

SALMAN NOMAN ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1 STATUS AND ACTIVITIES

The company was incorporated in Pakistan on November 05, 1985 as a Public Limited Company under the Companies Ordinance, 1984. The registered office and mills of the company are situated at 03 kilometer Bhai Pheru, Tehsil Chunian, District Kasur. The company is listed on Karachi and Lahore stock exchanges. The principal business of the company is manufacturing and sale of yarn.

2 BASIS OF PREPARATION

2.1 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 (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the company's functional and presentation currency and figures are rounded to the nearest rupee.

2.3 Standards, interpretations and amendments to published approved accounting standards

2.3.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

Following are the amendments that are applicable for accounting periods beginning on or after January 1, 2013:

- ✘ IAS 19, 'Employee Benefits'. With effect from 01 January 2013, the revised IAS 19 'Employee Benefits' became effective. The revised IAS 19 requires actuarial gains and losses to be recognized immediately in other comprehensive income. Previously, actuarial gains and losses over and above the corridor limit were amortized over the expected average remaining working lives of employees as allowed under the relevant provision of previous IAS 19. Further, any past service cost is now recognized immediately in profit and loss account as soon as any change in benefit plan is made, previously only vested past service cost was recognized immediately in profit and loss account and non-vested cost was amortized to profit and loss account over the vesting period. The standard also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year. Refer note 4.1 for revised accounting policy and impact of the change in accounting policy on financial statements.
- ✘ Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendment does not have any effect on the company.

IFRIC 20 - Stripping cost in the production phase of a surface mining. The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company. The amendment does not have any effect on the company.

2.3.2 New accounting standards, amendments to existing approved accounting standards and interpretations that are issued but not yet effective and have not been early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after their respective effective dates:

- ✘ 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.
- ✘ IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments have no impact on financial statements of the Company.

- ✘ 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 has no impact on financial statements of the Company
- ✘ 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. The amendments have no impact on financial statements of the Company.
- ✘ IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2015). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2015. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.
- ✘ IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2015). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.
- ✘ IFRS 10, 'Consolidated Financial Statements', applicable from January 01, 2015, build on existing principles by identifying the concept of control as the determine factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- ✘ IFRS 11, 'Joint Arrangements', applicable from January 01, 2015, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement; joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- ✘ IFRS12, 'Disclosures of interests in other entities', applicable from January 01, 2015, this standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- ✘ IFRS 13, 'Fair value measurement', applicable from January 01, 2015, this standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

2.3.3 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.

- ✘ 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.
- ✘ 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.
- ✘ There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

2.3.4 Standards, interpretations issued by the IASB that are applicable to the company but are not yet notified by the SECP

- ✘ IFRS 9, 'Financial Instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial Instruments' Recognition and measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the company does not have any such liabilities.

2.3.5 There are a number of other minor amendments and interpretations to other approved accounting standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention on accrual basis, except for recognition of staff retirement benefits which are based on actuarial values (net present value), certain items of property, plant and equipment which are stated at revalued amounts and certain financial assets are stated at fair value.

The company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows.

3.1 Provision for taxation

The company takes into account the current income tax law and decisions taken by the appellate authorities. Instances where the company's view differs from the view taken by the income tax department at the assessment stage and where the company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3.2 Staff retirement benefits - gratuity

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

3.3 Financial instruments

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

3.4 Property, plant and equipment

The company reviews recoverable amount, useful life, residual value and possible impairment on an annual basis. Any changes, if material in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

- 3.5 Other areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows.
 - 3.5.1 Provision for doubtful debts
 - 3.5.2 Estimation of net realizable value
 - 3.5.3 Computation of deferred taxation
 - 3.5.4 Disclosure of contingencies

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Staff retirement benefits - gratuity

The company operates an approved unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Contributions are made annually to cover the obligation under the scheme on the basis of actuarial valuation and are charged to income. The most recent valuation was carried out on June 30, 2014 using the "Project Unit Credit Method".

During the period, the company has adopted IAS 19, (Revised) 'Employee Benefits'. The amendments in the revised standard require the company to eliminate the corridor approach and recognize all actuarial gains and losses (now called 'remeasurements', that result from the remeasurement of defined benefits obligations and fair value of plan assets at the balance sheet date) in other comprehensive income as they occur, immediately recognize all past service costs and replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefits liability / asset.

The effect of change has been accounted for retrospectively in accordance with IAS 8 " Accounting policies, changes in accounting estimates and errors", resulting in restatement of financial statements of prior periods. Resultantly, the cumulative effect of adjustments that arose as July 01, 2012 has been presented and disclosed as part of the statement of changes in equity, while the corresponding period adjustments through other comprehensive income is restated and disclosed as part of statement of comprehensive income respectively. Effects of the change in accounting policy is given below.

	As at	
	30-Jun-13	30-Jun-12
	-----Rupees-----	
Impact on Balance Sheet		
Increase in the retirement benefits obligation	3,866,220	885,060
Decrease in deferred tax liability	1,314,515	309,771
Decrease in accumulated profits	2,551,705	575,289
Impact on profit and loss account		
Increase in cost of sales	113,148	-
Decrease in administrative expenses - net of tax	14,589	-
Impact on statement comprehensive Income		
Items that cannot be reclassified subsequently to profit and loss account - net of tax	1,886,735	-

Third column of the balance sheet at the beginning of preceding period as required by IAS-1 ' Presentation of Financial Statements' has not been presented as management believes that impacts of retrospective application of the accounting policy on prior years are immaterial.

4.2 Taxation

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

Current

Provision for current taxation is based on taxability of certain income streams of the company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credit and tax rebates available, if any. The charge for current tax includes any adjustment to past years liabilities.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax basis of assets and liabilities and their carrying amounts for financial reporting purpose.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses and tax credits to the extent that it is probable that future taxable profits will be available against which deferred tax asset can be utilized, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability that, at the time of transaction, affects neither the accounting nor taxable profits.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4.3 Trade and other payables

Liabilities for trade and other payables are carried at their cost which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the company.

4.4 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event, and it is probable that an out flow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.5 Borrowings and borrowing costs

Borrowings are recorded at the proceeds received. Finance costs are accounted for on an accrual basis and are included in current liabilities to the extent of the amount remaining unpaid.

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commissioning.

4.6 Revenue recognition

Revenue is recognized on dispatch of goods or on performance of services. Return on deposits is recognized on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

4.7 Property, plant and equipment - owned

Recognition

Property, plant and equipment except for freehold land are stated at cost / revaluation less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost / revaluation less any identified impairment loss. Cost of tangible assets consists of historical cost pertaining to erection / construction period and other directly attributable cost of bringing the asset to working condition.

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

Depreciation

Depreciation on all items of property, plant and equipment except for freehold land is charged to income applying the reducing balance method so as to write off historical cost of an asset over its estimated useful life at the rates as disclosed in note 19.

Depreciation on additions is charged from the month in which the asset is acquired or capitalized while no depreciation is charged in the month of disposal.

Derecognition

An item of property, plant and equipment is derecognized on 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 carrying amount of the assets) is included in the income statement in the year the assets is derecognized.

4.8 Accounting for leases and assets subject to finance lease

4.8.1 Finance lease

Recognition

Leases where the company has substantially all the risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are initially recognized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss. The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and non current depending upon the timing of payments.

Financial charges

Lease payments are allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to income over the lease term.

Depreciation

Assets acquired under a finance lease are depreciated in the same manner and at the same rates used for similar owned assets, so as to depreciate these assets over their estimated useful lives in view of certainty of ownership of these assets at the end of lease term. Depreciation of the leased assets is charged to income.

Deferred income

Income arising from sale and lease back transaction, if any, which results in finance lease, is deferred and amortized equally over the lease period.

4.8.2 Operating lease

Leases where significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income on a straight-line basis over the period of lease.

4.9 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss. Transfers are made to relevant fixed assets category as and when assets are available for use.

4.10 Long term deposits

These are stated at cost which represents the fair value of consideration given.

4.11 Stores, spare parts and loose tools

These are valued at lower of cost and net realizable value. Cost is determined by moving average method. Items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

4.12 Stock in trade

These are valued at lower of cost and net realizable value except waste which is valued at net realizable value. Cost is determined as follows. These are valued at the lower of cost and net realizable value applying the following basis:

Raw material	Weighted average cost except those in transit which are stated at cost comprising invoice value plus other charges incurred thereon.
Finished good and work in process	Raw material cost plus appropriate manufacturing overheads.
Waste	Net realizable value

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

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

4.13 Trade debts and other receivables

Trade debts originated by the company are recognized and carried at original invoice value less any allowance for uncollectible amounts. An estimated provision for doubtful debts is made when there is objective evidence that collection of the full amount is no longer probable. The amount of provision is charged to income statement. Bad debts are written off as incurred. Other receivables are stated at amortized cost. Known impaired receivables are written off, while receivables considered doubtful are provided for.

4.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, cash in transit and balances with banks.

4.15 Impairment

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

4.16 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rate of exchange prevailing at the balance sheet date, except those covered by forward contracts, which are stated at contracted rates. Foreign currency transactions are translated into Pak Rupees at the rates prevailing at the date of transaction except for those covered by forward contracts, which are translated at contracted rates. Non monetary items are translated into Pak Rupee on the date of transaction or on the date when fair values are determined. Exchange differences are included in income statement currently.

4.17 Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument and derecognized when the company loses control of contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.18 Offsetting of financial assets and liabilities

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

4.19 Related party transactions

All transactions with related parties are carried out by the company at arms' length price using the method prescribed under the Companies Ordinance, 1984 with the exception of loan taken from related parties which is interest free.

4.20 Dividend

Dividend distributed to the share holders is recognized as a liability in the period in which it is approved by the shareholders.

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2014	2013	Note	2014 Rupees	2013 Rupees
3,976,000	3,976,000	Ordinary shares of Rs. 10 each allotted for consideration fully paid in cash	39,760,000	39,760,000
491,036	491,036	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	4,910,360	4,910,360
<u>4,467,036</u>	<u>4,467,036</u>		<u>44,670,360</u>	<u>44,670,360</u>

5.1 The shareholders' are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the company. All shares carry "one vote" per share without restriction.

6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX

	Note	2014 Rupees	2013 Rupees
Surplus on revaluation of property, plant and equipment at the beginning of the year		445,387,873	373,532,392
Add: Surplus arised during the year		-	97,123,446
<i>Transfer to unappropriated profit in respect of:</i>			
Disposal of property, plant and equipment		-	5,783,744
Incremental depreciation on revalued assets		11,669,958	10,640,433
Related deferred tax liability		6,011,796	8,843,788
		<u>17,681,754</u>	<u>25,267,965</u>
Surplus on revaluation of property, plant and equipment as at the end of year		<u>427,706,119</u>	<u>445,387,873</u>
<i>Related deferred tax liabilities on:</i>			
Revaluation at the beginning of the year		120,561,020	104,488,389
Surplus arised during the year		-	27,649,122
Prior year effect		(3,684,624)	(2,732,703)
Incremental depreciation on revalued assets		(6,011,796)	(5,729,464)
Disposal of property, plant and equipment		-	(3,114,324)
		<u>110,864,600</u>	<u>120,561,020</u>
		<u>316,841,519</u>	<u>324,826,853</u>

7 DEFERRED INCOME

		2014 Rupees	2013 Rupees
Opening balance		-	2,931,155
Amortized during the year		-	(2,931,155)
		<u>-</u>	<u>-</u>

7.1 This represents excess of sale proceeds over carrying amount in sale and lease back transactions. This amount is being amortized over the lease term in equal proportion. During last year as a result of rescheduling agreement, lease liability was adjusted by the banking company and balancing outstanding liability was waived off before expiry of lease term. Deferred income amounting to Rs. 732,791 pertaining to that lease was wrongly not amortized by the company at the maturity of lease. In current year error has corrected and deferred income has been credited to profit and loss account of last year. The correct treatment of amortization of deferred income on maturity of lease term has been applied retrospectively in accordance with International Accounting Standard (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Error". Consequently loss for the year June 30, 2013 is increased by Rs. 732,791 and accumulated loss as on June 30, 2013 is increase by the same amount.

8 LONG TERM FINANCING

Secured - from banking companies

	Note	2014 Rupees	2013 Rupees
Term finance - I	8.1	71,655,606	82,407,606
Demand finance - I	8.2	13,275,719	30,976,949
Term finance - II - Frozen markup	8.3	37,258,140	30,046,214
Demand finance - II - frozen markup	8.4	3,020,052	7,046,773
		<u>125,209,517</u>	<u>150,477,542</u>

	Term finance 1	Demand Finance-I	Frozen Markup		2014 Rupees	2013 Rupees
			SNBL TF II	NBP DF-II		
Note	8.1	8.2	8.3	8.4		
Opening balance	97,991,606	48,677,909	30,046,214	10,066,819	186,782,548	105,991,606
Transferred / restructured during the year	-	-	7,211,926	-	7,211,926	93,216,182
	<u>97,991,606</u>	<u>48,677,909</u>	<u>37,258,140</u>	<u>10,066,819</u>	<u>193,994,474</u>	<u>199,207,788</u>
Repaid during the year	(12,896,000)	(13,275,990)	-	(2,013,362)	(28,185,352)	(12,425,240)
	<u>85,095,606</u>	<u>35,401,919</u>	<u>37,258,140</u>	<u>8,053,457</u>	<u>165,809,122</u>	<u>186,782,548</u>
Current Maturity						
Overdue installment	(2,688,000)	(4,425,240)	-	(1,006,681)	(8,119,921)	-
Current portion	(10,752,000)	(17,700,960)	-	(4,026,724)	(32,479,684)	(36,305,006)
Current portion	16	(13,440,000)	(22,126,200)	-	(5,033,405)	(36,305,006)
		<u>71,655,606</u>	<u>13,275,719</u>	<u>37,258,140</u>	<u>3,020,052</u>	<u>125,209,517</u>
		<u>13,275,719</u>	<u>37,258,140</u>	<u>3,020,052</u>	<u>125,209,517</u>	<u>150,477,542</u>

8.1 This represents term finance obtained from Soneri Bank Limited to pay off import bills of the company related to BMRE. The company has made down payment of Rs. 2.00 million and remaining outstanding amount will be repayable in 12 equal monthly installments of Rs. 1.5 million (started from March 31, 2013 and ending on February 28, 2014) and 96 equal monthly installments of Rs. 0.896 million (starting from March 31, 2014 and ending on February 28, 2022) along with markup due from the month of March 2014. The loan is secured against joint pari passu charges of Rs. 485,666,667 (Soneri Bank Limited's share of Rs. 164,000,000) on all the present and future fixed assets (both movable and immovable) of the company, Equitable mortgage with legal mortgage on House no. 41, Block L, Gulberg III, Lahore in the name of Mr. Noman Almas Valuing Rs. 55,000,000 and personal guarantee of sponsoring directors. The loan is subject to mark up at one month KIBOR plus 1.00 percent (June 30, 2013 : three months KIBOR plus 2.75 percent from July 2012 to December 2012 and one month KIBOR plus 1.00 percent from January 2013 to onwards) per annum payable monthly from March 31, 2014. Markup payable from July 01, 2011 to February 28, 2014 is payable as mentioned in note 8.3.

8.2 This demand finance represents the overdue amount of import/inland letter of credit (usage) of 90 days is obtained from National Bank of Pakistan. As per the terms of agreement, the loan is repayable in 12 equal quarterly installments of Rs. 4.426 millions each (started from June 30, 2013 and ending on March 31, 2016). It carries markup at three month Kibor plus 2.50% (June 30, 2013 : three month Kibor plus 2.50%) per annum payable quarterly with prompt payable rebate as mentioned in agreement. The facility is secured against first joint pari passu charge of Rs. 135 millions on fixed assets of the company and personal guarantee of the sponsoring directors of the company.

8.3 As fully explained in note 8.1, overdue markup up to June 30, 2013 amounting to Rs. 30.046 million on term finance -I facility has been freezed and converted into term finance-II (frozen markup account). As per the terms of agreement as fully explained in note 8.1 above, markup accrued up to February 2014 has been deferred and transferred to frozen markup account and is payable in 74 monthly installments of Rs. 0.3 million (starting from January 2016 and ending on June 2017) and Rs. 0.5 million (starting from July 2017 and finally adjusted by February 2022).

8.4 As fully explained in note 8.2 above, markup and charges amounted to Rs. 10.066 million on overdue amount of inland letter of credits (usage) from National Bank of Pakistan has been freezed and converted into demand finance - II (frozen markup account). As per the terms of agreement. Demand finance II (Frozen markup) is payable in ten equal quarterly installments of Rs. 1.006 millions each (started from December 31, 2013 and ending on March 31, 2016). The facility is secured against ranking charge on fixed assets of Rs. 33 millions subsequent to joint pari passu charge on fixed assets of the company within six months from the date of creation of demand finance and personal guarantee of the sponsoring directors of the company.

9 LONG TERM FINANCING FROM DIRECTORS AND OTHERS

	2,014.00 Rupees	2013 Rupees
Opening balance	71,622,513	42,556,983
Obtained during the year	10,600,000	31,149,530
	82,222,513	73,706,513
Paid during the year	(8,100,000)	(2,084,000)
Unsecured - related parties	74,122,513	71,622,513

These are unsecured and interest free loans. The directors of the company, and others have acknowledged that they have no intention to demand such loans within next twelve months. It includes Rs. 71,622,513/- (June 30, 2013 : Rs. 71,622,513) as subordinated to the loans from banking companies.

10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2014			2013		
	Minimum lease payments	Financial charges for future period	Present value of minimum lease	Minimum lease payments	Financial charges for future period	Present value of minimum lease payments
Up to one year	27,378,573	5,284,119	22,094,454	26,200,822	4,799,512	21,401,310
Later than one year but not later than five years	82,765,576	13,080,371	69,685,205	82,528,952	7,064,415	75,464,537
	110,144,149	18,364,490	91,779,659	108,729,774	11,863,927	96,865,847

Note	ABBPL	ABBPL	FNBM	FNBM	HMBL	HMBL	2014	2013
	10.1	10.2	10.3	10.4	10.5	10.6	Rupees	Rupees
Opening balance	33,390,547	8,335,000	39,242,042	-	13,728,258	2,170,000	96,865,847	100,287,072
Obtained during the year	-	-	-	7,823,491	-	-	7,823,491	10,505,000
	33,390,547	8,335,000	39,242,042	7,823,491	13,728,258	2,170,000	104,689,338	110,792,072
Paid during the year	(6,260,724)	(595,356)	(2,451,793)	(601,806)	(3,000,000)	-	(12,909,679)	(5,172,375)
Security deposit	-	-	-	-	-	-	-	(7,618,817)
Waived off	-	-	-	-	-	-	-	(1,135,033)
	27,129,823	7,739,644	36,790,249	7,221,685	10,728,258	2,170,000	91,779,659	96,865,847
Current Maturity								
Over due installment	(2,086,908)	(595,356)	(315,262)	(100,301)	-	-	(3,097,827)	(1,192,447)
Current portion	(8,347,632)	(2,381,424)	(4,063,960)	(1,203,612)	(3,000,000)	-	(18,996,628)	(20,208,863)
Current portion	(10,434,540)	(2,976,780)	(4,379,222)	(1,303,913)	(3,000,000)	-	(22,094,455)	(21,401,310)
	16,695,283	4,762,864	32,411,027	5,917,772	7,728,258	2,170,000	69,685,204	75,464,537

- 10.1 These represent finance lease which have been obtained from Al Baraka Bank (Pakistan) Limited (previously Emirates Global Investment Bank) under the lease arrangement for plant and machinery for balancing, modernization, restructuring and expansion of the project. These facilities were partly used to finance the imported machinery through usance L/C of 450 days which was issued by the National Bank of Pakistan. As per repayment terms company has made down payment of Rs. 3.0 million, security deposits amounted to Rs. 6.897 million has been adjusted against lease liability and balancing outstanding principal liability is payable in 48 equal monthly installment starting from July, 2013. It carries markup at 6 months KIBOR (flat) applicable after repayment of 24th installment of principal (June 30, 2013: Six month ask KIBOR plus 3 percent). These are secured against joint pari passu charges of Rs. 485,666,667 (Al Baraka Bank's share of Rs. 21,000,000) on all the present and future fixed assets (both movable and immovable) of the company, exclusive ownership of the asset under Ijarah, assignment of insurance policy of assets under Ijarah in favor of ABBPL, 10% key money of Ijarah value and personal guarantee of the sponsoring directors.
- 10.2 As fully explained in note 10.1 about agreement, markup accrued on lease liability from Al Baraka Bank (Pakistan) Limited amounted to Rs. 8,335 million has been freed and converted into frozen markup account. The repayment of frozen markup will be made in 42 equal monthly installment of Rs. 198,452/- per month starting from January 2014.
- 10.3 These represent finance lease which have been obtained from First National Bank Modaraba for two sets of Gen-set (gas generator) JGS 420 GS-N.L for balancing, modernization, restructuring and expansion of the project. These facilities were partly used to finance the imported machinery through usance L/C at sight which was issued by the National Bank of Pakistan. During the year, existing tenure has been extended by three years and one month to be matured on May 10, 2020 instead of April 10, 2017. As explained in note 10.4, rental amounting to Rs.2,274,220/- due during moratorium period from June 2013 till November 2013 as well as unpaid frozen rentals of Rs. 5,549,274/- during the 1st rescheduling dated 04-05-2012 will be accumulated and will be paid in seventy eight (78) equal monthly installments of Rs. 100,301/- with regular rental due from December 2013 till May, 2020. It carrying markup at six months KIBOR plus 3 percent (June 30, 2013:six months kibar plus 3.25 %). These are secured against title over leased asset, 20% security deposit of the facility amount, ranking modified charges of Rs. 66,474,666 reduced from Rs. 85,141,333 over the moveable and immovable assets and all present and future fixed assets of the company and personal guarantee of the sponsoring directors.
- 10.4 As fully explained in note 10.3 about rescheduled agreement, markup accrued on lease liability from First National Bank Modaraba amounted to Rs. 7.823 million has been freed and converted into frozen markup account. The repayment of frozen markup will be made in seventy eight (78) equal monthly installments of Rs. 100,301/- with regular rental due from December 2013 till May 2020.
- 10.5 These represent finance lease which have been obtained from Habib Metropolitan Bank Limited for plant and machinery for balancing, modernization, restructuring and expansion of the project. These facilities are partly used to finance the imported machinery through usance L/C of 720 days which was issued by the Habib Metropolitan Bank Limited. As per the terms of agreement the lease liability is repayable in 48 equal monthly installments commencing from July, 2013. It carries mark up at three months ask KIBOR plus 1% (June 30, 2013 : three months ask KIBOR plus 1%) payable quarterly. The markup calculated as per previous rate amounting to Rs. 2.170 million shall be deferred. These are secured against the ownership of lease machinery, ranking hypothecation charge over stock and receivable of Rs. 16 million duly insured in bank favor, ranking hypothecation charge for Rs. 18.5 million over specific machinery consisting two sets Haras high speed drawing frame with all the standard accessories has already registered with SECP with 25% margin and personal guarantees of directors,
- 10.6 As fully explained in note 10.5 about rescheduled agreement, markup accrued on lease liability from Habib Metropolitan Bank Limited amounted to Rs. 2.170 million has been freed and converted into frozen markup account. The repayment of frozen markup will be made after the adjustment of entire rescheduled facility in one year period.

11 DEFERRED LIABILITIES	Note	2014	2013			
		Rupees	Rupees			
			(Restated)			
Staff retirement benefits - gratuity	11.1	20,852,517	21,584,013			
Deferred taxation	11.2	122,687,029	142,973,807			
		143,539,546	164,557,820			
11.1 Staff retirement benefits - gratuity						
11.1.1 Movement in net liability recognized in the balance sheet						
Opening balance		21,584,013	18,637,438			
Charge to profit and loss account		6,280,579	9,212,126			
Benefits paid during the period		(6,038,182)	(9,124,239)			
Remeasurements (gains) / losses		(973,893)	2,858,688			
Closing balance of balance sheet liability		20,852,517	21,584,013			
11.1.2 The movement in the present value of defined benefit obligation						
Present value of defined benefit obligation		21,584,013	18,637,438			
Current service cost		4,349,797	7,913,078			
Interest cost		1,930,782	1,299,048			
Remeasurements (gains)/ losses		(973,893)	2,858,688			
Benefits paid		(6,038,182)	(9,124,239)			
		20,852,517	21,584,013			
11.1.3 Historical information						
		2014	2013	2012	2,011.00	2010
		-----Rupees-----				
Present value of defined benefit obligation		20,852,517	21,584,013	18,637,438	18,541,446	14,239,518
Experience adjustments		973,893	(2,858,688)	1,955,485	(1,273,878)	1,495,961

	2014 Rupees	2013 Rupees
11.1.4 Liability recognized in the balance sheet		
Present value of obligation	20,852,517	21,584,013
	<u>20,852,517</u>	<u>21,584,013</u>
	Note	
11.1.5 Expense recognized	2014 Rupees	2013 Rupees
In Profit and loss		
Service cost	4,349,797	7,913,078
Interest cost	1,930,782	1,299,048
	<u>6,280,579</u>	<u>9,212,126</u>
In Other comprehensive income		
Remeasurement recognized - gains / (losses)	973,893	(2,858,688)
	<u>973,893</u>	<u>(2,858,688)</u>
11.1.6 Expenses recognized for the year has been allocated as under:		
Cost of goods manufactured	4,336,334	9,197,537
Administrative expenses	1,944,245	14,589
	<u>6,280,579</u>	<u>9,212,126</u>
11.1.7 General description		
The scheme provide for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method.		
11.1.8 Principal actuarial assumptions	Note	2014 %
Following are few important actuarial assumption used in the valuation		2013 %
Discount rate		13.25
Expected rate of increase in salary		10.5
		12.25
		10
11.1.9 Expected gratuity expenses for the year ending June 30, 2015 works out Rs. 6,849,981		
11.2 Deferred taxation	2014 Rupees	2013 Rupees
Opening balance	142,973,807	120,966,920
Add: Provided / (reversed) during the year on surplus - ne	(3,684,624)	24,916,419
Effect of rate change	(4,205,112)	(3,465,049)
Provided during the year	(12,718,427)	1,527,470
Deferred tax charged to OCI due to remeasurements	321,385	(971,953.00)
	<u>122,687,029</u>	<u>142,973,807</u>
11.2.1 The liability of deferred taxation comprises of temporary differences		
<i>Deferred tax liabilities on taxable temporary differences</i>		
Accelerated depreciation on owned assets	31,406,314	27,010,416
Liabilities against assets subject to finance lease - net	32,869,703	35,561,231
Surplus on revaluation of property, plant and equipmen	110,864,600	120,561,020
Deferred tax charged to OCI due to remeasurements	321,385	-
	<u>175,462,002</u>	<u>183,132,667</u>
<i>Deferred tax asset on deductible temporary differences</i>		
Staff retirement benefits - gratuity	6,881,331	7,338,564
Brought forward tax losses	45,893,641	32,820,295
	<u>52,774,972</u>	<u>40,158,859</u>
	<u>122,687,030</u>	<u>142,973,808</u>
12 LONG TERM LOANS FROM OTHERS	<u>42,000,000</u>	<u>15,000,000</u>

These are unsecured loans from parties carrying markup at three months kibar (June 30, 2013 : zero percent markup) per annum. The parties have agreed that they have no intention to demand such loans within next twelve months, therefore not shown under normal trade creditors.

13 TRADE AND OTHER PAYABLES	Note	2014	2013
		Rupees	Rupees
Creditors		77,377,096	65,833,487
Accrued liabilities	13.1	29,312,533	30,232,047
Advances from customers		26,660,269	33,245,847
Workers' welfare fund		104,374	104,374
Workers' profit participation fund	13.2	7,338,581	6,541,208
Unclaimed dividend		184,476	184,476
Withholding tax payable		16,448,097	12,494,560
		<u>157,425,426</u>	<u>148,635,999</u>

13.1 Accrued liabilities also includes fuel price adjustment surcharge of Rs. 1,039,180/- (June 30, 2013: Rs. 14,276,619)

13.2 Workers' profit participation fund	Note	2014	2013
		Rupees	Rupees
Opening balance		6,541,208	5,692,957
Interest on funds utilized in the company's business	13.3	797,373	848,251
		<u>7,338,581</u>	<u>6,541,208</u>
Allocation for the period		-	-
		<u>7,338,581</u>	<u>6,541,208</u>
Payments during the period		-	-
		<u>7,338,581</u>	<u>6,541,208</u>

13.3 Interest on workers' profit participation fund has been provided at the rate 12.19% (June, 2013 : 14.90%) per annum up to June 30, 2014.

14 ACCRUED MARK UP / INTEREST	Note	2014	2013
		Rupees	Rupees
Accrued markup / interest on :			
Long term financing		4,023,786	1,657,659
Long term murabaha		-	400,465
Short term borrowings		7,891,168	6,970,780
Liabilities against assets subject to finance lease		624,968	8,694,026
		<u>12,539,922</u>	<u>17,722,930</u>

15 SHORT TERM BORROWINGS

Secured - from banking companies

Cash finance - NBP	15.2	144,708,604	101,159,040
Cash finance - BAFL	15.3	14,999,449	14,958,265
Cash finance - BIPL	15.4	12,259,919	12,259,919
Murabaha finance - FNBM	15.5	28,400,000	29,000,000
Running finance - BAML	15.6	41,512,349	61,840,213
Book overdraft - unsecured	15.7	8,625,395	1,075,172
		<u>250,505,716</u>	<u>220,292,609</u>

15.1 The aggregate unavailed short term financing facilities available amounted to Rs. 119.379 million (June 30, 2013 : Rs. 146.467 million).

15.2 This loan has been obtained from National Bank of Pakistan to meet working capital needs of the company. It is secured against pledge of cotton bales, polyester, viscose, man mad fiber bales and yarn with 10% margin on cotton / polyester / viscose/ man made fiber bales and 25% margin on yarn, joint pari passu hypothecation charge of Rs. 75 million on all current assets, joint pari passu charges of Rs. 485,666,667 (National Bank of Pakistan's share of Rs. 135,000,000) on all the present and future fixed assets (both movable and immovable) of the company and personal guarantee of sponsoring directors. It is subject to mark up at three months average ask KIBOR plus 2.5% (June 30, 2013 : three months average ask KIBOR plus 2.5%) per annum payable quarterly. The limit will expire on December 31, 2014.

15.3 This loan has been obtained from Bank Alfalah Limited to finance working capital requirements. The loan is secured against pledge of local cotton (under covered area) with 10% margin on Karachi Cotton Association rates, 10% margin on invoice value for imported cotton, pledge of polyester at 20% margin over invoice value, joint pari passu hypothecation charge of Rs. 50 million on all current assets, joint pari passu charges of Rs. 485,666,667 (Bank Alfalah Limited's share of Rs. 50,000,000) on all the present and future fixed assets (both movable and immovable) of the company, lien on export documents/accepted drafts and personal guarantee of all the sponsoring directors of the company. The loan is subject to mark up at three months ask KIBOR plus 3% (June 30, 2013 : three months KIBOR plus 3%) payable quarterly. The limit will expire on November 30, 2014.

15.4 This murabaha facility has been obtained from Bank Islami Pakistan Limited to facilitate purchase of raw material. This facility has been secured against joint pari passu charges of Rs. 485,666,667 (Bank Islami Pakistan Limited's share of Rs. 67,000,000) on all the present and future fixed assets (both movable and immovable) of the company with 25% margin and personal guarantee of all the sponsoring directors. This loan is subject to mark up at three months ask KIBOR plus 4% with a floor of 13.90% (June 30, 2013 : three months ask KIBOR plus 4% with a floor of 13.90%) per annum. The limit will expire on August 15, 2015.

15.5 This murabaha facility has been obtained from First National Bank Modaraba to facilitate purchase of raw material. During the year the facility were converted into non revolving facilities of murabaha amounted to Rs. 18.50 millions and Rs. 10.50 millions. The principal of Rs. 100,000 with regular profit of each morabah will be payable on monthly basis and the balance principal at maturity will be paid in lump sum. This facility has been secured against joint pari passu charge of Rs. 485,666,667 (First National Bank Modaraba's share of Rs. 18,667,000) on all the present and future fixed assets (both movable and immovable) of the company, ranking charge of Rs. 20.67(M) on all present and future fixed assets of the company and personal guarantee of all the sponsoring directors. This loan is subject to mark up at six months ask KIBOR plus 3.5% (June 30, 2013 : Six months Kibor plus 3.5%) per annum. The limit will expire on December 05, 2014 and February 14, 2015 respectively.

15.6 This loan has been obtained from Bank Al Habib Limited to meet working capital needs of the company. It is secured against promissory note of Rs. 84,039,000 and lien over Al Habib special saver certificates valuing Rs. 80.00 million in the name of Mian Muhammad Ahmed with 12.50% margin. It is subject to mark up at three months average ask KIBOR plus 2% (June 30, 2013 : three months Kibor plus 2%) per annum payable quarterly. The limit will expire on February 28, 2015.

15.7 This represents cheque issued in excess of bank balance. Since there was no bank facility this has been grouped under Book Overdraft.

16 CURRENT PORTION OF NON CURRENT LIABILITIES	Note	2014	2013
		Rupees	Rupees
Long term financing	8	40,599,605.00	36,305,006
Liabilities against assets subject to finance lease	10	22,094,455.00	21,401,310
		<u>62,694,060.00</u>	<u>57,706,316</u>

16.1 It includes overdue installment of Rs. 8,119,921 (June 30, 2013: Nil) and Rs. 3,097,827 (June 30, 2013 Rs:1,192,447) in respect long term financing and lease finance respectively. Subsequently, payment of Rs. 5,431,921 and Rs.415,563 in respect of long term financing and lease finance respectively has been made.

17 CONTINGENCIES AND COMMITMENTS	Note	2014	2013
		Rupees	Rupees
Contingencies			
Bank guarantee issued in the ordinary course of business:		18,100,000	18,100,000
Commitments			
Letters of credit for other than capital expenditure		16,075,710	52,500,218

	Note	2014 Rupees	2013 Rupees
19 LONG TERM DEPOSITS			
Security deposits			
Electricity		1,360,620	1,360,620
Sui gas		905,000	938,200
Leasing companies		4,342,800	4,342,800
Others		511,060	543,869
		<u>7,119,480</u>	<u>7,185,489</u>
20 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		20,663,351	19,180,899
Spare parts		43,190,918	39,390,950
Loose tools		93,441	84,865
		<u>63,947,710</u>	<u>58,656,714</u>
21 STOCK IN TRADE			
Raw material	21.2	238,279,718	238,006,815
Work in process		17,993,934	11,184,349
Finished goods	21.1 & 21.2	20,516,933	19,442,226
		<u>276,790,585</u>	<u>268,633,390</u>
21.1	Finished goods amounting to Rs. 8,223,649 are stated at their net releasable value aggregating to Rs. 7,978,231. The amount charged to profit and loss account in respect of stocks written down to their net realizable value is Rs. 245,418. Finished goods also includes Rs. 401,995/- (June 30, 2013 : Rs. 363,184) in respect of waste stock being valued at net realizable value .		
21.2	The value of pledged stock in raw material and finished goods is Rs. 134,527,631/- (June 30, 2013 : Rs. 79,829,720)		
22 LOANS AND ADVANCES	Note	2014 Rupees	2013 Rupees
Considered good			
Advances to / against:			
Employees		2,817,841	3,056,542
Suppliers		6,252,262	10,382,032
Letters of credit fee and expenses		237,662	1,913,953
		<u>9,307,765</u>	<u>15,352,527</u>
23 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Prepaid insurance		-	1,125,073
Prepaid commission - bank guarantee		251,952	-
		<u>251,952</u>	<u>1,125,073</u>
24 OTHER RECEIVABLES			
Claim receivable		597,113	-
		<u>597,113</u>	<u>-</u>
25 TAX REFUNDS DUE FROM GOVERNMENT			
Advance income tax		5,474,979	18,104,105
Sales tax receivable		6,732,906	11,850,142
		<u>12,207,885</u>	<u>29,954,247</u>
26 CASH AND BANK BALANCES			
Cash in hand		314,018	465,606
Cash with banks :			
In current accounts		1,494,732	4,591,580
In saving accounts	26.1	22,170	84,442
		<u>1,830,920</u>	<u>5,141,628</u>
26.1	It carries interest rate ranging from 5 to 6 percent (June 30, 2013 : 4.50 to 5.25 percent) per annum.		
27 SALES - NET			
Local			
Yarn		1,470,762,000	1,266,978,102
Waste		10,513,503	12,375,176
Raw material		-	40,192,120
Sales return		(1,031,650)	(22,171,948)
		<u>1,480,243,853</u>	<u>1,297,373,450</u>
Less: Commission on local sales		(4,106,079)	(5,347,109)
Sales tax		(29,086,679)	(7,803,481)
		<u>1,447,051,095</u>	<u>1,284,222,860</u>

28 COST OF SALES	Note	2,014.00	2013
		Rupees	Rupees
Cost of goods manufactured	28.1	1,427,071,940	1,209,919,596
Finished goods			
Opening stock		19,442,226	14,028,372
Closing stock		(20,516,933)	(19,442,226)
		(1,074,707)	(5,413,854)
		<u>1,425,997,233</u>	<u>1,204,505,742</u>
28.1 Cost of goods manufactured			
Raw material consumed	29.1.1	965,656,114	802,193,502.00
Cost of raw material sold	29.1.1	-	37,409,312.00
Packing material consumed		21,485,258	16,011,762.00
Stores and spares consumed		43,022,627	30,183,017.00
Salaries, wages and other benefits	29.1.2	122,348,972	105,266,099.00
Fuel and power		223,144,145	162,931,689.00
Insurance		5,491,781	4,487,145.00
Depreciation	18.2	36,446,175	34,506,848.00
Repairs and maintenance		8,922,615	9,061,245.00
Other manufacturing overheads		7,363,838	8,674,665.00
		<u>1,433,881,525</u>	<u>1,210,725,284.00</u>
Work in process			
Opening stock		11,184,349	10,378,661.00
Closing stock		(17,993,934)	(11,184,349.00)
		(6,809,585)	(805,688.00)
		<u>1,427,071,940</u>	<u>1,209,919,596.00</u>
29.1.1 Raw material consumed			
Opening stock		238,006,815	147,727,456.00
Add: Purchases - net		965,929,017	929,882,173.00
		<u>1,203,935,832</u>	<u>1,077,609,629.00</u>
Less: Closing stock		238,279,718	238,006,815.00
		<u>965,656,114</u>	<u>839,602,814.00</u>
Less: Cost of raw material sold		-	37,409,312.00
		<u>965,656,114</u>	<u>802,193,502.00</u>
29.1.2 Salaries, wages and other benefits include Rs 4,336,334 (June 30, 2013: Rs. 9,197,537) in respect of staff retirement benefits - gratuity.			
29 OTHER OPERATING INCOME	Note	2014	2013
		Rupees	Rupees
From financial assets			
Profit on bank deposits	29.1	63,566	72,143
From other than financial assets			
Liabilities waived off	29.2	225,465	2,635,033
Exchange gain on claim receivable		6,351	-
Amortization of deferred income	7	-	2,931,155
		<u>295,382</u>	<u>5,638,331</u>
29.1 It represents interest earned on deposit of saving account which was created with Habib Bank Limited.			
29.2 It represents liabilities waived off amounted to Rs: 225,465 by Orix Leasing Pakistan Limited (June 30, 2013 Rs: 1,500,000 and Rs. 1,135,033 by Orix Leasing Pakistan Limited and First Dawood Investment Bank Limited respectively).			
30 DISTRIBUTION COST	Note	2014	2013
		Rupees	Rupees
Freight		660,850	1,504,430
Loading charges		267,171	210,535
		<u>928,021</u>	<u>1,714,965</u>

		2014 Rupees	2013 Rupees
31 ADMINISTRATIVE EXPENSES	Note		
Directors' remuneration		2,400,000	2,400,000
Director's benefits		591,428	547,353
Staff salaries and other benefits	31.1	9,835,699	7,114,496
Rent, rates and taxes		621,630	568,522
Printing and stationery		262,620	200,104
Electricity, gas and water		435,832	385,991
Vehicles running and maintenance		2,412,938	2,252,610
Postage and telephone		505,851	514,350
Fee and subscription		299,488	408,233
Traveling and conveyance		974,084	458,895
Legal and professional		644,164	850,100
Repairs and maintenance		352,123	230,262
Auditors' remuneration	31.2	651,200	638,900
Insurance		107,655	97,371
Entertainment		582,297	451,158
Depreciation	18.2	561,096	549,702
Advertisement		135,180	53,415
Other expenses		752,026	462,910
		<u>22,125,311</u>	<u>18,184,372</u>
31.1 Staff salaries and other benefits include Rs. 1,944,244 (June 30, 2013 : Rs. 14,589) in respect of staff retirement benefits - gratuity.			
31.2 Auditors' remuneration	Note	2014 Rupees	2013 Rupees
Statutory annual audit		550,000	550,000
Half yearly review		70,000	70,000
Other reviews and certifications		31,200	18,900
		<u>651,200</u>	<u>638,900</u>
32 OTHER OPERATING EXPENSES			
Donation	32.1	22,780	36,956
Loss on disposal of property, plant and equipment		-	8,050,847
		<u>22,780</u>	<u>8,087,803</u>
32.1 No director or his spouse has any interest in the donee funds.			
33 FINANCE COST	Note	2014 Rupees	2013 Rupees
Mark up / interest on			
Short term borrowings		26,831,875	29,494,348
Long term financing		15,882,866	24,951,648
Liabilities against assets subject to finance lease		5,856,671	9,908,819
Workers' profit participation fund	13.3	797,373	848,251
Bank charges, commission and excise duty		975,421	1,641,723
		<u>50,344,206</u>	<u>66,844,789</u>
34 TAXATION			
Current			
Current year		12,045,334	6,447,850
Prior year		(1,101,712)	-
Deferred			
Current year		(12,718,427)	1,527,470
Prior year - effect of change in tax rate		(4,205,112)	(3,465,048)
		<u>(5,979,917)</u>	<u>4,510,272</u>
34.1 The assessment of the company will be finalized under section 113 of the Income Tax Ordinance, 2001. The income tax assessment of the company has been finalized up to the tax year 2013.			
34.2 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001.			

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	-----Rupees-----					
Remuneration	800,000	800,000	800,000	800,000	3,648,360	4,012,080
House rent	360,000	360,000	360,000	360,000	1,641,762	542,160
Utilities	40,000	40,000	40,000	40,000	182,418	60,240
Others	-	-	-	-	-	-
	1,200,000	1,200,000	1,200,000	1,200,000	5,472,540	4,614,480
Number of persons	1	1	1	1	7.00	5

35.1 No meeting fee has been paid to directors except nominee director during the period.

35.2 Chief executive and directors are also provided with free use of company maintained cars and medical facility. The monetary value of the benefits amount to Rs. 959,087/- (June 30, 2013 : Rs. 854,766).

35.3 Chief executive and directors are also entitled for reimbursement of residential telephone bills. The monetary value of the benefits amount to Rs. 120,011/- (June 30, 2013 : Rs. 165,622).

36 LOSS PER SHARE - BASIC AND DILUTED

The calculation of the basic and diluted loss per share is based on the following data.

		2014	2013
Loss			
Loss for the year after taxation	Rupees	(46,091,157)	(13,986,752)
Number of shares			
Weighted average number of ordinary shares outstanding during the year	Numbers	4,467,036	4,467,036
Loss per share - basic and diluted	Rupees	(10.32)	(3.13)

36.1 There is no dilutive effect on the basic loss per share of the company.

37 TRANSACTIONS WITH RELATED PARTIES

The related parties comprises of associated companies, directors and key management personnel. Amounts due to related parties and transactions with related parties (key management personnel) are disclosed in the relevant notes.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The company considers all members of their management team, including the chief executive officer and directors to be its key management personnel.

There are no transactions with key management personnel other than under their terms of employments / entitlements. Balance outstanding from related parties are unsecured and repayable on demand or as contracted. Amounts due to related parties are shown in the relevant notes to the financial statements. Transactions with related parties essentially entail sale and purchase of goods and / or services from the aforementioned concerns. All transactions are carried out on commercial basis. Transaction with related parties are disclosed below.

37.1 Transaction of related parties			2014	2013
	Nature of relationship	Transaction	Rupees	Rupees
Directors	Related party	Receipts of long term financing from directors	10,600,000	2,100,000
		Repayment of long term financing	8,100,000	2,100,000

18 PROPERTY, PLANT AND EQUIPMENT

	Note	2014 Rupees	2013 Rupees
Operating assets	18.1	788,647,359	799,665,750
Capital Work in progress		-	-
		<u>788,647,359</u>	<u>799,665,750</u>

18.1 Operating assets

Description	Owned									Leased	Total	
	Freehold land	Building on freehold land		Plant and machinery	Electric installations	Factory equipment	Office equipments	Furniture and fixtures	Electric appliances	Vehicles		Plant and machinery
		Mills	Labour colony									
Cost												
Balance as at July 01,2012	79,012,500	193,616,454	26,320,474	545,499,711	16,393,006	-	2,083,229	966,039	3,566,212	1,837,673	221,537,018	1,090,832,315
Addition during the year	-	856,198	-	5,402,698	814,004	-	152,975	5,300	15,500	1,229,500	-	8,476,175
Addition due to surplus revaluation	15,802,500	28,465,567	1,343,313	62,179,209	-	-	-	-	-	-	34,356,920	142,147,509
Disposal	-	-	-	(14,551,136)	-	-	-	-	-	-	-	(14,551,136)
Balance as at June 30,2013	94,815,000	222,938,219	27,663,787	598,530,482	17,207,010	-	2,236,204	971,339	3,581,712	3,067,173	255,893,938	1,226,904,863
Balance as at July 01,2013	94,815,000	222,938,219	27,663,787	598,530,482	17,207,010	-	2,236,204	971,339	3,581,712	3,067,173	255,893,938	1,226,904,863
Addition during the year	-	-	-	24,662,375	450,000	-	-	-	172,505	704,000	-	25,988,880
Balance as at June 30,2014	94,815,000	222,938,219	27,663,787	623,192,857	17,657,010	-	2,236,204	971,339	3,754,217	3,771,173	255,893,938	1,252,893,743
Accumulated Depreciation												
Balance as at July 01,2012	-	79,288,138	13,014,940	211,167,700	6,404,092	-	766,371	518,655	2,151,878	1,234,551	37,962,464	352,508,789
Charge for the year	-	6,005,616	676,220	16,998,308	1,047,739	-	139,142	44,824	141,561	365,736	9,637,404	35,056,550
Adjustment due to surplus revaluation	-	12,188,416	686,877	25,312,402	-	-	-	-	-	-	6,836,368	45,024,063
Disposal	-	-	-	(5,350,289)	-	-	-	-	-	-	-	(5,350,289)
Balance as at June 30,2013	-	97,482,170	14,378,037	248,128,121	7,451,831	-	905,513	563,479	2,293,439	1,600,287	54,436,236	427,239,113
Balance as at July 01,2013	-	97,482,170	14,378,037	248,128,121	7,451,831	-	905,513	563,479	2,293,439	1,600,287	54,436,236	427,239,113
Charge for the year	-	6,272,808	664,284	18,298,975	1,005,516	-	133,068	40,788	131,708	387,240	10,072,884	37,007,271
Balance as at June 30,2014	-	103,754,978	15,042,321	266,427,096	8,457,347	-	1,038,581	604,267	2,425,147	1,987,527	64,509,120	464,246,384
Written down value as at June 30,2013	94,815,000	125,456,049	13,285,750	350,402,361	9,755,179	-	1,330,691	407,860	1,288,273	1,466,886	201,457,702	799,665,750
Written down value as at June 30,2014	94,815,000	119,183,241	12,621,466	356,765,761	9,199,663	-	1,197,623	367,072	1,329,070	1,783,646	191,384,818	788,647,359
Rate of depreciation	-	5%	5%	5%	10%	10%	10%	10%	10%	20%	5%	

18.2 Depreciation for the period has been allocated as under:

	Note	2014 Rupees	2013 Rupees
Cost of goods sold	28.1	36,446,175	34,506,848
Administrative expenses	31	561,096	549,702
		<u>37,007,271</u>	<u>35,056,550</u>

18.3 Company had its freehold land, buildings on freehold land and plant and machinery revalued. Revaluation of freehold land, building on freehold land and plant and machinery was carried out as at March 01, 2013 by independent valuer M/s International Design Group, architects, engineers, planners, evaluators, assessors and technical consultants. Freehold land was revalued at market value and building on freehold land and plant and machinery were valued at depreciated replacement cost. Previously freehold land, building on freehold land and plant and machinery were revalued at Nov 10, 2010 by independent valuer M/S International Design Group.

18.4 Had there been no revaluation, related figures of land, building and plant and machinery at June 30, 2014 would have been as follows:

	Cost	Accumulated depreciation	Written down value
Land	3,062,215	-	3,062,215
Building	78,232,439	36,235,011	41,997,428
Plant and machinery	367,854,789	158,537,961	209,316,828
June 30, 2014	Rupees	<u>449,149,443</u>	<u>194,772,971</u>
June 30, 2013	Rupees	<u>424,487,068</u>	<u>182,024,078</u>

18.5 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
	-----Rupees-----					
Plant, machinery & equipment	-	-	-	-	Negotiation	
June 30, 2014	Rupees	<u>-</u>	<u>-</u>	<u>-</u>		
June 30, 2013	Rupees	<u>14,551,136</u>	<u>5,350,289</u>	<u>9,200,847</u>		

The company has exposures to the following risks from its use of financial instruments.

- 38.1 Credit risk
- 38.2 Liquidity risk
- 38.3 Market risk

The board of directors has overall responsibility for the establishment and oversight of company's risk management framework. The board is also responsible for developing and monitoring the company's risk management policies.

38.1 Credit risk

38.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments. Out of total financial assets of Rs. 81.347 million (June 30, 2013: 97.190 million), financial assets which are subject to credit risk aggregate to Rs. 79.516 million (June 30, 2013: 92.048 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows.

	2014 Rupees	2013 Rupees
Long term deposits	7,119,480	7,185,489
Trade debts	62,239,386	68,384,919
Loans and advances	9,307,765	15,352,527
Trade deposits and short term prepayments	251,952	1,125,073
Other receivables	597,113	-
Cash and bank balances	1,830,920	5,141,628
	<u>81,346,616</u>	<u>97,189,636</u>

38.1.2 The maximum exposure to credit risk for trade debts at the balance sheet date by geographical region is as follows.

Domestic	62,239,386	68,384,919
----------	------------	------------

38.1.3 The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows:

	2014 Rupees	2013 Rupees
Yarn	51,725,883	56,009,743
Waste	10,513,503	12,375,176
	<u>62,239,386</u>	<u>68,384,919</u>

38.1.4 The aging of trade debtors at the balance sheet is as follows,

Past due 0 - 30 days	50,519,689	37,111,292
Past due 31 - 90 days	6,426,564	26,904,095
Past due 91 days - 1 year	2,386,624	3,895,518
More than 1 year	3,997,615	474,015
	<u>63,330,492</u>	<u>68,384,920</u>

38.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations 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 an acceptable losses or risking damages to the company's reputation. The following are the contractual maturities of the financial liabilities including interest payments and excluding the impact of netting agreements..

2014					
Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	Two to five years	More than five years
----- Rupees -----					

Non-derivative Financial liabilities

Long term financing	165,809,122	209,860,419	31,109,233	22,011,326	125,121,727	31,618,133
Long term financing from directors	74,122,513	74,122,513	-	-	74,122,513	-
Finance lease	91,779,659	113,893,422	15,289,713	11,858,559	86,745,150	-
Trade and other payables	149,982,471	149,982,471	149,982,471	-	-	-
Accrued mark up / interest	12,539,922	12,539,922	12,539,922	-	-	-
Short term borrowings	250,505,716	258,267,885	258,267,885	-	-	-
	<u>744,739,403</u>	<u>818,666,632</u>	<u>467,189,224</u>	<u>33,869,885</u>	<u>285,989,390</u>	<u>31,618,133</u>

2013					
Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	Two to five years	More than five years
-----Rupees-----					

**Non-derivative
Financial liabilities**

Long term financing	186,782,548	244,964,200	26,552,352	25,437,233	162,167,941	30,806,674
Long term financing from directors	71,622,513	71,622,513	-	-	71,622,513	-
Finance lease	96,865,847	102,122,049	16,283,508	12,717,702	73,120,839	-
Trade and other payables	141,990,417	141,990,417	141,990,417	-	-	-
Accrued mark up / interest	17,722,930	17,722,930	17,722,930	-	-	-
Short term borrowings	220,292,609	226,940,367	226,940,367	-	-	-
	<u>735,276,864</u>	<u>805,362,476</u>	<u>429,489,574</u>	<u>38,154,935</u>	<u>306,911,293</u>	<u>30,806,674</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark up rates effective as at year end. The rates of mark up have been disclosed in relevant notes to these financial statements.

38.3 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 only.

38.3.1 Currency risk

Exposure to currency risk

The company is exposed to currency risk on trade debts, borrowing and import of raw material and stores that are denominated in a currency other than the respective functional currency of the company, primarily in US Dollar, Japanese Yen and Euro. The currency in which these transactions primarily are denominated is US Dollar and Euro. The company is not exposed to any foreign currency risk as at June 30, 2014.

Sensitivity analysis

5% strengthening of Pak Rupee against the following currency at June 30, would not increased / (decreased) equity and profit and loss.

38.3.2 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposures arises from short and long term borrowings from bank and term deposits and deposits in PLS saving accounts with banks. At the balance sheet date the interest rate profile of the company's interest bearing financial instrument is as follows.

	Rupees	Rupees
Variable rate instruments		
Financial liabilities	499,469,102	502,865,832

Fair value sensitivity analysis for fixed rate instruments

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

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) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for June 30, 2014.

	Profit and loss		Equity	
	100 bp increase	100 bp (decrease)	100 bp increase	100 bp (decrease)
-----Rupees-----				
Cash flow sensitivity - variable rate instruments 2014	(493,688)	493,688	(493,688)	493,688
Cash flow sensitivity - variable rate instruments 2013	(652,031)	652,031	(652,031)	652,031

38.4 Fair value of financial assets and liabilities

The carrying value of all financial instruments reflected in the financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

	2014	2013
	Rupees	Rupees
38.5 Off balance sheet items		
Bank guarantees issued in ordinary course of business	18,100,000	18,100,000
Letters of credit other than capital expenditures	16,075,710	52,500,218

38.6 Capital risk management

The company's prime object when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate return for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintained or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as total borrowing divided by total capital employed. Borrowing represents long term portion of long term financing, liabilities against assets subject to finance lease, long term murabaha and long term loans from others. Total capital employed includes total equity as shown in the balance sheet plus borrowings.

	2014	2013
	Rupees	Rupees
Total borrowings	311,017,234	312,564,592
Net debt	311,017,234	312,564,592
Total equity	(33,405,844)	362,847
Total capital	<u>277,611,390</u>	<u>312,927,439</u>
Gearing ratio	<u>112.03%</u>	<u>99.88%</u>

39 CAPACITY INSTALLED AND ACTUAL PRODUCTION

Number of spindles installed	28,248	28,248
Number of spindles worked	22,158	21,313
Number of shifts per day	3	3
Installed capacity after conversion into 20/s counts (Kgs.)	10,084,462	10,084,462
Actual production of yarn after conversion into 20/s counts (Kgs.)	8,389,547	8,028,616

It is difficult to precisely describe production capacity and the resultant production converted into single counts in the textile industry since it fluctuates widely depending on various factors such as type of yarn produced and raw material used etc. It would also vary according to pattern of production adopted in a particular year. Actual production is more than the installed capacity due to the conversion of fine count to 20/s count.

40 NUMBER OF EMPLOYEES

	2014	2013
Number of employees as at year end	376	442
Average employee during the year	370	427

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 10th October, 2014 by the board of directors of the company.

42 CORRESPONDING FIGURES

Figures have been rearranged / reclassified whenever necessary for the purpose of comparison.

43 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR