensive income for the year - restated	-	-	86,922	(53,858,483)	(53,771,561)
Net loss for the year - restated	-	-	-	(54,130,188)	(54,130,188)
Other comprehensive income					
Changes in fair value of available for sale investment	-	-	86,922	-	86,922
Gain / (loss) on remeasurement of staff benefit plans	-	-	-	271,705	271,705
Effect of incremental depreciation	-	-	-	6,935,221	6,935,221
BALANCE AS AT JUNE 30, 2013 - Restated	**37,450,000**	**10,870,000**	**110,732**	**(247,586,439)**	**(199,155,707)**
Total comprehensive income for the year	-	-	136,294	(46,775,841)	(46,639,547)
Net loss for the year	-	-	-	(47,723,587)	(47,723,587)
Other comprehensive income					
Changes in fair value of available for sale investment	-	-	136,294	-	136,294
Gain / (loss) on remeasurement of staff benefit plans	-	-	-	947,746	947,746
Effect of incremental depreciation	-	-	-	6,699,857	6,699,857
BALANCE AS AT JUNE 30, 2014	**37,450,000**	**10,870,000**	**247,026**	**(287,662,423)**	**(239,095,397)**

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

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

	Note	2014 Rupees	Restated 2013 Rupees
LOSS FOR THE YEAR AFTER TAXATION		**(47,713,587)**	(54,130,188)
OTHER COMPREHENSIVE INCOME			
Gain / (loss) on re-measurement of investment available for sale		**136,294**	86,922
Actuarial gain / (loss) on remeasurement of staff benefit plans		**947,746**	271,705
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(46,629,547)**	(53,771,561)

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

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

1. LEGAL STATUS AND OPERATIONS

Suhail Jute Mills Limited (the Company) was incorporated in Pakistan in 1981 as a public limited Company under the Companies Act, 1913 (now Companies Ordinance. 1984). Its shares are quoted on Lahore and Karachi stock exchanges in Pakistan. The Company is principally engaged in the business of manufacturing and sale of jute products. The registered office of the Company is situated at 125-Murree Road, Rawalpindi, while the production facilities are situated at Kabul River Railway Station, Mardan Road, Nowshera, Khyber Pakhtunkhwa.

2. GOING CONCERN ASSUMPTION

Management has made an assessment of the enterprise's ability to continue as going concern and the financial statements are being prepared on going concern basis.

Although the Company has ceased operations, management has, at no time contemplated liquidation of the enterprise. Furthermore given the substantive steps it has taken towards a Scheme of Arrangement, it believes that there exists a realistic alternative to liquidating the company.

The Scheme, which aims to restructure the company's finances and provide substantial other benefits as the first, necessary step, is considered to be a viable basis for the Company to continue as going concern.

Management continues to actively pursue the proposed Scheme of Arrangement which contemplates merger with the Company's Associated Company, (Colony) Sarhad Textile Mills Limited.

During the year, the following developments have taken place:

Pursuant to the filing of the petition under Section 284-288 of the Companies Ordinance (in accordance with the laid down procedure under Rule 55 of the Companies Court Rules), with the Lahore High Court, (Rawalpindi Bench) seeking the Courts' sanction for a Scheme of Arrangement that, inter alia, entails the fixation of a date for calling a EOGM for the shareholders to consider and vote upon the Scheme of Arrangement, the Honorable Court ordered the holding of a Joint Extraordinary general Meeting of the shareholders of both Companies.

i) The said meeting was duly held and, at the meeting, resolutions approving and duly adopting the Scheme were passed on 15 April 2014, as Special Resolutions, by a unanimous vote of the shareholders.

ii) The Result of the Meeting was duly conveyed to the Honorable High Court.

iii) The Honorable Court has since conducted various hearing and a final Order sanctioning is awaited.

As is evident from the above assessment, management has taken practical and verifiable steps to validate its firm commitment to sustain the Company as a going concern; the most significant of those being the unanimous approval of the proposed Scheme by the shareholders of both Companies, signified by the adoption of the relevant Special Resolutions.

Management remains confident that once the Scheme of Arrangement is put into effect, the Company will emerge stronger and remain sustainable. In making this assessment, management has also taken into consideration the lack of any alternative and the benefits to the company's shareholders and other stakeholders that make it very likely that the Scheme will be sanctioned, and wholly executed.

Significantly, it is expected that by virtue of implementing the Merger Plan:

i) The Company's negative equity, which is a hindrance to fulfillment of the Prudential Regulations required by financial institutions, will turn positive upon the implementation of the Merger Plan:

ii) Valuable Land Assets will come into the Company's ownership, which coupled with the positive equity, will open up financing at better terms;

iii) Land that is not immediately required can be sold to generate financing and pay-off overdue loan obligations.

Furthermore, pursuant to the scheme, the large inter-company receivables will also be eliminated thereby significantly improving the Company's overall financial position.

It is recognized that there may exist material uncertainties at the current time which might cast significant doubt upon the enterprise's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, management has taken into account the available information for the foreseeable future, and is of the view that any doubts are substantively mitigated by the unanimous approval of the Merger Plan by the shareholders of both Companies and the substantial progress achieved in the judicial process towards the approval of the Scheme of Arrangement.

In the absence of any revenue earned by the Company, for the time being, its recurring costs have been financed by the sponsors of the Company.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Ordinance and the requirements of and directives issued under the Ordinance. However, the requirements of and the directives issued under that Ordinance have been followed where those requirements are not consistent with the requirements of the IFRSs, as notified under the Ordinance.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

i) Assumptions and estimates used in determining the residual values and useful lives of property, plant and equipment (Note 15);

ii) Assumptions and estimates used in accounting for defined benefit plan (Note 10).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Accounting Convention

These financial statements have been prepared under the historical cost convention except for certain items of property, plant and equipment which are stated at revalued amount and recognition of certain employee retirement benefits at present value in accordance with the actuarial recommendations as referred to in notes 5.9 and 5.4 respectively.

5.2 Adoption of new and revised Standards and Interpretations

a) The following amendments, revisions and interpretations to published accounting standards were not effective during the year and have not been early adopted by the Company:

		Effective for periods beginning on or after
IFRS 2	Share-based Payments (Amendments)	July 1, 2014
IFRS 3	Business Combinations (Amendments)	July 1, 2014
IFRS 8	Operating Segments (Amendments)	July 1, 2014
IFRS 10	Consolidated financial statements (Amendments)	January 1, 2014
IFRS 12	Disclosure of interests in other entities (Amendments)	January 1, 2014
IFRS 13	Fair value measurement (Amendments)	July 1, 2014
IAS 16	Property, Plant and Equipment (Amendments)	July 1, 2014
IAS 19	Employee benefits (Amendments)	July 1, 2014
IAS 24	Related Party disclosures	July 1, 2014
IAS 27	Separate financial statements (Amendments)	January 1, 2014
IAS 32	Financial instruments: Presentation (Amendments)	January 1, 2014
IAS 36	Impairment of assets (Amendments)	July 1, 2014
IAS 38	Intangible Assets (Amendments)	July 1, 2014
IAS 39	Financial instruments: Recognition and measurement (Amendments)	January 01, 2014
IAS 40	Investment Property	July 1, 2014
IFRIC 21	Levies	January 1, 2014

The management anticipates that adoption of above standards, amendments and interpretations in future periods will have no material impact on the Company's financial statements other than in presentation/ disclosures.

5.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of their applicability in Pakistan.

IFRS 1 First-time adoption of International Financial Reporting Standards

IFRS 9 Financial instruments

IFRS 10 Consolidated financial statements

IFRS 11 Joint arrangements

IFRS 12 Disclosure of interests in other entities

IFRS 13 Fair value measurement

Following interpretations issued by the IASB have been waived of by SECP:

IFRIC 4 Determining whether an arrangement contains a lease.
IFRIC 12 Service concession arrangements.

5.4 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Provision is made annually to cover obligations under the scheme in accordance with actuarial recommendations. Projected Unit Credit Method has been used for actuarial valuation. The results of current valuation carried on June 30, 2014, are summarized in Note 10.

Consequent to the revision of IAS 19 "Employee Benefits" (IAS 19) which is effective for annual periods beginning on or after January 1, 2013, the Company has changed its accounting policy wherein, the actuarial gains and losses (remeasurement gains / losses) on employees' retirement benefit plans are recognized immediately in other comprehensive income and past service cost is recognized in profit and loss when they occur. Previously, the actuarial gains / losses in excess of the corridor limit were recognized in profit or loss over the remaining service life of the employees whereas past service cost was recognized in profit and loss on a straight line basis over the average period until the benefits become vested. In accordance with the transitional provisions of IAS 19, the change in accounting policy has been accounted for retrospectively and the comparative figures have thereby been restated as below. The adoption of above accounting policy has no effect on the cash flow statement.

Impact on balance sheet

	June 30, 2013	June 30, 2012
	Rupees	Rupees
Increase in employees' retirement benefits	445,019	954,596
Increase / (decrease) in unappropriated loss	445,019	954,596

	June 30, 2013
	Rupees
Impact on profit and loss	
Decrease in administrative expenses	237,873
Decrease in loss before and after tax	237,873
Impact on other comprehensive income	
Remeasurement of actuarial losses/ gain on retirement benefit plan	271,705

Defined contribution plan

The Company has discontinued its provident fund scheme.

5.5 Taxation

Current

Provision for current taxation is based on taxable income of the Company after taking into account rebates, if any, allowable to the Company. In case of loss the tax liability is calculated according to the section 113 of Income Tax Ordinance, 2001.

Deferred

Deferred income tax, if any, is accounted for using the balance sheet liability method in respect of all temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are recognized for all taxable temporary timing differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the timing differences will reverse, based on the tax rates that have been enacted. Deferred tax is charged or credited to income except in the cases where it is included in equity.

5.6 Trade And Other Payables

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company.

5.7 Borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included in trade and other payables to the extent of the amount remaining unpaid.

5.8 Provisions

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

5.9 Property, plant and equipment

Property, plant and equipment are stated at cost / revalued amount less accumulated depreciation except lease hold land and capital work in progress, which are stated at revalued amount / cost. Cost comprises acquisition and other directly attributable costs. Depreciation is provided on a reducing balance basis and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in Note 15. Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which asset is disposed off.

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

Maintenance and repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposal of assets, if any, are included in profit and loss account currently.

Impairment

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether these are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their respective recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

5.10 Stores and spare parts

These are valued at weighted average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice value plus other charges incurred up to the balance sheet date.

5.11 Stock in trade

Stock in trade is stated at the lower of average cost and net realizable value, less allowance for obsolete items.

Raw material	at moving average purchase cost and directly attributable expenses.
Work in process and finished goods	at moving average cost of raw materials and applicable manufacturing expenses.
Raw material in transit	at invoice value plus other charges incurred up to the balance sheet date.

5.12 Trade and other receivables

Trade receivables are recognized and carried at original invoice amount less any allowance for any uncollectible amounts. Carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made. Other receivables and receivables from related parties are recognized and carried at cost.

5.13 Cash and cash equivalents

Cash and bank balances are defined as cash in hand, demand deposits and short term placements readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash in hand, balances with banks on current accounts and deposit accounts availed by the Company.

5.14 Foreign currency transactions and translations

Foreign exchange transactions are translated into reporting currency at the rates of exchange prevailing on the date of transactions except repayments of foreign currency loans, which are covered against exchange rate risk. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gain and losses from the settlement of foreign currency transactions and translation of monetary assets and liabilities at the balance sheet date exchange rates are included in profit and loss account.

5.15 Financial Instruments

5.15.1 Financial assets

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

a) **Financial assets at fair value through profit & loss**

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities for greater than twelve months after the balance sheet date, which are classified as non-current assets. Consistent with prior years, loans and receivables with less than twelve months maturities are classified as trade debts, loans and advances, deposits, other receivables and profit receivable from banks in the balance sheet.

c) **Available for sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose off the investments within twelve months from the balance sheet date. Available-for-sale financial assets are classified as short term investments in the balance sheet.

Changes in fair value of securities classified as available-for-sale are recognized in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized directly 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 effective interest method is recognized in the profit and loss account. Dividends on available-for-sale equity instruments are recognized in the profit and loss account when the Company's right to receive payments is established.

d) **Held to maturity**

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are carried at amortized cost.

All financial assets are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized at trade date i.e. the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account.

AUDITORS' REPORT TO THE MEMBERS

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

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

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

1. No provision has been made against doubtful receivables amounting to Rs. 66.033 million due from associated undertaking. (Note16)

2. (a) During the period:
    - i. Production facility of the Company remained idle;
    - ii. The Company has suffered net loss of Rs. 47.72 million; and
    - iii. The Company was unable to purchase (import) raw materials due to financial constraints; and

   (b) As at balance sheet date:
    - i. The current liabilities of the Company exceeded its current assets by Rs. 269.07 million;
    - ii. The equity of the Company was Rs. 239.10 million (negative); and
    - iii. The company's financing arrangements have expired and the outstanding borrowings from financial institutions was Rs. 212.90 million. The Company has been unable to re-negotiate or obtain replacement financing;

   (c) These (above) facts, indicate existence of material uncertainty that cast significant doubt on the Company's ability to continue as going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

3. The management's assumptions of preparing the financial statements on going concern basis (stated in Note 2 of the accompanying financial statements) by relying on the mitigating factors of the proposed Scheme of arrangement of merger with Company's Associated Company, (Colony) Sarhad Textile Mills Limited, and thereafter sale of surplus land is highly dependent on the outcome of the proposed merger which cannot be reasonably expected to mature in the foreseeable future.

(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 income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company.

(c) in our opinion, because of the significance of the matters discussed in paragraph 1 to 3, the financial statements do not give a true and fair view of the state of affairs of the Company as at June 30, 2014 and of the loss and cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan; and

(d) in our opinion no Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Rawalpindi,
09TH October 2014

Amir Alam Khan & Co.
Chartered Accountants
Abdul Basit

7.1 This represents amount transferred to the General Reserve from Reserve for Participation Term Certificates (PTC) Contingencies created in year 1992.

7.2 This represents the Reserve for the purpose of cash and stock dividend at 20% of the issued share capital proposed in 1992, but not approved by the shareholders.

	2014 Rupees	Restated 2013 Rupees
8. SURPLUS ON REVALUATION OF FIXED ASSETS		
Opening balance:		
Land	**607,683,803**	607,683,803
Building	**98,476,144**	98,476,144
Plant and machinery	**188,174,667**	188,174,667
	894,334,614	894,334,614
Less: Accumulated depreciation	**(85,146,984)**	(78,447,127)
	809,187,630	815,887,487

Revaluation of land, building and plant and machinery of the Company was carried out on June 30, 2011 by an independent valuer, BFA (Private) Limited, under the market value basis. Previously, the land of the Company was revalued in 1992 and on January 31, 2008, whereas the buildings and plant and machinery were revalued in 1995 and on January 31, 2008.

9. LOAN FROM DIRECTOR

This represents interest free unsecured borrowing from the director, Sohail Farooq Shaikh, of the Company payable at the convenience of the Company.

	2014 Rupees	Restated 2013 Rupees
10. STAFF RETIREMENT BENEFITS		
Present value of defined benefit obligation	**3,825,599**	4,001,889
Fair value of plan assets	**-**	-
Liability as at June 30	**3,825,599**	4,001,889
Movement in net liability recognized		
Liability as at July 1	**4,001,890**	4,908,001
Expense for the year	**771,455**	1,007,101
Actuarial (gain)	**(947,746)**	(271,705)
Unpaid gratuity	**-**	(1,617,759)
Benefits paid	**-**	(23,749)
Liability as at June 30	**3,825,599**	4,001,889
Charge for the defined benefit plan		
Current service cost	**311,238**	395,086
Net interest	**460,217**	612,015
	771,455	1,007,101

Comparison of present value of defined benefit obligation for the current year and previous three years is as follows:

	2014	2013	2012	2011
		...Restated...		
		Rupees		
Present value of defined benefit obligation	**3,825,599**	4,001,889	4,908,001	27,683,088
Experience adjustments on obligations	**-**	-	-	-
	3,825,599	4,001,889	4,908,001	27,683,088

The principal actuarial assumptions used in actuarial valuations were as follows:	2014	Restated 2013
Valuation discount rate	13.25%	11.50%
Salary increase rate short term (1 year)	0.00%	11.50%
Salary increase rate long term	13.25%	11.50%

	Note	2014 Rupees	Restated 2013 Rupees
11. TRADE AND OTHER PAYABLES			
Trade creditors		**9,340,814**	7,924,457
Accrued expenses	11.1	**20,774,838**	13,851,565
Security deposits		**1,500**	1,500
Workers' profit participation fund	11.2	**23,939,409**	21,397,398
Unclaimed dividend		**197,548**	197,548
Income tax payable (Withholding Tax)		**252,336**	217,381
Other payables		**166,477**	165,837
Payable to employee retirement benefit funds	11.3	**31,848,158**	33,159,058
		86,521,080	76,914,744

11.1 This includes an amount of Rs. 17,100,765 (2013: Rs. 11,888,565) payable to director of the Company on account of remuneration and godown rent.

	Note	2014 Rupees	Restated 2013 Rupees
11.2 Workers' profit participation fund			
Opening balance		**21,397,398**	18,748,265
Interest for the year	11.2.1	**2,542,011**	2,649,133
		23,939,409	21,397,398

11.2.1 Interest on the balance is charged at the rate of 11.88 (2013: 14.87) percent per annum.

	Note	2014 Rupees	Restated 2013 Rupees
11.3 Payable to employee retirement benefit funds			
Gratuity payable	11.3.1	**28,750,286**	30,061,186
Payable to employees	11.3.2	**3,097,872**	3,097,872
		31,848,158	33,159,058

11.3.1 This represents gratuity payable to 301 employees who left after the floods in July 2010.

11.3.2 This represents balance of the amount payable to employees that has arisen as a result of the discontinuation of the Provident Fund of the Company.

	Note	2014 Rupees	Restated 2013 Rupees
12. SHORT TERM BORROWINGS			
From banking companies - Secured			
Faysal Bank	12.1	**128,809,828**	128,809,828
Albaraka Islamic Bank	12.2	**30,000,000**	30,000,000
		158,809,828	158,809,828

	Note	2014 Rupees	Restated 2013 Rupees
12.1 Faysal Bank			
Running finance facility	12.1.1	**127,885,528**	127,885,528
Finance against imported merchandise	12.1.2	**924,300**	924,300
		128,809,828	128,809,828

12.1.1 Running Finance facility of Rs. 128.55 million was sanctioned in June 2011 and is payable on demand. The facility had been obtained to meet working capital requirements. The rate of mark up is 3 months KIBOR plus 2.91% per annum.

The facility is secured against first exclusive hypothecation charge for Rs. 100 million on all present and future current assets of the Company and Pari Passu charge for Rs. 280 million on fixed assets of Company including Land, Building and Plant & Machinery.

12.1.2 Finance against imports facility of Rs. 20 million had been obtained to finance import of raw material, and is payable on demand. The rate of mark up is 3 months KIBOR plus 2.91% per annum.

The facility is secured against pledge of imported goods in factory godown amounting to Rs. 1,027,000 with built in margin under custody of bank's appointed Maccadum and lien over shipping documents.

12.2 **Albaraka Islamic Bank**

The Company has drawn down Rs 30 million out of total facility of Rs 30 million sanctioned in October 2011. It carries mark-up at the rate 6 months KIBOR + 2.5% per annum (if paid with in 180 days) and 3 months KIBOR+ 3% per annum (if paid within 90 days). This facility expired in June 2012.

This facility is also secured against First Pari Passu charge over entire Present and Future Fixed Assets of the Company including Land & Building.

	2014 Rupees	Restated 2013 Rupees
13. PROVISION FOR TAXATION		
Opening balance	-	767,978
Provision made during the year		
Current	-	-
Prior years	5,000	(767,978)
	5,000	(767,978)
Paid / adjusted	(5,000)	-
	-	-

13.1 No provision for current taxation has been made due to the reason that the Company has no taxable income. Turnover tax under section 113 of Income Tax Ordinance, 2001 does not apply as the Company has no turnover during the year.

13.2 Deferred tax asset is not recognized in the financial statements because Company has sufficient tax losses available and it is probable that the Company will not be able to utilize deductible temporary differences in near future.

14. CONTINGENCIES AND COMMITMENTS

14.1 The Faysal Bank Limited has issued a letter of guarantee of Rs. 550,000 (2013: Rs. 550,000) on behalf of the Company in the ordinary course of business in favor of Sui Northern Gas Pipelines Limited.

14.2 The Albaraka Bank Limited has issued a letter of guarantee of Rs. 30,000 (2013: Rs. 30,000) on behalf of the Company in the ordinary course of business in favor of Sui Northern Gas Pipelines Limited.

14.3 The Sarhad Development Authority has filed an appeal in Peshawar High Court against the decision made in the civil suit (No. 180/1) on May 26, 2011 in favor of Suhail Jute Mills Limited for the recovery of an amount of Rs. 2,550,000 against surrender of land measuring six acres situated at Gadoon Industrial Estate, Khyber Pakhtunkhwa. The Sarhad Development Authority had acknowledged the surrender of land and made a payment of Rs. 1,667,343 after deducting charges of Rs. 882,657 which was returned by the Company with the plea that total amount should be refunded. The Company has also filed an appeal before the District Judge, Peshawar against other pleas related to this issue dismissed in the above decision.

14.4 Income tax demand of Rs. 8,771,178 was raised against the Company under section 161/205 of the Income Tax Ordinance, 2001 which has been remanded back by Commissioner Inland Revenue (appeals) to the Deputy Commissioner Inland Revenue for re-determination of the liability, if any. The proceedings before Deputy Commissioner Inland Revenue has not yet finalized. The management and the tax advisor of the Company do not expect any unfavorable outcome or serious loss to the Company in this case.

15. PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST			RATE	DEPRECIATION			WRITTEN DOWN VALUE AS AT JUNE 30, 2014
	AS AT JULY 01, 2013	ADDITION/ (DELETION)	AS AT JUNE 30, 2014		AS AT JULY 01, 2013	FOR THE YEAR	AS AT JUNE 30, 2014	
Free hold land	610,000,000	-	610,000,000	-	-	-	-	610,000,000
Building on freehold land	86,250,000	-	86,250,000	3%	5,097,375	2,434,579	7,531,954	78,718,046
Plant & machinery	154,227,397	-	154,227,397	3-15%	10,081,979	4,768,436	14,850,415	139,376,982
Tools & equipment	218,642	-	218,642	10%	181,536	3,711	185,247	33,395
Electric fittings	281,186	-	281,186	10%	247,597	3,359	250,956	30,230
Furniture & fixtures	2,867,596	-	2,867,596	10%	2,110,668	75,693	2,186,361	681,235
Office equipment	3,406,459	-	3,406,459	10%	2,333,193	107,327	2,440,520	965,939
Weight & measures	499,782	-	499,782	10%	469,333	3,045	472,378	27,404
Motor vehicles	11,160,181	-	11,160,181	20%	10,109,715	210,093	10,319,808	840,373
Fire fighting equipment	23,130	-	23,130	10%	21,783	135	21,918	1,212
Library books	53,031	-	53,031	30%	52,353	203	52,556	475
Arms	812	-	812	10%	557	26	583	229
2014 - Rupees	**868,988,216**	-	**868,988,216**		**30,706,089**	**7,606,607**	**38,312,696**	**830,675,520**

PARTICULARS	COST			RATE	DEPRECIATION			WRITTEN DOWN VALUE AS AT JUNE 30, 2013
	AS AT JULY 01, 2012	ADDITION/ (DELETION)	AS AT JUNE 30, 2013		AS AT JULY 01, 2012	FOR THE YEAR	AS AT JUNE 30, 2013	
			......Restated......					
Free hold land	610,000,000	-	610,000,000	-	-	-	-	610,000,000
Building on freehold land	86,250,000	-	86,250,000	3%	2,587,500	2,509,875	5,097,375	81,152,625
Plant & machinery	154,227,397	-	154,227,397	3-15%	5,134,485	4,947,494	10,081,979	144,145,418
Tools & equipment	218,642	-	218,642	10%	177,413	4,123	181,536	37,106
Electric fittings	281,186	-	281,185	10%	243,865	3,732	247,597	33,589
Furniture & fixtures	2,867,596	-	2,867,596	10%	2,026,565	84,103	2,110,668	756,928
Office equipment	3,406,459	-	3,406,459	10%	2,213,941	119,252	2,333,193	1,073,266
Weight & measures	499,782	-	499,782	10%	465,950	3,383	469,333	30,449
Motor vehicles	11,160,181	-	11,160,181	20%	9,847,099	262,616	10,109,715	1,050,466
Fire fighting equipment	23,130	-	23,130	10%	21,633	150	21,783	1,347
Library books	53,031	-	53,031	30%	52,063	290	52,353	678
Arms	812	-	812	10%	529	28	557	255
2013 - Rupees	868,988,216	-	868,988,216		22,771,043	7,935,046	30,706,089	838,282,127

15.1 Cost of free hold land, building on free hold land and plant and machinery are stated at revalued amounts (see Note 8). The carrying amount of these items of property, plant and equipment measured using the cost model are as under:

	2014			2013 - Restated		
	Cost	Accumulated Depreciation	Written Down Value	Cost	Accumulated Depreciation	Written Down Value
	Rupees					
Lease hold land	7,589,031	-	7,589,031	7,589,031	-	7,589,031
Building on leasehold land	19,015,207	16,711,848	2,303,359	19,015,207	16,640,610	2,374,597
Plant & machinery	131,156,789	118,719,901	12,436,888	131,156,789	118,287,981	12,868,808
	157,761,027	135,431,749	22,329,278	157,761,027	134,928,591	22,832,436

	Note	2014 Rupees	Restated 2013 Rupees
16. DUE FROM ASSOCIATED UNDERTAKINGS			
Borrowings		**3,584,283**	3,595,381
Mark up on borrowings	16.1	**34,957,207**	34,454,626
Joint office expenses	16.2	**27,491,369**	26,491,369
		66,032,859	64,541,376

16.1 This represents amount due from (Colony) Sarhad Textile Mills Limited. The Company has reciprocal arrangements of lending and borrowing with its associated undertaking at an interest rate of 14% per annum.

16.2 This represents the share of the total joint expenses of the office. The Company maintains that joint office expenses do not constitute investment as defined in section 208 of the Companies Ordinance, 1984.

16.3 The maximum amount of the loan outstanding at any time since the date of the previous balance sheet was Rs. 31,075,652 (2013: Rs. 35,486,750).

	Note	2014 Rupees	Restated 2013 Rupees
17. LONG TERM INVESTMENT			
Available for sale investment - unquoted Farooq Energy Company (Private) Limited 190 shares (2013: 190) of Rs. 1,000 each		**190,000**	190,000
18. STORES AND SPARE PARTS			
Spare parts		**7,623,367**	7,625,911
Stores		**2,157,143**	2,225,194
		9,780,510	9,851,105
Provision for obsolescence		**(3,423,179)**	(2,462,776)
		6,357,332	7,388,329
19. TRADE DEBTS - UNSECURED - CONSIDERED GOOD			
District Food Control		**4,200,000**	4,200,000
Less: Provision for doubtful debts	19.1	**(4,200,000)**	(4,200,000)
		-	-

19.1 The Company has filed a writ petition in Lahore High Court, Rawalpindi Bench, Judicial Department against Director Food, Food Directorate, Punjab for this amount. However, the case is pending for a very long time and the recoverability of this amount appears improbable in foreseeable future, therefore, this has been treated as doubtful debt.

20. SHORT TERM INVESTMENTS - AVAILABLE FOR SALE

2014	Restated 2013		2014		Restated 2013	
No. of units		Name of Investee	Cost	Fair value	Cost	Fair Value
			Rupees			
7,532	6,999	National Investment Trust	207,964	**454,990**	186,093	296,825

Fair value of NIT units is determined using Repurchase Price of Rs. 60.41 per unit (2013: Rs. 42.41 per unit) as at balance sheet date.

	Note	2014 Rupees	Restated 2013 Rupees
20.1 Un-realized gain on re-measurement of available for sale investment to fair value			
Fair value of investments at year end		**454,990**	296,825
Less: Carrying amount of investment		**(318,696)**	(209,903)
Unrealized gain / (loss)		**136,294**	86,922
21. ADVANCES			
Income tax		**87,656**	95,752
Advances - considered good:			
- Employees		**129,598**	131,038
- Expenses		**11,890**	8,591
		229,144	235,381
22. DEPOSITS AND PREPAYMENTS			
Deposits		**191,960**	191,960
Prepayments		**37,050**	25,750
		229,010	217,710
23. RECEIVABLES			
Other receivables		**12,363**	-
Income tax		**19,802,403**	19,706,650
Sarhad Development Authority	14	**2,550,000**	2,550,000
		22,364,766	22,256,650
24. CASH AND BANK BALANCES			
Cash in hand		**50,282**	29,002
Cash at banks:			
- in current accounts		**82,603**	134,695
- in saving accounts		**9,064**	8,758
		141,949	172,455

	Note	2014 Rupees	Restated 2013 Rupees
25. COST OF SALES			
Opening stock finished goods		-	-
Cost of goods manufactured	25.1	-	-
		-	-
Closing stock finished goods		-	-
		-	-

25.1 Cost of goods manufactured

	2014 Rupees	Restated 2013 Rupees
Raw material consumed:		
Opening balance	824,389	824,389
Add: Purchases	-	-
	824,389	824,389
Less: Closing stock	(824,389)	(824,389)
	-	-

26. FACTORY OPERATING EXPENSES

Factory operating expenses for the year have been classified as administrative expenses as the factory remained un-operational and the expenses incurred were of administrative nature.

	Note	2014 Rupees	Restated 2013 Rupees
27. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	27.1	6,638,357	10,547,212
Directors' remuneration	27.2	6,423,782	5,607,197
Directors' meeting fee		9,500	6,500
Travelling		251,240	328,275
Motor vehicle running expenses		1,017,254	2,153,376
Entertainment		367,011	438,982
Printing and stationery		201,586	272,090
Postage, telegram and telephone		266,741	432,484
News paper and periodicals		34,535	48,005
Rent, rates and taxes		576,218	1,222,280
Electricity		1,956,976	2,200,327
Fees and subscription		158,039	464,515
Professional charges		761,000	406,500
Auditor's remuneration	27.3	250,000	325,000
Depreciation	15	7,606,607	7,935,046
Repairs and maintenance		1,005,139	1,010,597
Insurance		996,744	884,747
Provision for obsolete stores and spare		960,403	2,462,776
Zakat		1,750	1,583
Miscellaneous		66,398	41,796
		29,549,280	36,789,288

27.1 Salaries, wages and benefits include gratuity provision of Rs. 771,455 (2013 : Rs. 1,007,101).

27.2 **Remuneration of Managing Director and Executives**

The aggregate amounts charged in these financial statements in respect of remuneration including benefits applicable to the managing director, directors and executives of the Company are given below:

	2014		Restated 2013	
	Director	Managing Director	Director	Managing Director
Fee	9,500	-	6,500	-
Remuneration	-	3,594,600	-	3,268,020
Rented accommodation	-	1,617,600	-	1,342,380
Conveyance	-	46,000	-	112,710
Communication	-	94,680	-	97,957
Electricity	-	1,070,902	-	786,130
Rupees	9,500	6,423,782	6,500	5,607,197
Number	1	1	1	1

The Managing Director has also been provided with a Company maintained car, utilities and telephone at his residence.

	2014 Rupees	Restated 2013 Rupees
27.3 Auditors remuneration		
Statutory Audit	175,000	250,000
Half yearly review of financial statements	75,000	75,000
	250,000	325,000

28. FINANCE COST

Interest on Workers' profit participation fund	2,542,011	2,649,133
Mark up on short term borrowings	16,585,271	16,025,531
Bank charges	177,888	158,156
	19,305,170	18,832,820

29. OTHER OPERATING INCOME

Income from financial assets		
Return on borrowing by associated undertaking	502,581	641,740
Interest on bank deposits	340	563
Dividend income on NIT units	26,246	22,156
	529,167	664,459
Income from assets other than financial assets		
Credit balances written off	475,000	-
Sale of scrap	131,696	59,483
	606,696	59,483
	1,135,863	723,942

	Note	2014 Rupees	Restated 2013 Rupees
30. LOSS PER SHARE - BASIC & DILUTED			
Loss after taxation - Rupees		**(47,723,587)**	(54,130,188)
Weighted average number of ordinary shares		**3,745,000**	3,745,000
Loss per share - Rupees		**(12.74)**	(14.45)

30.1 There are no dilutive potential ordinary shares outstanding as at report date.

	2014 Rupees	Restated 2013 Rupees
31. CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss before taxation	**(47,718,587)**	(54,898,166)
Adjustment for:		
Financial charges	**19,305,170**	18,832,820
Interest Income	**(502,581)**	(641,740)
Depreciation	**7,606,607**	7,935,046
Dividend - net of zakat	**(21,871)**	(18,357)
Credit balances written off	**(475,000)**	-
Provision for stores and spares obsolescence	**960,403**	2,462,776
Provision for employee benefits	**771,455**	1,007,101
Loss before working capital changes	**(20,074,404)**	(25,320,520)
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
Stores and spare parts	**70,595**	448,316
Advances	**6,237**	84,812
Receivables	**(108,116)**	18,048
Deposits and prepayments	**(11,300)**	8,120
	(42,584)	559,296
Increase / (decrease) in current liabilities		
Trade and other payables	**9,100,225**	4,610,719
Cash (used in) operations	**(11,016,763)**	(20,150,505)
Financial charges paid	**(177,888)**	(158,156)
Employees' retirement benefits paid	**(1,310,900)**	(1,841,050)
Taxes (paid) / recovered	**(5,000)**	-
	(12,510,551)	(22,149,711)

32. FINANCIAL INSTRUMENTS BY CATEGORY

32.1 Financial risk management objectives and policies:

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, The Company's risk arising from financial instruments is significant due to non-availability of finances to pay off the borrowings from banks. This is due to no production since July 2010.

	Note	2014 Rupees	Restated 2013 Rupees
FINANCIAL ASSETS			
Due from associated undertakings		**66,032,859**	64,541,376
Long term investment		**190,000**	190,000
Trade debts - considered good		**-**	-
Short term investments		**454,990**	296,825
Advances and receivables		**2,679,598**	2,681,038
Deposits and prepayments		**191,960**	191,960
Cash and bank balances		**141,949**	172,455
		69,691,356	68,073,654
FINANCIAL LIABILITIES			
Staff retirement benefits		**3,825,599**	4,001,889
Loan from directors		**53,914,942**	40,445,995
Trade and other payables		**86,518,744**	76,697,363
Accrued mark-up		**54,086,276**	37,501,006
Running finance under mark up arrangements		**158,809,828**	158,809,828
		357,155,389	317,456,081

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's activities expose it to certain financial risks. Such financial risks emanate from various factors that include, but not limited to, market risk, credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risks measured and managed by the Company are explained in notes 33.1, 33.2 and 33.3 below:

33.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transactions. Out of the total financial assets of Rs. 69,691,356 (2013: Rs. 68,073,654), the financial assets that are subject to credit risk amounted to Rs. 69,641,074 (2013 : Rs. 68,044,652).

The maximum exposure to credit risk as at June 30, 2014, along with comparative is tabulated below:

Financial assets	Note	2014 Rupees	Restated 2013 Rupees
Due from associated undertakings		**66,032,859**	64,541,376
Long term investment		**190,000**	190,000
Trade debts - considered good		**-**	-
Short term investments		**454,990**	296,825
Advances and receivables		**2,679,598**	2,681,038
Deposits and prepayments		**191,960**	191,960
Cash and bank balances		**91,667**	143,453
		69,641,074	68,044,652

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. The Company's major exposure is with its associated undertaking.

33.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management is exposed to liquidity risk as the borrowing facilities have expired, not renewed and payable at any time on demand of the sponsoring bank.

The management forecasts the liquidity of the Company on basis of expected cash flow considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

	Interest / Mark-up bearing			Non-Interest bearing			2014	2013 - Restated
	with in one year	more than one year	sub-total	with in one year	more than one year	sub-total		
	(Rupees)							
Financial Liabilities								
Loan from director	-	-	-	-	53,914,942	53,914,942	53,914,942	40,445,995
Staff retirement benefits	-	3,825,599	3,825,599	-				3,825,599
Trade and other payables	-	-	-		62,412,858	62,412,858	-	55,134,128
Accrued mark-up	-	-	-	54,086,276	-	54,086,276	54,086,276	37,501,008
Short term borrowing	158,809,828	-	158,809,828		-	-	158,809,828	158,809,828
	158,809,828	3,825,599	162,635,427	54,086,276	116,327,800	170,414,076	266,811,046	295,716,558

33.3 Market Risk

Currency Risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company primarily has no foreign currency exposures.

Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. At June 30, 2014 the Company's financial instruments mainly affected due to changes in the interest rates on amounts placed on deposits with banks where changes in interest rates may have impact on the future profits / cash flows. The effects of changes in interest rates on the future profits arising on the balances placed on deposits with banks is not considered to be material.

34. RELATED PARTY TRANSACTIONS

The related parties comprise of directors, key management personnel, entities over which the directors are able to exercise influence, major suppliers and employers funds. All transactions with related parties are carried out at arms length prices determined in accordance with comparable uncontrolled price method. The remuneration of managing director and other executives is given in note 27.2 to the financial statements. Balances outstanding and transaction made with related parties at the year end are as follows:

	2014 Rupees	Restated 2013 Rupees
Associated company / Nature of transaction		
Balance outstanding (Receivable)	**66,032,859**	64,541,376
Transaction during the year:		
Repayment of principal	**(11,098)**	(5,400,000)
Return on lending	**502,581**	641,740
Joint office expenses	**1,000,000**	1,000,000
	1,491,483	(3,758,260)
Contribution to staff retirement benefits		
Gratuity - expense charged	**771,455**	1,007,101
Gratuity - payment made	**(1,310,900)**	(1,841,050)
	(539,445)	(833,949)
Key management personnel		
Managing Director		
Balance outstanding (Loan/payable)	**53,914,942**	40,445,995
Transactions during the year		
Loan received	**16,968,947**	22,830,155
Loan repayments	**3,500,000**	5,359,160
Rent of godown	**-**	300,000
Remuneration	**3,594,600**	3,268,020

35. PRODUCTION DATA

	2014 Kgs	Restated 2013 Kgs
Capacity on 360 days basis	**6,000,000**	6,000,000
Production achieved		
Sacking cloth	**-**	-
Hessian cloth	**-**	-
Twine	**-**	-
	-	-

It is difficult to describe precisely the production capacity of a Jute mill since it fluctuates widely depending on the pattern of production and number of shifts worked in a particular year. The production facilities of the Company remained idle throughout the year due to non availability of raw material.

36. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt.

37. ENTITY-WIDE INFORMATION

37.1 The Company constitutes of a single reportable segment, the principal classes of products are Jute Twine, Gunny Bags, Hessian Cloth and Rice bags.

37.2 The Company's principal classes of products accounted for the following percentages of sales:

	2014	Restated 2013
Jute Twine	**0.00%**	0.00%
Gunny bags	**0.00%**	0.00%
Hessian cloth	**0.00%**	0.00%
Others	**0.00%**	0.00%
	0%	0%

37.3 Information about geographical areas,

The Company does not hold non-current assets in any foreign country.

37.4 Information about major customers

The Company has not made sales to any major external customers which tantamount to 10% or more of the entity's revenue.

38. NUMBER OF EMPLOYEES

	2014	Restated **2013**
Total number of employees at end of the year	63	63
Average number of employees for the year	63	63

39. DATE OF AUTHORIZATION FOR ISSUE

These Financial Statements were authorized for issue on 09th Ocboter 2014 by the Board of Directors of the Company.

40. CORRESPONDING FIGURES

In these financial statements figures have been rounded off to the nearest rupee and those of the previous year have been re-arranged and re-grouped wherever necessary to facilitate comparison.

CHIEF EXECUTIVE **DIRECTOR**

SUHAIL JUTE MILLS LIMITED

PROXY FORM

(32rd Annual General Meeting)

I / We, ______________________ *of* ______________

being member of Suhail Jute Mills Limited and holder of ______________

Ordinary shares as per Share Register Folio No. ______________

hereby appoint ______________________ *of* ______________ *as*

my / our proxy to attend, speak and vote for me/us and on my/our behalf of the thirtieth Annual General Meeting of the Company to be held on Friday, October 31, 2014 and at any adjournment thereof.

As witness my/our hand this __________ *day of* ______________ *2014.*

Signed by the said ______________________

in the presence of ______________________

Signature on Rs. 5/- Revenue Stamp

Notes :

1. *The proxy in order to be valid must be signed across Five Rupees Revenue Stamp and should be deposited with the Company not later than 48 hours before the time of holding the Meeting.*
2. *The proxy must be a member of the Company.*
3. *Signature should agree with the specimen signature, registered with the company.*