SALMAN NOMAN ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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 Going concern assumption

During the year, the Company incurred loss amounting to Rs. 125.471 million (June 30, 2014: Rs. 47.524 million) and has reported accumulated losses amounting to Rs. 192.964 million (June 30, 2014: Rs. 79.509 million) at the year end. In addition, the Company's current liabilities exceeded its current assets by Rs. 185.803 million (June 30, 2014: Rs. 57.774 million) at the year end. This results in severe liquidity crisis and inability of the company to comply with loan agreements and inability to pay long term financing from financial institutions amounting to Rs. 41.633 million, short term borrowing amounting to Rs. 26.600 million and accrued markup Rs. 12.320 million. The main reason of loss was due to curtailment of working capital lines by financial institutions, fall in sale price of yarn, electricity and gas crisis, major consumption rate variance, low quality cotton resulted in lower yield and other fixed production overheads. These conditions along with adverse key financial ratios indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on going concern assumption on the basis of following mitigating factors:

i The management has prepared five years future plan showing profitability. Management believes that, company will be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management for this purpose;

ii Directors and sponsors of the company, have invested as long term interest bearing loans net amounting to Rs. 64.561 million during the period thus, making the total loan amounting to Rs. 138.684 million (June 30, 2014: Rs. 74.123 million). They would also continue such support in future;

iii The management has also undertaken adequate steps towards the reduction of fixed cost and expenses which are at various stages of implementation. Such steps include, but not limited to, rightsizing of the men power, resource conservation, close monitoring of other fixed cost etc. The management is certain to generate sufficient savings as consequences of adapting all such measures; and

iv The management has also applied to the financial institutions for settlement and restructuring of overdue of the company. Management is confident that financial institution will respond positively to the request.

The management anticipates that above steps will not only bring the Company out of the existing financial crisis but also contribute significantly towards the improvement of the company financial position in the foreseeable future.

2.3 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.

2.4 Standards, interpretations and amendments to published approved accounting standards

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

During the year certain amendments to standards or new interpretations became effective; however, the amendments or interpretation did not have any material effect on the financial statements of the company.

2.4.2 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 standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2015 and the Company does not expect to have any material / significant changes in its accounting policy except for disclosures, where applicable:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments have no impact on Company's financial statements as the company has the policy of depreciating / amortizing its property, plant and equipment and intangible assets based on the assessed useful lives.
- IFRS 10 'Consolidated Financial Statements'– (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 is not likely to have any impact on the financial statements of the company .
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. IFRS 11 is not likely to have any impact on the financial statements of the company.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015). The adoption of this standard is not like to have an impact on company's financial statements.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015). The adoption of this standard is not like to have an impact on company's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). These amendments have no impact on the financial statements of the company.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

2.4.3 Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. These amendments are not likely to have any implication on the company's financial statements.
- IFRS 7 'Financial Instruments- Disclosures'. These amendments are not likely to have any implication on the company's financial statements.
- IAS 19 'Employee Benefits'. These amendments are not likely to have any implication on the company's financial statements.
- IAS 34 'Interim Financial Reporting'. These amendments are not likely to have any implication on the company's financial statements.

2.4.4 Standards, interpretations and amendments to published standards that are effective but not relevant to the company

- The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2014 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

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 theses financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 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.

4.2 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.

4.3 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.

4.4 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.

4.5 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.

4.6 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 17.

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.

4.7 Accounting for leases and assets subject to finance lease

4.7.1 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.

4.7.2 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.

4.8 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.

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

2015	2014		Note	2015	2014
Number of shares				Rupees	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
4,467,036	4,467,036			44,670,360	44,670,360

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	2015 Rupees	2014 Rupees
Surplus on revaluation of property, plant and equipment at the beginning of the year		427,706,119	445,387,873
Add: Surplus arised during the year		73,903,979	-
Transfer to unappropriated profit in respect of:			
Incremental depreciation on revalued assets		12,698,644	11,669,958
Related deferred tax liability		6,254,556	6,011,796
		18,953,200	17,681,754
Surplus on revaluation of property, plant and equipment as at the end of year		482,656,898	427,706,119
Related deferred tax liabilities on:			
Revaluation at the beginning of the year		110,864,600	120,561,020
Surplus arised during the year		22,171,194	-
Prior year effect		(9,510,004)	(3,684,624)
Incremental depreciation on revalued assets		(6,254,556)	(6,011,796)
		117,271,234	110,864,600
		365,385,664	316,841,519

7 LONG TERM FINANCING FROM BANKING COMPANIES

	Note	2015 Rupees	2014 Rupees
Secured - from banking companies			
Term finance - I	**7.1**	60,903,606	71,655,606
Demand finance - I	**7.2**	-	13,275,719
Term finance - II - Frozen markup	**7.3**	35,458,140	37,258,140
Demand finance - II - frozen markup	**7.4**	-	3,020,052
		96,361,746	125,209,517

		Term finance 1	Demand Finance-I	Frozen Markup		2015	2014
				SNBL TF II	NBP DF-II	Rupees	Rupees
	Note	7.1	7.2	7.3	7.4		
Opening balance		85,095,606	35,401,919	37,258,140	8,053,457	165,809,122	186,782,548
Transferred / restructured during the year		-	-	-	-	-	7,211,926
		85,095,606	35,401,919	37,258,140	8,053,457	165,809,122	193,994,474
Repaid during the year		-	(13,275,720)	-	(3,021,457)	(16,297,177)	(28,185,352)
		85,095,606	22,126,199	37,258,140	5,032,000	149,511,945	165,809,122
Current Maturity							
Overdue installment		(13,440,000)	(8,850,480)	-	(2,011,948)	(24,302,428)	(8,119,921)
Current portion		(10,752,000)	(13,275,719)	(1,800,000)	(3,020,052)	(28,847,771)	(32,479,684)
Current portion	15	(24,192,000)	(22,126,199)	(1,800,000)	(5,032,000)	(53,150,199)	(40,599,605)
		60,903,606	-	35,458,140	-	96,361,746	125,209,517

7.1 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 2.00 percent (June 30, 2014 : one months KIBOR plus 2.00 percent) per annum payable monthly from March 31, 2014. Markup payable from July 01, 2011 to February 28, 2014 is payable as mentioned in note 7.3

7.2 This demand finance represents the overdue amount of import/inland letter of credit (usance) 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, 2014 : 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.

7.3 As fully explained in note 7.1 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 7.1 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).

7.4 As fully explained in note 7.2 above, markup and charges amounted to Rs. 10.066 million on overdue amount of inland letter of credits (usance) 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.

8 LONG TERM FINANCING FROM DIRECTORS AND OTHERS

	2015 Rupees	2014 Rupees
Opening balance	74,122,513	71,622,513
Obtained during the year	68,111,392	10,600,000
	142,233,905	82,222,513
Paid during the year	(3,550,000)	(8,100,000)
Unsecured - related parties	138,683,905	74,122,513

As at June 30, 2015, the management of the company has entered into agreement with directors and decided repayment terms of unsecured loan (previously repayment terms of the loan were not determinable). According to the agreement, the tenure of loans is fifteen years with grace period of five year. These loans are unsecured and carrying markup of one month kibor plus 0.5 percent (June 30, 2014: Nil) payable annually from July 1, 2015. The outstanding amount will be repayable in 10 equal annual installments of Rs.13,868,391 each (starting from June 30, 2021 and ending on June 30, 2030). These includes amount of Rs.138,533,905/- (June 30, 2014 : Rs. 71,622,513) as subordinated to the loans from banking companies.

9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2015			2014		
	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	44,115,438	6,914,986	37,200,452	27,378,573	5,284,118	22,094,455
Later than one year but not later than five years	55,748,116	5,964,910	49,783,206	82,765,576	13,080,372	69,685,204
	99,863,554	12,879,896	86,983,658	110,144,149	18,364,490	91,779,659

	Note	ABBPL	ABBPL Frozen Markup	FNBM	FNBM Frozen M.up	HMBL	HMBL Frozen Markup	2015 Rupees	2014 Rupees
	Note	9.1	9.2	9.3	9.4	9.5	9.6		
Opening balance		27,129,823	7,739,644	36,790,249	7,221,685	10,728,258	2,170,000	91,779,659	96,865,847
Obtained during the year		-	-	-	-	-	-	-	7,823,491
		27,129,823	7,739,644	36,790,249	7,221,685	10,728,258	2,170,000	91,779,659	104,689,338
Paid during the year		-	-	(1,944,195)	(601,806)	(2,250,000)	-	(4,796,001)	(12,909,679)
Security deposit		-	-	-	-	-	-	-	-
Waived off		-	-	-	-	-	-	-	-
		27,129,823	7,739,644	34,846,054	6,619,879	8,478,258	2,170,000	86,983,658	91,779,659
Current Maturity									
Over due installment		(10,434,540)	(2,976,780)	(2,467,317)	(702,107)	(750,000)	-	(17,330,744)	(3,097,827)
Current portion		(8,347,632)	(2,381,424)	(4,937,040)	(1,203,612)	(3,000,000)	-	(19,869,708)	(18,996,628)
Current portion	15	(18,782,172)	(5,358,204)	(7,404,357)	(1,905,719)	(3,750,000)	-	(37,200,452)	(22,094,455)
		8,347,651	2,381,440	27,441,697	4,714,160	4,728,258	2,170,000	49,783,206	69,685,204

9.1 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, 2014: 6 month KIBOR (flat) after repayment of 24th installment of principal). 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.

9.2 As fully explained in note 9.1 about agreement, markup accrued on lease liability from Al Baraka Bank (Pakistan) Limited amounted to Rs. 8.335 million has been freezed and converted into forzen 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.

9.3 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 9.4, rental amounting to Rs.2,274,220/- due during moratorium period from June 2013 till November 2013 as well as unpaid freezed rentals of Rs. 5,549,274/- during the Ist 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 carry markup at six months KIBOR plus 3 percent (June 30, 2014: six months kibor plus 3%). 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.

9.4 As fully explained in note 9.3 about rescheduled agreement, markup accrued on lease liability from First National Bank Modaraba amounted to Rs. 7.823 million has been freezed and converted into forzen 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.

9.5 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, 2014 : 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,

9.6 As fully explained in note 9.5 about rescheduled agreement, markup accrued on lease liability from Habib Metropolitan Bank Limited amounted to Rs. 2.170 million has been freezed 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.

10 DEFERRED LIABILITIES

	Note	2015 Rupees	2014 Rupees
Staff retirement benefits - gratuity	10.1	22,802,478	20,852,517
Deferred taxation	10.2	74,075,619	124,120,153
		96,878,097	144,972,670

10.1 Staff retirement benefits - gratuity

10.1.1 Movement in net liability recognized in the balance sheet

	2015 Rupees	2014 Rupees
Opening balance	20,852,517	21,584,013
Charge to profit and loss account	6,677,872	6,280,579
Benefits paid during the period	(5,702,424)	(6,038,182)
Remeasurements (gains) / losses	974,513	(973,893)
Closing balance of balance sheet liability	22,802,478	20,852,517

10.1.2 The movement in the present value of defined benefit obligation

	2015 Rupees	2014 Rupees
Present value of defined benefit obligation	20,852,517	21,584,013
Current service cost	5,105,723	4,349,797
Interest cost	1,572,149	1,930,782
Remeasurements (gains)/ losses	974,513	(973,893)
Benefits paid	(5,702,424)	(6,038,182)
	22,802,478	20,852,517

10.1.3 Historical information

	2015	2014	2013	2012	2011
	---Rupees---				
Present value of defined benefit obligation	22,802,478	20,852,517	20,852,517	18,637,438	18,541,446
Experience adjustments	(974,513)	973,893	(2,858,688)	1,955,485	(1,273,878)

10.1.4 Liability recognized in the balance sheet

	2015 Rupees	2014 Rupees
Present value of obligation	22,802,478	20,852,517
	22,802,478	20,852,517

10.1.5 Expense recognized

	Note	2015 Rupees	2014 Rupees
In profit and loss			
Service cost		5,105,723	7,913,078
Interest cost		1,572,149	1,299,048
		6,677,872	9,212,126
In other comprehensive income			
Remeasurement recognized - (gains) / loss		974,513	(973,893)
		974,513	(973,893)

10.1.6 Expenses recognized for the year has been allocated as under:

	2015 Rupees	2014 Rupees
Cost of goods manufactured	4,293,669	9,197,537
Administrative expenses	2,384,203	14,589
	6,677,872	9,212,126

10.1.7 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.

10.1.8 Principal actuarial assumptions :

	Note	2015	2014
Following are few important actuarial assumption used in the valuation.		%	%
Discount rate		9.75	13.25
Expected rate of increase in salary		8.00	12.25

10.1.9 Sensitivity analysis of actuarial assumption

The calculation of defined benefit obligation is sensitive to assumptions given above. The below information summarizes how the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of change in respective assumptions by 100 basis point.

	Increase in assumption	Decrease in assumption
Discount rate	(233,355)	386,586
Expected rate of increase in salary	389,776	(237,322)

10.1.10 Expected gratuity expenses for the year ending June 30, 2016 works out Rs. 7,247,011

10.2 Deferred taxation	**2015 Rupees**	**2014 Rupees**
Opening balance	124,120,153	142,973,807
Add: Provided / (reversed) during the year on surplus - net	12,661,190	(3,684,624)
Effect of rate change	(11,283,650)	(4,205,112)
Provided during the year	(51,129,720)	(11,285,303)
Deferred tax charged to OCI due to remeasurements	(292,354)	321,385
	74,075,619	124,120,153

10.2.1 The liability of deferred taxation comprises of temporary differences

Deferred tax liabilities on taxable temporary differences		
Accelerated depreciation on owned assets	22,306,613	31,406,313
Liabilities against assets subject to finance lease - net	33,801,514	34,302,827
Surplus on revaluation of property, plant and equipment	117,271,234	110,864,600
Deferred tax charged to OCI due to remeasurements	(292,354)	321,385
	173,087,007	176,895,125
Deferred tax asset on deductible temporary differences		
Staff retirement benefits - gratuity	6,548,389	6,881,331
Brought forward tax losses	92,462,999	45,893,641
	99,011,388	52,774,972
	74,075,619	124,120,153

11 LONG TERM LOANS FROM OTHERS

Long term loans from others - Unsecured	49,658,313	42,000,000

These are unsecured loans from parties carrying markup at three months kibor (June 30, 2014 : three months kibor) 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.

12 TRADE AND OTHER PAYABLES

	Note	2015 Rupees	2014 Rupees
Creditors		77,235,469	77,377,096
Accrued liabilities	12.1	57,838,148	29,312,533
Advances from customers		53,394,760	26,660,269
Workers' welfare fund		104,374	104,374
Workers' profit participation fund	12.2	8,217,009	7,338,581
Unclaimed dividend		179,651	184,476
Withholding tax payable		18,943,563	16,448,097
Bills payable - foreign LC's payable		37,131,951	-
		253,044,925	157,425,426

12.1 Accrued liabilities also includes fuel price adjustment surcharge of Rs. 259,792/- (June 30, 2014: Rs. 1,039,180/-).

12.2 Workers' profit participation fund	Note	2015 Rupees	2014 Rupees
Opening balance		7,338,581	6,541,208
Interest on funds utilized in the company's business	12.3	878,428	797,373
		8,217,009	7,338,581
Allocation for the period		-	-
		8,217,009	7,338,581
Payments during the period		-	-
		8,217,009	7,338,581

12.3 Interest on workers' profit participation fund has been provided at the rate 11.97% (June, 2014 : 12.19%) per annum up to June 30, 2015.

13 ACCRUED MARK UP / INTEREST

	Note	2015 Rupees	2014 Rupees
Accrued markup / interest on :			
Long term financing		12,320,328	4,023,786
Short term borrowings		6,297,444	7,891,168
Liabilities against assets subject to finance lease		2,984,574	624,968
		21,602,346	12,539,922

14 SHORT TERM BORROWINGS

Secured - from banking companies

Cash finance - NBP	14.2	100,060,404	144,708,604
Cash finance - BAFL	14.3	14,844,203	14,999,449
Cash finance - BIPL	14.4	12,258,000	12,259,919
Murahbah finance - FNBM	14.5	26,600,000	28,400,000
Running finance - BAHL	14.6	24,548,114	41,512,349
Book overdraft - unsecured	14.7	1,447,284	8,625,395
		179,758,004	250,505,716

14.1 The aggregate unavailed short term financing facilities amounted to Rs. 112.981 million (June 30, 2014 : Rs. 119.379 million).

14.2 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, 2014 : three months average ask KIBOR plus 2.5%) per annum payable quarterly. The limit will expire on December 31, 2015.

14.3 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, 2014 : three months KIBOR plus 3%) payable quarterly. The limit will expire on November 30, 2015.

14.4 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, 2014 : three months ask KIBOR plus 4% with a floor of 13.90%) per annum.The limit will expire on November 11, 2015.

14.5 This murabaha facility has been obtained from First National Bank Modaraba to facilitate purchase of raw material. In previous 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 prinicipal 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, 2014 : Six months Kibor plus 3.5%) per annum. The limit has been expired on December 05, 2015 and February 14, 2015 respectively. The overdue is Rs. 17.300 million (June 30. 2014: Nil) and Rs. 9.300 millions (June 30, 2014: Nil) respectively.

14.6 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, 2014 : three months Kibor plus 2%) per annum payable quarterly. The limit will expire on February 28, 2016.

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

15 CURRENT PORTION OF NON CURRENT LIABILITIES

	Note	2015 Rupees	2014 Rupees
Long term financing	7	53,150,199	40,599,605
Liabilities against assets subject to finance lease	9	37,200,452	22,094,455
		90,350,651	62,694,060

15.1 It includes overdue installment of Rs. 24,302,428/- (June 30, 2014: Rs.8,119,921/-) and Rs. 17,330,744/- (June 30, 2014: Rs.3,097,827/-) in respect of long term financing and lease finance respectively. Subsequently, payment of Rs. Nil and Rs. 937,288/- in respect of long term financing and lease finance respectively has been made.

16 CONTINGENCIES AND COMMITMENTS

	Note	2015 Rupees	2014 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		31,105,143	16,075,710

17 PROPERTY, PLANT AND EQUIPMENT

	Note	2015 Rupees	2014 Rupees
Operating assets	17.1	827,231,473	788,647,359
Capital Work in progress		-	-
		827,231,473	788,647,359

17.1 Operating assets

Description	Owned									Leased	Total
	Freehold land	Building on freehold land: Mills	Building on freehold land: Labour colony	Plant and machinery	Electric installations	Office equipments	Furniture and fixtures	Electric appliances	Vehicles	Plant and machinery	
Cost											
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
Addition due to surplus revaluation	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-	-	-
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
Balance as at July 01,2014	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
Addition during the year	-	-	-	2,286,593	-	-	64,200	105,500	-	-	2,456,293
Addition due to surplus revaluation	-	8,268,677	17,899,774	77,413,258	-	-	-	-	-	25,199,572	128,781,281
Disposal	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30,2015	94,815,000	231,206,896	45,563,561	702,892,708	17,657,010	2,236,204	1,035,539	3,859,717	3,771,173	281,093,510	1,384,131,317
Accumulated Depreciation											
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
Adjustment due to surplus revaluation	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-	-	-
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
Balance as at July 01,2014	-	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
Charge for the year	-	6,084,870	863,307	19,150,327	919,968	119,760	41,326	134,670	356,724	10,105,206	37,776,158
Adjustment due to surplus revaluation	-	3,958,736	9,937,256	34,157,496	-	-	-	-	-	6,823,814	54,877,302
Adjustment/ Transfer	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30,2015	-	113,798,584	25,842,884	319,734,919	9,377,315	1,158,341	645,593	2,559,817	2,344,251	81,438,140	556,899,844
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
Written down value as at June 30,2015	94,815,000	117,408,312	19,720,677	383,157,789	8,279,695	1,077,863	389,946	1,299,900	1,426,922	199,655,370	827,231,473
Rate of depreciation	-	5%	5%	5%	10%	10%	10%	10%	20%	5%	

17.2 Depreciation for the period has been allocated as under:

	Note	2015 Rupees	2014 Rupees
Cost of goods sold	27.1	37,258,348	36,446,175
Administrative expenses	30	517,810	561,096
		37,776,158	37,007,271

17.3 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 December 12, 2014 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 March 01, 2013 by independent valuer M/S International Design Group.

17.4 Had there been no revaluation, related figures of land, building and plant and machinery at June 30, 2015 would have been as follows:

		Cost	Accumulated depreciation	Written down value
Land		3,062,215	-	3,062,215
Building		78,232,439	38,334,882	39,897,557
Plant and machinery		370,141,382	169,054,216	201,087,166
June 30, 2015	Rupees	451,436,036	207,389,098	244,046,938
June 30, 2014	Rupees	449,149,443	194,772,971	254,376,471

18 LONG TERM DEPOSITS

	Note	2015 Rupees	2014 Rupees
Security deposits			
Electricity		1,360,620	1,360,620
Sui gas		905,000	905,000
Leasing companies		4,342,800	4,342,800
Others		421,060	511,060
		7,029,480	7,119,480

19 STORES, SPARE PARTS AND LOOSE TOOLS

Stores		19,765,452	20,663,351
Spare parts		40,801,648	43,190,918
Loose tools		121,351	93,441
		60,688,450	63,947,710

20 STOCK IN TRADE

Raw material	20.2	180,567,336	238,279,717
Work in process		16,012,217	17,993,934
Finished goods	20.1 & 20.2	13,121,694	20,516,933
		209,701,247	276,790,585

20.1 Finished goods amounting to Rs. 15,127,024 are stated at their net releasable value aggregating to Rs. 12,705,587. The amount charged to profit and loss account in respect of stocks written down to their net realizable value is Rs. 2,421,437 (June, 2014: Rs.245,418/-). Finished goods also includes Rs. 416,107/- (June 30, 2014 : Rs. 401,995/-) in respect of waste stock being valued at net realizable value.

20.2 The value of pledged stock in raw material and finished goods is Rs. 89,090,915/- (June 30, 2014 : Rs. 134,527,631/-).

21 LOANS AND ADVANCES

	Note	2015 Rupees	2014 Rupees
Considered good			
Advances to / against:			
Employees	21.1	2,944,891	2,817,841
Suppliers		12,674,764	6,252,262
Letters of credit fee and expenses		949,554	237,662
		16,569,210	9,307,765

21.1 These advance to employees are given against their salaries and wages.

22 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Prepaid commission - bank guarantee		-	251,952
		-	251,952

23 OTHER RECEIVABLES

Insurance claim receivable	23.1	13,500,000	597,113
		13,500,000	597,113

23.1 It represents insurance claim against cotton and building, entire amount has been received subsequently.

24 TAX REFUNDS DUE FROM GOVERNMENT

Advance income tax		12,474,629	5,474,979
Sales tax receivable		6,809,927	6,732,906
		19,284,556	12,207,885

25 CASH AND BANK BALANCES

Cash in hand		1,159,834	314,018
Cash with banks :			
In current accounts		632,021	1,494,732
In saving accounts	25.1	-	22,170
		1,791,855	1,830,920

25.1 It carries interest rate ranging from 4 to 5 percent (June 30, 2014 : 5 to 6 percent) per annum.

26 SALES - NET

Local			
Yarn		1,280,293,785	1,470,762,000
Waste		6,080,413	10,513,503
Raw material		10,637,681	-
Sales return		(412,500)	(1,031,650)
		1,296,599,379	1,480,243,853
Less: Commission on local sales		(2,658,401)	(4,106,079)
Sales tax		(27,182,592)	(29,086,679)
		1,266,758,386	1,447,051,095

27 COST OF SALES

	Note	2015 Rupees	2014 Rupees
Cost of goods manufactured	27.1	1,380,044,467	1,427,071,940
Finished goods			
Opening stock		20,516,933	19,442,226
Closing stock		(13,121,694)	(20,516,933)
		7,395,239	(1,074,707)
		1,387,439,706	1,425,997,233

27.1 Cost of goods manufactured

	Note	2015 Rupees	2014 Rupees
Raw material consumed	27.1.1	911,465,563	965,656,114
Cost of raw material sold	27.1.1	10,599,204	-
Packing material consumed		27,351,299	21,485,258
Stores and spares consumed		44,056,586	43,022,627
Salaries, wages and other benefits	27.1.2	121,337,890	122,348,972
Fuel and power		206,136,533	223,144,145
Insurance		4,653,905	5,491,781
Depreciation	17.2	37,258,348	36,446,175
Repairs and maintenance		6,166,925	8,922,614
Other manufacturing overheads		9,036,498	7,363,838
		1,378,062,750	1,433,881,525
Work in process			
Opening stock		17,993,934	11,184,349
Closing stock		(16,012,217)	(17,993,934)
		1,981,717	(6,809,585)
		1,380,044,467	1,427,071,940

27.1.1 Raw material consumed

	2015 Rupees	2014 Rupees
Opening stock	238,279,718	238,006,815
Add: Purchases - net	877,120,385	965,929,017
	1,115,400,103	1,203,935,832
Less: Closing stock	180,567,336	238,279,718
	934,832,767	965,656,114
Less: Cost of raw material sold	10,599,204	-
Insurance claim against cotton received	12,768,000	-
	911,465,563	965,656,114

27.1.2 Salaries, wages and other benefits include Rs. 4,293,669 (June 30, 2014: Rs. 4,336,334/-) in respect of staff retirement benefits -gratuity.

28 OTHER OPERATING INCOME

	Note	2015 Rupees	2014 Rupees
From financial assets			
Profit on bank deposits	28.1	77,643	63,566
From other than financial assets			
Liabilities waived off		-	225,465
Exchange gain on claim receivable		-	6,351
Exchange gain on translation of foreign LC's payable		269,213	-
		346,856	295,382

28.1 It represents interest earned on deposit of saving account which was created with Habib Bank Limited.

29 DISTRIBUTION COST

	Note	2015 Rupees	2014 Rupees
Freight		502,940	660,850
Loading charges		337,235	267,171
		840,175	928,021

30 ADMINISTRATIVE EXPENSES

	Note	2015 Rupees	2014 Rupees
Directors' remuneration		2,400,000	2,400,000
Director's benefits		703,621	591,428
Staff salaries and other benefits	30.1	10,893,447	9,835,699
Rent, rates and taxes		359,600	621,630
Printing and stationery		222,919	262,620
Electricity, gas and water		457,358	435,832
Vehicles running and maintenance		1,761,208	2,412,938
Postage and telephone		534,181	505,851
Fee and subscription		164,744	299,488
Traveling and conveyance		934,573	974,084
Legal and professional		256,965	644,164
Repairs and maintenance		432,477	352,123
Auditors' remuneration	30.2	657,502	651,200
Insurance		149,253	107,655
Entertainment		702,736	582,297
Depreciation	17.2	517,810	561,096
Advertisement		63,417	135,180
Other expenses		899,102	752,026
		22,110,913	22,125,311

30.1 Staff salaries and other benefits include Rs. 2,384,203 (June 30, 2014 : Rs. 1,944,244/-) in respect of staff retirement benefits - gratuity.

30.2 Auditors' remuneration	**Note**	**2015 Rupees**	**2014 Rupees**
Statutory annual audit		550,000	550,000
Half yearly review		70,000	70,000
Other reviews and certifications		37,502	31,200
		657,502	651,200

31 OTHER OPERATING EXPENSES

	Note		
Donation	31.1	34,987	22,780
		34,987	22,780

31.1 No director or his spouse has any interest in the donee funds.

32 FINANCE COST

	Note		
Mark up / interest on			
Short term borrowings		24,056,247	26,831,876
Long term financing		13,703,016	15,882,866
Liabilities against assets subject to finance lease		4,892,802	5,856,671
Workers' profit participation fund	12.3	878,428	797,373
Bank charges, commission and excise duty		847,375	975,421
		44,377,868	50,344,206

33 TAXATION

Current		
Current year	-	12,045,334
Prior year	185,731	(1,101,712)
Deferred		
Current year	(51,129,720)	(11,285,303)
Prior year - effect of change in tax rate	(11,283,650)	(4,205,112)
	(62,227,639)	(4,546,793)

33.1 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 2014.

33.2 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. During the year company has declared gross loss before set off of depreciation and other inadmissible expenses under the Income Tax Ordinance, 2001. Therefore provision of the minimum tax under section 113 of the Income tax Ordinance, 2001 has not been made in these financial statements.

34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief executive		**Directors**		**Executives**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	---Rupees---					
Remuneration	800,000	800,000	800,000	800,000	3,295,280	3,048,360
House rent	360,000	360,000	360,000	360,000	1,482,876	1,371,762
Utilities	40,000	40,000	40,000	40,000	164,764	152,418
	1,200,000	1,200,000	1,200,000	1,200,000	4,942,920	4,572,540
Number of persons	1	1	1	1	6	7

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

34.2 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. 970,139/- (June 30, 2014 : Rs. 959,087/.)

34.3 Chief executive and directors are also entitled for reimbursement of residential telephone bills. The monetary value of the benefits amount to Rs. 151,746/-(June 30, 2014 : Rs. 120,011/-)

35 LOSS PER SHARE - BASIC AND DILUTED

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

Loss		**2015**	**2014**
Loss for the year after taxation	Rupees	(125,470,768)	(47,524,281)
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	**(28.09)**	**(10.64)**

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

36 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. All transactions are carried out on commercial basis. Transaction with related parties are disclosed below.

36.1 Transaction of related parties			**2015 Rupees**	**2014 Rupees**
	Nature of relationship	**Transaction**		
Directors	Related party	Receipts of long term financing from directors	68,111,392	10,600,000
		Repayment of long term financing	(3,550,000)	(8,100,000)

37 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

37.1 Credit risk
37.2 Liquidity risk
37.3 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.

37.1 Credit risk

37.1.1 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. 61.707 million (June 30, 2014: 72.039 million), financial assets which are subject to credit risk aggregate to Rs. 59.915 million (June 30, 2014: 70.208 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.

	2015 Rupees	2014 Rupees
Long term deposits	7,029,480	7,119,480
Trade debts	39,385,644	62,239,386
Loans and advances	-	-
Trade deposits and short term prepayments	-	251,952
Other receivables	13,500,000	597,113
Cash and bank balances	1,791,855	1,830,920
	61,706,979	72,038,851

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

Domestic	39,385,644	62,239,386

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

	2015 Rupees	2014 Rupees
Yarn	33,305,231	51,725,883
Waste	6,080,413	10,513,503
	39,385,644	62,239,386

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

Past due 0 - 30 days	23,652,694	49,428,583
Past due 31 - 90 days	8,974,245	6,426,564
Past due 91 days - 1 year	4,255,084	2,386,624
More than 1 year	2,503,622	3,997,615
	39,385,644	62,239,386

37.2 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 un 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..

	2015					
	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	149,511,945	181,505,461	54,124,977	15,563,610	96,579,214	15,237,660
Long term financing from directors	138,683,905	138,683,905	-	-	-	138,683,905
Finance lease	86,983,658	99,863,554	32,089,953	12,025,542	55,748,059	-
Trade and other payables	244,723,542	244,723,542	244,723,542	-	-	-
Accrued mark up / interest	21,602,346	21,602,346	21,602,346	-	-	-
Short term borrowings	179,758,004	184,134,645	184,134,645	-	-	-
	821,263,401	870,513,454	536,675,464	27,589,152	152,327,273	153,921,565

	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	-	-	-
	744,739,403	818,666,632	467,189,224	33,869,885	285,989,390	31,618,133

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.

37.3 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.

37.3.1 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, 2015.

Sensitivity analysis

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

37.3.2 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	414,806,323	499,469,101

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 2015	(4,148,063)	4,148,063	-	-
Cash flow sensitivity - variable rate instruments 2014	(4,994,691)	4,994,691	-	-

37.4 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.

	2015 Rupees	2014 Rupees
37.5 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	31,105,143	16,075,710

37.6 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 maintain 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.

	2015 Rupees	2014 Rupees
Total borrowings	334,487,170	311,017,234
Net debt	334,487,170	311,017,234
Total equity	(148,293,251)	(34,838,968)
Total capital	186,193,919	276,178,266
Gearing ratio	179.64%	112.61%

38 CAPACITY INSTALLED AND ACTUAL PRODUCTION

	2015	2014
Number of spindles installed	28,248	28,248
Number of spindles worked	20,200	22,158
Number of shifts per day	3	3
Installed capacity after conversion into 20/s counts (Kgs.)	9,946,319	10,084,462
Actual production of yarn after conversion into 20/s counts (Kgs.)	7,315,214	8,389,547

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.

39 NUMBER OF EMPLOYEES

	2015	2014
Number of employees as at year end	380	376
Average employee during the year	373	370

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on October 10, 2015 by the board of directors of the company.

41 CORRESPONDING FIGURES

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

CHIEF EXECUTIVE **DIRECTOR**