



*25<sup>th</sup> Annual Report*

*of*

**Ahmad Hassan Textile Mills Limited**

*for the year ended June 30, 2014*

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## **VISION 2015**

To be a world class and leading organization continuously providing high quality textile products.

## **MISSION**

To be a model diversified textile organization exceeding expectations of all stakeholders. We will achieve this by utilizing best blend of state-of-the-art technologies, excellent business processes, high performing people, and synergetic organizational culture.

## **CORE VALUES**

Our success will not be a matter of chance but of commitment to the following enduring beliefs and values that are engrained in the way we think and take actions to pursue a climate of excellence:

<b><i>Integrity &amp; Ethics</i></b>	Integrity, honesty and high ethical, legal & safe standards are corner stones of our business practices.
<b><i>Quality</i></b>	<p>We pursue quality as a way of life. It is an attitude that affects everything we do for relentless pursuit of excellence. Our aim is:</p> <p>To achieve and sustain good reputation in both domestic and international market by manufacturing quality yarn / fabric with organized training and implementation of quality system as per our valued customers needs to ensure the achievement of our aim.</p>
<b><i>Social Responsibility</i></b>	We believe in respect for the community and preserving the environment for our future generations and keeping National interests paramount in all our action.
<b><i>Learning &amp; Innovations</i></b>	We embrace lifelong learning and innovation as an essential catalyst for our future success. We believe in continuous improvement and to seize opportunities inherent in change to shape the future.
<b><i>Team Work</i></b>	We believe that competent and satisfied people are the company's heart, muscle and soul. We savours flashes of genius in organization's life by reinforcing attitude of teamwork and knowledge sharing based on mutual respect, trust and openness.
<b><i>Empowerment</i></b>	We flourish under and ecosystem of shared understanding founded on the concept of empowerment, accountability and open communication in all directions.

## **STRATEGIC PLAN**

To achieve the above objectives, the Company has made strategic plans to enhance and upgrade its installed capacity over the next 10 years to maintain and expand its market. Further plans are to excel in social responsibilities by implementing related projects and community developments.



## COMPANY PROFILE

### **BOARD OF DIRECTORS**

*Chairman*  
*Chief Executive Officer*  
*Directors*

Mian Muhammad Javed Anwar  
Mian Muhammad Parvez  
Mr. Muhammad Haris  
Mr. Muhammad Aurangzeb  
Mrs. Salma Javed  
Mr. Muhammad Jahanzeb  
Mr. Syed Raza Abbas Jaffari (*Rep. N.I.T*)

### **AUDIT COMMITTEE**

*Chairman*  
*Members*

Mr. Muhammad Jahanzeb  
Mrs. Salma Javed  
Mr. Muhammad Haris

### **HR & R COMMITTEE**

*Chairman*  
*Members*

Mr. Muhammad Jahanzeb  
Mrs. Salma Javed  
Mian Muhammad Parvez

### **CHIEF FINANCIAL OFFICER**

Mr. Abdul Sattar (FCA)

### **HEAD OF INTERNAL AUDIT**

Mr. Najeeb Ahmed Khan

### **COMPANY SECRETARY**

Mr. Abdul Sattar, FCA

### **AUDITORS**

M/s F.R.A.N.T.S & Co.  
Chartered Accountants,  
Multan.

### **BANKERS**

Bank Al-Habib Limited  
Allied Bank Limited  
United Bank Limited  
Bank Al-Falah Limited  
Habib Bank Limited  
Soneri Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan

### **REGISTERED OFFICE**

46 - Hassan Parwana Colony,  
Multan.

### **MILLS**

M.M. Road, Chowk Sarwar Shaheed,  
Distt. Muzaffargarh.

### **SHARES REGISTRAR**

M/s Vision Consulting Limited  
3-C, LDA Flats, Lawarnce Road,  
Lahore.



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25<sup>th</sup> Annual General Meeting of the Company will be held at its Registered Office, 46-Hassan Parwana Colony, Multan, on Friday 31<sup>st</sup> October, 2014, at 10:00 A.M., to transact the following business.

1. To confirm the minutes of the Annual General Meeting held on 31<sup>st</sup> October, 2013.
2. To receive, consider and adopt the Audited Accounts together with Directors' and Auditors' Reports for the year ended June 30, 2014.
3. To appoint Auditors of the Company for the financial year 2014-2015 and to fix their remuneration. The present Auditors Messrs. F.R.A.N.T.S & CO., Chartered Accountants, retire and being eligible offer themselves for re-appointment.
4. To elect 8 (Eight) Directors of the Company, including the Chief Executive, Nominee of NIT and Independent Director, for a period of three years under Section 178(1) of the Companies Ordinance, 1984, as fixed by the Board of Directors. The following are the retiring Directors, Mian Muhammad Javed Anwar, Mian Muhammad Parvez, Mrs. Salma Javed, Mr. Muhammad Haris, Mr. Muhammad Aurangzeb, Mr. Muhammad Jahanzeb and Syed Raza Abbas Jaffari, (Nominee NIT).

### SPECIAL BUSINESS

5. To consider and approve the remuneration of the Chairman, Chief Executive Officer and one full time working Director of the Company.
6. To consider any other matter with the permission of the Chair.

BY ORDER OF THE BOARD OF DIRECTORS

Multan: 04.10.2014

(Mr. Abdul Sattar, FCA)  
Company Secretary

### NOTES:

- i) The Share Transfer Books of the Company will remain closed from 24<sup>th</sup> October, 2014 to 31<sup>st</sup> October, 2014 (both days inclusive).
- ii) A Member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. Proxy forms duly completed should reach the Registered Office of the Company at least 48 hours before the time of the meeting.
- iii) Any individual Beneficial Owners of CDC, entitled to attend and vote at this meeting, must bring his/her NIC or Passport to prove his/her identity, and in case of proxy must enclose an attested copy of his/her NIC or passport. Representatives of Corporate members should bring the usual documents required for such purpose.
- iv) Members are requested to notify immediately any change in their address, directly to our Share Registrar address above.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984.

Keeping in view high cost of living, the shareholders approval will be obtain for the revised package of full time working Directors in their meeting held on 04.10.2014. In this connection following resolution intended to be moved at the meeting.

“Resolved that monthly remuneration of Mian Muhammad Javed Anwar (Chairman), Mian Muhammad Parvez (Chief Executive Officer) and Mr. Muhammad Haris (Full time working Director of the Company) be and is fixed at Rs. 250,000 each with effect from 01.10.2014 as recommended by the Board of Directors.”

The working Directors are interested in the Resolution to the extend of their respective remuneration.



## DIRECTORS' REPORT

In the name of Allah the Most Beneficent and the Merciful

Dear Shareholders

Yours Directors are pleased to present before you the 25<sup>th</sup> Annual Report on the affairs of your Company and Financial Results for the year ended June 30, 2014 together with the Directors Report and Auditors Report.

### SUMMARIZED FINANCIAL RESULTS:

	2014 (Rupees)	2013 (Rupees)
Sales-Net	3,977,310,044	4,015,813,336
Gross Profit	372,335,241	447,346,364
Profit after taxation	96,096,122	143,998,722
G.P Ratio	9.36%	11.14%

### REVIEW OF OPERATIONS:

By the grace of Almighty Allah, during current year, inspite of various challenges to textile industry the operations of our Company were quite satisfactory. The second half of the year under review has been very challenging and worse for the whole industry in terms of financial results due to depressed export market and dollar exchange rate, energy crises in the country and high rates of mark-up. As a result gross profit of the Company has been decreased by 1.78% from 11.14% to 9.36% as compared to last year..

### BOARD MEETINGS AND ATTENDANCE BY DIRECTOR:

Total No. of Board Meeting held during the year under review	4
Attendance by each Director	
Mian Muhammad Javed Anwar	4
Mian Muhammad Parvez	4
Mrs. Salma Javed	4
Mr. Muhammad Haris	4
Mr. Muhammad Jahanzeb	4
Mr. Muhammad Aurangzeb	4
Mr. Raza Abbas Jaffari (Nominee N.I.T)	2

## FUTURE OUTLOOK

Since start of this calendar year textile industry is under immense pressure due to international market situation. The depressed situation still continues and nothing can be predicted at this stage. As we cannot control the market situation, purchase prices of raw material, power tariffs and sales prices of finished goods so we can only make our operations efficient and in this area we are focusing hard and expect to achieve good results in coming year.

Management is striving very hard to make the future business profitable. In this regard management is mainly focusing on controlling / reducing the energy cost by enhancing our gas generated power capacity and other cost of production by efficient use of available resources.

## CORPORATE GOVERNANCE

Compliance of corporate governance is attached.

## AUDITORS

M/s F.R.A.N.T.S. & Co., Chartered Accountants, Multan being eligible and offering themselves for re-appointment, are recommended for re-appointment as Auditors of the Company for a term of one year as suggested by the Audit Committee.

## PATTERN OF SHAREHOLDING

Pattern of holding of shares by the shareholders of the Company as on June 30, 2014 as required under Section 236(2)(d) of the Companies Ordinance, 1984, is enclosed.

## ACKNOWLEDGMENT

Your directors place on record their deep appreciation for the efforts made by the workers and staff of the Company for their deep devotion to work.

Your directors would also like to express their thanks to the Shareholders and Financial Institutions for their support and assistance.

On behalf of the Board of Directors

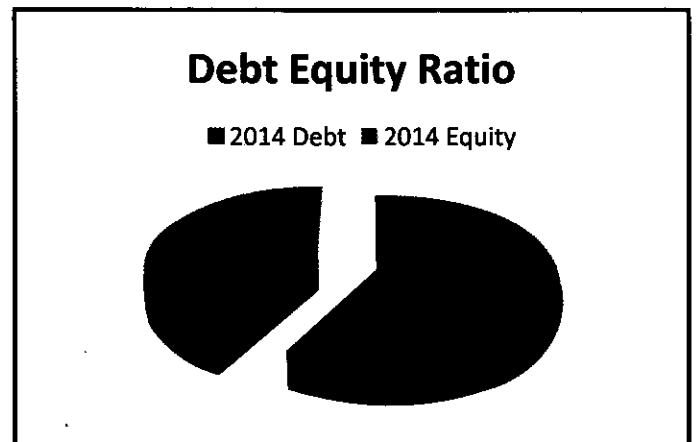
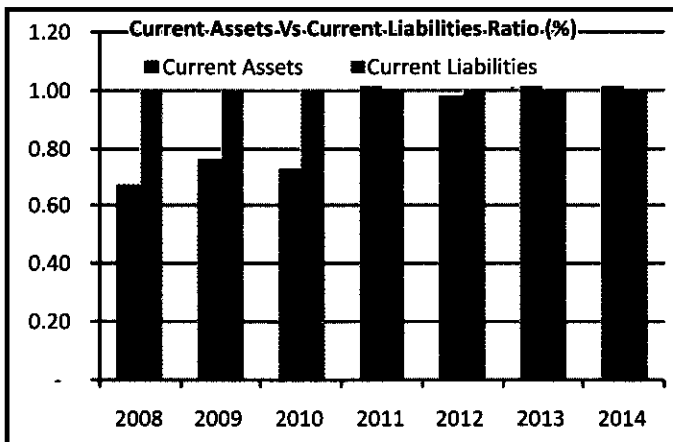
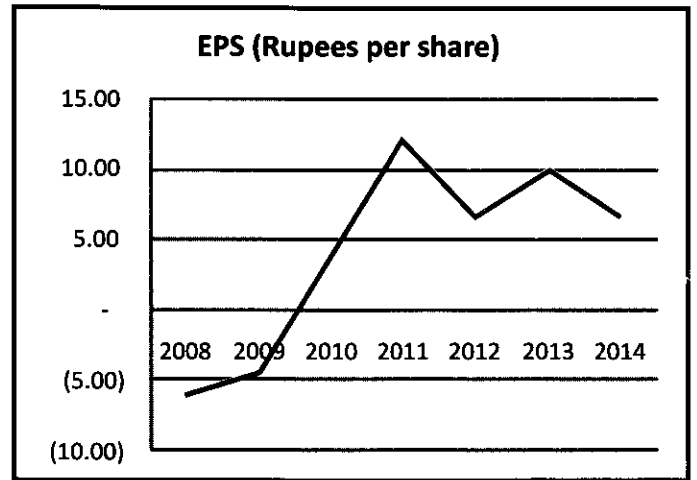
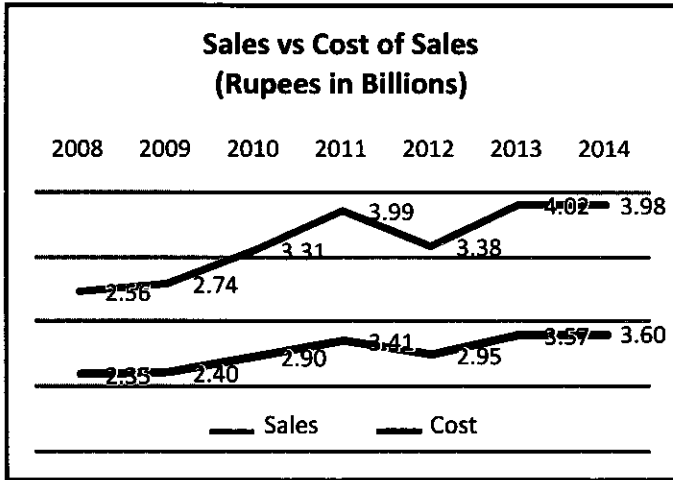
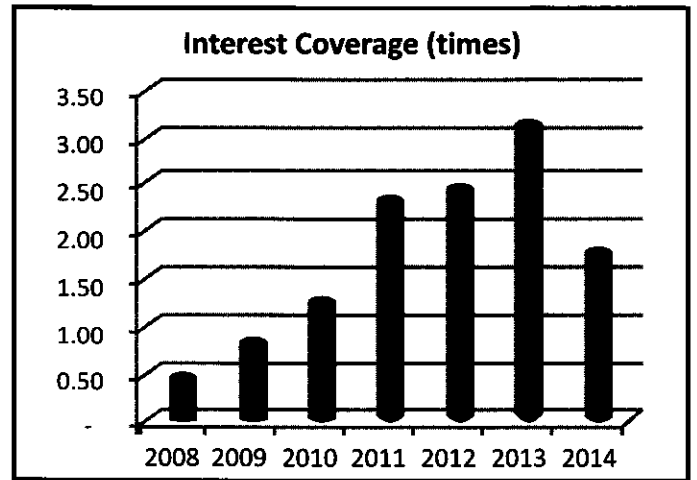
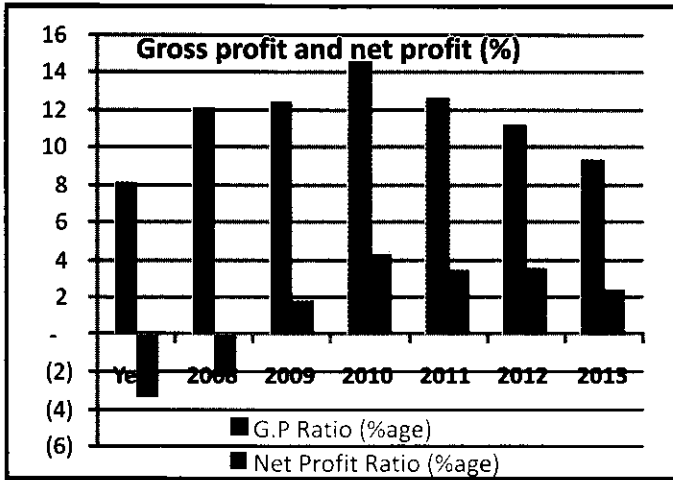
Multan  
Dated: October 04, 2014

Mian Muhammad Javed Anwar  
Chairman

## Six Years Growth at Glance (2009 - 2014)

Particulars	2009	2010	2011	2012	2013	2014
<b>OPERATIONAL PERFORMANCE:</b>						
<b>Weaving</b>						
Number of Looms Installed	130	130	130	130	130	136
Number of Looms Worked	130	130	130	130	130	136
Installed Capacity after conversion into 60 picks Sq. Meter (000)	41,538	41,538	41,538	41,538	41,538	43,455
Actual Production after conversion into 60 picks Sq. Meter (000)	33,644	32,489	37,814	34,850	35,244	34,914
<b>Spinning</b>						
Number of Spindles Installed	38,400	38,400	20,760	20,760	20,760	22,872
Number of Spindles Worked	38,400	38,400	20,760	20,760	20,760	22,872
No. of Shifts Worked	1,095	1,095	1,095	1,095	1,095	1,095
Installed Capacity (after conversion into 20/s count) (1095 shifts) KGS (000)	12,988	12,988	7,821	7,821	7,821	8,205
Actual yarn Production (after con. 20/s count) KGS (000)	11,818	11,837	7,793	7,442	6,993	6,900
<b>PROFIT AND LOSS:</b>						
Net Sales Rs. (000)	2,736,385	3,311,020	3,991,815	3,376,915	4,015,813	3,977,310
Cost of Sales Rs. (000)	2,404,323	2,900,127	3,409,318	2,951,995	3,568,467	3,604,975
Gross Profit Rs. (000)	332,062	410,893	582,497	424,920	447,346	372,335
Operating Profit/(loss) Rs. (000)	243,897	284,393	412,658	284,667	268,016	186,178
Profit/(loss) before Tax Rs. (000)	(52,869)	58	235,894	167,614	182,259	81,624
Profit / (loss) after Tax Rs. (000)	(63,844)	58,712	172,217	96,222	143,998	96,096
<b>BALANCE SHEET:</b>						
<b>Share Capital and Reserves Rs. (000)</b>						
Shareholders Equity	876,761	839,920	1,012,137	1,090,349	1,860,753	1,935,288
Equipment Rs. (000)	1,954,828	1,665,880	1,600,881	1,612,312	2,336,860	2,494,300
Current Assets Rs. (000)	1,005,862	902,267	1,092,832	899,568	905,757	1,100,794
Current Liabilities Rs.	1,328,924	1,234,835	1,085,949	916,144	899,726	1,100,711
Long Term Liabilities Rs. (000)	755,004	652,812	470,414	358,635	331,086	598,311
<b>INVESTOR INFORMATION:</b>						
Per Share (Rs.) Cash Dividend	-	-	12.50%	12.50%	15.00%	
Earning Per Share	(4.43)	4.07	11.95	6.68	9.99	6.67
<b>FINANCIAL RATIOS:</b>						
Gross Profit Ratio (%age)	12.14	12.41	14.59	12.58	11.14	9.36
Net Profit Ratio (%age)	(2.33)	1.77	4.31	3.47	3.59	2.42
Inventory Turnover (times)	3.80	4.37	6.35	6.00	6.66	5.71
Fixed Assets Turnover (times)	1.40	1.83	2.44	2.04	1.53	1.63
Total Assets Turnover (times)	0.92	1.14	1.44	1.32	1.09	1.09
Current Ratio	0.76	0.73	1.01	0.98	1.01	1.01







## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of Company: Ahmad Hassan Textile Mills Limited

Year ended: June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the Listing Regulation No. 35 of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. However, none of the directors on the board represents minority. At present the board includes:

**Executive Directors:**

- Mr. Muhammad Javed Anwar
- Mr. Muhammad Parvez
- Mr. Muhammad Haris

**Non-Executive Directors:**

- Mr. Muhammad Aurangzeb
- Mr. Muhammad Jahanzeb
- Mrs. Salma Javed
- Syed Raza Abbas Jaffari

2. The directors have confirmed that none of them is serving as a director on more than ten listed companies, including the company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The elections of the directors were held on October 31, 2011 in which seven directors were elected for a term of three years. No casual vacancy occurred on the Board during the year ended June 30, 2014.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executive and non-executive Directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three directors of the Company are exempted from the Directors Training Program on the basis of their level of



education and length of experience as provided in the CCG. The company will arrange training program of other directors as provided under CCG.

10. The board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises of three (3) members, of whom two (2) are non-executive directors. The Chairman of the Committee is non-executive director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has also formed Human Resource and Remuneration Committee. It comprises of CEO and two (2) non-executive directors. The Chairman of the Committee is non-executive director.
18. The board has set up an effective internal audit function headed by Head of Internal Audit. The staff is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

October 04, 2014

Mian Muhammad Parvez  
Chief Executive Officer



## **Review Report to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (The Code) prepared by the Board of Directors of **Ahmad Hassan Textile Mills Limited** (the Company) to comply with the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

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

Further, the listing regulations Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

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F.R.A.N.T.S. & Co.  
Chartered Accountants  
Engagement Partner: Muhammad Talib  
Date: October 04, 2014  
Multan



## AUDITORS' REPORT TO THE MEMBERS

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

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit and total comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980(XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**F.R.A.N.T.S. & CO.**

**Chartered Accountants**

Multan

Dated: October 04, 2014

Engagement Partner: Muhammad Talib



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

<b>ASSETS</b>	<b>Notes</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	2,494,300,059	2,336,860,177
Long term investments	4	-	259,272
Long term deposits	5	39,180,010	39,180,010
		<b>2,533,480,069</b>	<b>2,376,299,459</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	6	45,458,241	42,421,206
Stock-in-trade	7	586,406,095	492,998,541
Trade debts	8	337,488,604	227,255,138
Loans, advances, deposits and prepayments	9	70,820,838	94,885,564
Tax refunds due from Government	10	44,915,515	22,590,804
Other receivables	11	9,971,019	7,669,591
Current portion of long term investments	4	259,272	104
Cash and bank balances	12	5,474,903	17,936,655
		<b>1,100,794,487</b>	<b>905,757,603</b>
<b>TOTAL ASSETS</b>		<b>3,634,274,556</b>	<b>3,282,057,062</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital	13	200,000,000	200,000,000
Issued, subscribed and paid up share capital	13	144,082,488	144,082,488
Capital reserve	14	32,746,284	32,746,284
Revenue reserve - unappropriated profit		761,380,613	643,073,455
		<b>938,209,385</b>	<b>819,902,227</b>
Surplus on revaluation of property, plant and equipment	15	997,028,138	1,040,851,547
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	16	302,706,378	226,086,668
Subordinated loans	17	105,000,000	105,000,000
Deferred taxation	18	190,604,524	190,489,847
		<b>598,310,902</b>	<b>521,576,515</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	163,857,122	229,315,518
Finances under markup arrangements and other credit facilities	20	763,803,893	492,155,903
Current portion of non-current liabilities	21	141,139,181	119,296,349
Accrued finance cost	22	29,398,747	20,516,985
Provision for taxation	23	2,527,188	38,442,018
		<b>1,100,726,131</b>	<b>899,726,773</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	24		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,634,274,556</b>	<b>3,282,057,062</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

Sd/-  
Mian Muhammad Javed Anwar  
Chairman

Sd/-  
Mian Muhammad Pervez  
Chief Executive Officer

Sd/-  
Muhammad Haris  
Director

Sd/-  
Abdul Sattar  
Chief Financial Officer

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

	Note	2014 Rupees	2013 Rupees
Sales - net	25	3,977,310,044	4,015,813,336
Cost of sales	26	(3,604,974,803)	(3,568,466,972)
<b>Gross profit</b>		<b>372,335,241</b>	<b>447,346,364</b>
Other operating income	27	2,063,192	11,952,437
Profit on trading	28	71,435	21,868
Distribution cost	29	(131,003,803)	(137,547,889)
Administrative expenses	30	(48,558,811)	(43,545,451)
Other operating expenses	31	(8,744,572)	(10,210,444)
		<b>(186,172,559)</b>	<b>(179,329,479)</b>
<b>Profit from operations before finance cost</b>		<b>186,162,682</b>	<b>268,016,885</b>
Finance cost	32	(104,553,596)	(85,757,455)
<b>Profit before taxation</b>		<b>81,609,086</b>	<b>182,259,430</b>
Taxation	33	14,487,036	(38,260,708)
<b>Profit after taxation for the year</b>		<b>96,096,122</b>	<b>143,998,722</b>
<b>Basic and diluted earnings per share</b>	34	<b>6.67</b>	<b>9.99</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

Sd/-  
Mian Muhammad Javed Anwar  
Chairman

Sd/-  
Mian Muhammad Pervez  
Chief Executive Officer

Sd/-  
Muhammad Haris  
Director

Sd/-  
Abdul Sattar  
Chief Financial Officer

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

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>Profit after taxation for the year</b>	<b>96,096,122</b>	143,998,722
<b>Other comprehensive income for the year:</b>		
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax of Rs. 5,280,130 (2013: Rs. 2,304,341)	<b>43,823,409</b>	19,110,316
Revaluation surplus relating to disposal of property, plant and equipment	-	1,135,057
<b>Total comprehensive income for the year</b>	<b>139,919,531</b>	<b>164,244,095</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

Sd/-  
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Chairman

Sd/-  
Mian Muhammad Pervez  
Chief Executive Officer

Sd/-  
Muhammad Haris  
Director

Sd/-  
Abdul Sattar  
Chief Financial Officer





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

	Note	2014 Rupees	2013 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	35	64,280,795	419,675,140
Income tax paid		(26,293,034)	(32,174,267)
Finance cost paid		(95,105,520)	(90,596,889)
Paid to Workers' Profit Participation Fund		(10,174,070)	(8,821,799)
Staff gratuity paid		(8,510,051)	(5,594,523)
		(140,082,675)	(137,187,478)
<b>Net cash (used in) / generated from operating activities</b>		<b>(75,801,880)</b>	<b>282,487,662</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(289,357,529)	(176,821,250)
Proceeds from disposal of property, plant and equipment		400,000	10,875,001
Redemption of long term investments		104	104
Profit on investments		32,157	842,789
Mark-up on security deposit with SNGPL		3,449,898	-
<b>Net cash used in investing activities</b>		<b>(285,475,370)</b>	<b>(165,103,356)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term finances obtained		217,758,828	95,250,000
Repayment of long term finances		(119,296,286)	(178,994,445)
Repayment of principal portion of finance lease		-	(2,927,290)
Finances under markup arrangements and other credit facilities - net		240,908,196	(53,042,216)
Dividend paid		(21,295,034)	(16,874,231)
<b>Net cash generated from / (used in) financing activities</b>		<b>318,075,704</b>	<b>(156,588,182)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(43,201,546)</b>	<b>(39,203,876)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>(115,621,119)</b>	<b>(76,417,243)</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	35.1	<b>(158,822,665)</b>	<b>(115,621,119)</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

Sd/-  
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Chairman

Sd/-  
Mian Muhammad Pervez  
Chief Executive Officer

Sd/-  
Muhammad Haris  
Director

Sd/-  
Abdul Sattar  
Chief Financial Officer

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

Share Capital	Reserves		Total	
	Capital	Revenue		
Issued, subscribed and paid up capital	Share premium	Unappropriated profit		
Rupees				
<b>Balance as at June 30, 2012</b>	144,082,488	32,746,284	496,839,670	673,668,442
<b>Total comprehensive income for the year:</b>				
Profit after taxation for the year	-	-	143,998,722	143,998,722
Other comprehensive income for the year	-	-	20,245,373	20,245,373
Total comprehensive income for the year	-	-	164,244,095	164,244,095
<b>Transactions with owners of the Company recognized directly in equity:</b>				
Final dividend for the year ended June 30, 2012 @ Rs. 1.25 per share	-	-	(18,010,310)	(18,010,310)
<b>Balance as at June 30, 2013</b>	<b>144,082,488</b>	<b>32,746,284</b>	<b>643,073,455</b>	<b>819,902,227</b>
<b>Total comprehensive income for the year:</b>				
Profit after taxation for the year	-	-	96,096,122	96,096,122
Other comprehensive income for the year	-	-	43,823,409	43,823,409
Total comprehensive income for the year	-	-	139,919,531	139,919,531
<b>Transactions with owners of the Company recognized directly in equity:</b>				
Final dividend for the year ended June 30, 2013 @ Rs. 1.50 per share	-	-	(21,612,373)	(21,612,373)
<b>Balance as at June 30, 2014</b>	<b>144,082,488</b>	<b>32,746,284</b>	<b>761,380,613</b>	<b>938,209,385</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

Sd/-  
Mian Muhammad Javed Anwar  
Chairman

Sd/-  
Mian Muhammad Pervez  
Chief Executive Officer

Sd/-  
Muhammad Haris  
Director

Sd/-  
Abdul Sattar  
Chief Financial Officer



**NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**1. STATUS AND ACTIVITIES**

Ahmad Hassan Textile Mills Limited (the Company) was incorporated in Pakistan on December 03, 1989 as a Public Limited Company under the Companies Ordinance, 1984. Its shares are quoted on all Stock Exchanges in Pakistan. It is principally engaged in the manufacturing and sale of yarn and fabric. The registered office of the Company is situated at 46-Hassan Parwana Colony, Multan. The mill is located at M. M. Road, Chowk Sarwar Shaheed, District Muzaffargarh.

**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 Standards Board (the IASB) as are notified under the Ordinance, the provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Ordinance. Wherever the requirements of the Ordinance or the directives issued by SECP differ with the requirements of IFRS, the requirements of the Ordinance and the said directives prevail.

**2.2 Basis of measurement**

These financial statements have been prepared under historical cost convention, except for:

- operating property, plant and equipment as stated in **note 2.7.1.**
- impairment of assets as stated in **note 2.7.2.**
- adjustments in inventory valuation as stated in **note 2.7.4 and note 2.7.5.**
- modification of foreign currency translation adjustments as stated in **note 2.7.7.**

**2.3 Functional and presentation currency**

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

**2.4 Significant accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

**Significant accounting estimates and judgments - continued**

**Property, plant and equipment**

The Company reviews the rates of depreciation, useful lives, residual values and values of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

**Inventories**

The Company reviews the net realizable value of inventories, including stock-in-trade, stores, spares and loose tools, to assess any diminution in their respective carrying values. Any change in the estimates in future years might affect the carrying amounts of inventories with a corresponding effect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale.

**Income taxes**

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past.

**2.5 Standards, interpretation and amendment adopted during the year**

The following standards, interpretations and improvements became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Company.

- IFRS 7 - Financial Instruments: Disclosures (Amendment)
- IAS 1 - Presentation of Financial Statements (Amendment)
- IAS 19 Employee Benefits (Revised)
- IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine
- Annual improvements to IFRS (the 2009-2011 cycle)
- IFAS 3 - Profit and Loss Sharing on Deposits

**2.6 New, revised and amended standards and IFRIC interpretations that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 01, 2014.

	<b>effective for annual periods beginning on or after</b>
a) IFRS 7 - Financial Instruments: Disclosures (Amendment)	January 1, 2015
b) IFRS 10 - Consolidated Financial Statements	January 1, 2015
c) IFRS 11 - Joint Arrangements	January 1, 2015
d) IFRS 12 Disclosure of Interests in Other Entities	January 1, 2015
e) IFRS 13 - Fair Value Measurement	January 1, 2015
f) IAS 16 & 38 - Clarification of Acceptable Method of Depreciation and Amortisation	January 1, 2016
g) IAS 16 & 41 - Agriculture Bearer Plants	January 1, 2016
h) IAS 19 Employee Benefits (Amendment)	July 01, 2014
i) IAS 27 - Separate Financial Statements (Revised)	January 1, 2015
j) IAS 28 - Investments in Associates and Joint Ventures (Revised)	January 1, 2015

***New, revised and amended standards and IFRIC interpretations that are not yet effective - continued***

***effective for annual periods beginning on or after***

k) IAS 32 Financial Instruments: Presentation (Amendment)	January 01, 2014
l) IAS 36 Recoverable Amount for Non-Financial Assets (Amendment)	January 01, 2014
m) IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	January 01, 2014
n) IFRIC 21 - Levies	January 01, 2014
o) Annual improvements to IFRS (the 2010-2012 cycle)	July 01, 2014
p) Annual improvements to IFRS (the 2011-2013 cycle)	July 01, 2014

**Standards issued by IASB but not yet notified by SECP**

a) IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
b) IFRS 15 Revenue from Contracts with Customers	January 1, 2017
c) IFRS 9 - Financial Instruments: Classification and Measurement	January 1, 2018

The Company expects that the adoption of the above standards and interpretations will not have material effect on the Company's financial statements in the period of initial application except for IFRS 9 - Financial Instruments: Classification and Measurement, which may affect certain disclosures.

**2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are set out below:

**2.7.1 Property, plant and equipment**

***Owned***

Property, plant and equipment except freehold land and capital work-in-progress (CWIP) are stated at cost or revalued amount less accumulated depreciation and any identified impairment in value. Freehold land is stated at revalued amount and CWIP is stated at cost less any recognized impairment loss. Borrowing costs pertaining to erection / construction of qualifying assets are capitalized as part of the historical cost as stated in *Note 2.7.13*.

All expenditures connected to the specific assets incurred during installation and construction period are carried under CWIP. These are transferred to specific assets as and when assets are available for use.

Depreciation on all items of property, plant and equipment except for freehold land and capital work-in-progress is charged to income by applying reducing balance method so as to write-off the depreciable amounts over estimated remaining useful life of the assets. The useful life and depreciation method are consistent with the expected pattern to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of operating property, plant and equipment. Rates of depreciation are stated in *Note 3.1*. Depreciation is charged on additions from the month in which an asset is acquired or capitalized and no depreciation is charged for the month in which asset is disposed of. The profit or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.



**Property, plant and equipment - continued**

Surplus arising on revaluation of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets and revaluation surplus pertaining to assets disposed off during the year are transferred to unappropriated profit through other comprehensive income.

Subsequent costs are included in the assets 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. The assets so replaced, if any, other than those kept as stand-by, are retired. All other repair and maintenance cost is charged to income during the period in which it is incurred.

**Leased**

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligation of leases is accounted for as liability. Finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of finance cost on the remaining balance of principal for each period.

Depreciation is charged to income at the rates stated in *Note 3.1* applying reducing balance method to write-off the depreciable amounts of the assets over their estimated useful life in view of certainty of ownership of the assets at the end of lease period.

Finance cost and depreciation on leased assets are charged to current year's income.

**2.7.2 Impairment of assets**

The management assesses at each balance sheet date whether there is any indication that an asset except deferred tax asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by charging the impairment loss against income for the year.

Where the impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of carrying value based on initial cost of the asset. Reversal of impairment loss is recognized as income.

**2.7.3 Investments**

**Held to maturity**

Held to maturity investments are initially recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost using effective interest rate method.

**2.7.4 Stores, spares and loose tools**

These are valued at cost, determined on basis of moving average cost less allowance for obsolete and slow moving items, except for items-in-transit which are valued at cost accumulated to the balance sheet date.

**2.7.5 Stock-in-trade**

These are determined at lower of cost and net realisable value. Cost is determined as;

Raw material at warehouse	Weighted average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realizable value



**Stock-in-trade - continued**

Cost in relation to work in process and finished goods represents the annual average cost which consists of prime cost and appropriate manufacturing overheads. Cost of raw materials consumed is accounted for by applying the annual average cost of both imported and local purchases.

Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost to be incurred to make such sale.

**2.7.6 Trade debts and other receivables**

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

**2.7.7 Foreign currency translations**

Transactions in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak Rupees at the exchange rates prevailing on the balance sheet date except for those covered by forward contracts, if any. All exchange fluctuations are charged to profit and loss account.

**2.7.8 Loans, advances, deposits and prepayments**

Loans, advances, deposits and prepayments are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets.

**2.7.9 Trade and other payables**

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

**2.7.10 Dividend**

Dividend distribution to the Company's shareholders is recognised as a liability in the year in which the dividends are approved.

**2.7.11 Related party transactions**

The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

**2.7.12 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business. Revenue from various transactions is recognized as follows:

- Local sales are recorded when goods are delivered to customers and invoices are raised.
- Processing income is recognized when goods are delivered to customers and invoices are raised.
- Export sales are recorded on shipment basis.
- Export rebate is booked on receipt basis.
- Profit on deposits is accrued on time proportion basis by reference to the principal outstanding and applicable rate of return.
- Markup income is accrued on time basis by reference to the principal outstanding and at the agreed markup rate applicable.



### **2.7.13 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are charged to profit or loss in the period in which these are incurred.

### **2.7.14 Provisions**

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

### **2.7.15 Provision for gratuity**

The Company operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Provision and payment of gratuity is made annually based on service period completed by each employee.

### **2.7.16 Taxation**

#### ***Current***

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income and decisions taken by appellate authorities. The charge for current tax is calculated at the prevailing rates of taxation after taking into account tax credits, rebates and exemption available, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

#### ***Deferred***

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

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.





### **2.7.17 Financial assets and liabilities**

All financial assets and 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.

All purchases and sales of financial assets are recognized on the trade date when the Company becomes party to the contractual provision.

### **2.7.18 Off-setting of financial instruments**

Financial assets and liabilities are off-set and the net amounts are reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

### **2.7.19 Derivative financial instruments**

These are initially recorded at cost on the date a derivative contract is entered into and are re-measured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

### **2.7.20 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, balances with banks and running finances that are repayable on demand and form an integral part of the Company's cash management.

### **2.7.21 Non-current assets classified as held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition within one year of the date of its classification as assets held for sale. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Gain / loss on sale of assets classified as held for sale is recognized in profit and loss account.

### **2.7.22 Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, stores, spares and loose tools, stock-in-trade and trade and other debts. Segment liabilities comprise of operating liabilities and exclude items such as taxation and corporate liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

The transactions between reporting segments are carried at arm's length basis and are net off in preparing the entity's financial information.



**3. PROPERTY, PLANT AND EQUIPMENT**

	2014	2013
	Rupees	Rupees
Operating property, plant and equipment	2,434,363,351	2,200,103,426
Capital work-in-progress	59,936,708	136,756,751
	<u>2,494,300,059</u>	<u>2,336,860,177</u>

**3.1 Operating property, plant and equipment**

PARTICULARS	COST / REVALUED AMOUNTS					DEPRECIATION CHARGE			BOOK VALUE		RATE	
	As at June 30, 2013	Additions	Transfer from capital work-in-progress	Revaluation surplus	Disposals / Adjustments	As at June 30, 2014	For the year	Accumulated depreciation on disposals	As at June 30, 2014	As at June 30, 2014		
												Rupees
<b>Owned assets:</b>												
Land - freehold	60,615,000	-	-	-	-	60,615,000	-	-	-	-	60,615,000	
Buildings on freehold land:												
- Factory building	374,131,043	-	18,567,934	-	-	392,698,977	14,514,683	-	99,899,389	-	292,799,588	5%
- Residential building	89,214,936	-	-	-	-	89,214,936	3,546,736	-	21,826,949	-	67,387,987	5%
	463,345,979	-	18,567,934	-	-	481,913,913	18,061,419	-	121,726,338	-	360,187,575	
Plant and machinery including generators	2,280,268,049	178,254,237	161,718,625	-	-	2,620,240,911	98,149,577	-	727,337,381	-	1,892,903,530	5% to 10%
Power grid station	100,516,512	-	-	-	-	100,516,512	7,371,929	-	34,169,155	-	66,347,357	10%
Gas installations	18,739,816	-	-	-	-	18,739,816	864,179	-	2,320,419	-	16,419,397	5%
Electric installations	43,698,201	5,220,317	-	-	-	48,918,518	1,955,379	-	35,036,271	-	13,882,247	15%
Factory equipments	417,019	1,150,000	-	-	-	1,567,019	105,280	-	140,331	-	1,426,688	10%
Office equipments	3,316,151	428,226	-	-	-	3,744,377	230,705	-	1,419,242	-	2,325,135	10%
Computer equipments	-	312,943	525,290	-	-	838,233	237,188	-	237,188	-	601,045	33%
Telephone installations	458,224	-	-	-	-	458,224	11,833	-	351,735	-	106,489	10%
Furniture and fittings	1,139,536	-	-	-	-	1,139,536	42,099	-	760,648	-	378,888	10%
Arms and ammunition	27,800	-	-	-	-	27,800	995	-	18,841	-	8,959	10%
Weighing scale	210,000	-	-	-	-	210,000	6,271	-	153,558	-	56,442	10%
Tube well	45,000	-	-	-	-	45,000	1,452	-	31,929	-	13,071	10%
Vehicles (note 3.1.3)	37,927,678	-	-	-	(1,166,460)	36,761,218	4,779,978	(1,067,097)	17,669,690	-	19,091,528	20%
	<b>3,010,724,965</b>	<b>185,365,723</b>	<b>180,811,849</b>	-	<b>(1,166,460)</b>	<b>3,375,736,077</b>	<b>131,818,284</b>	<b>(1,067,097)</b>	<b>941,372,726</b>	<b>2,434,363,351</b>		

Operating property, plant and equipment  
For comparative year ended June 30, 2013

PARTICULARS	COST / REVALUED AMOUNTS					DEPRECIATION CHARGE				BOOK VALUE		RATE
	As at June 30, 2012	Additions / transfers from capital work-in- progress	Transfer from leased assets	Revaluation surplus	Disposals / adjustments	As at June 30, 2013	As at June 30, 2012	For the year	Accumulated depreciation on disposals/ transfers	As at June 30, 2013	As at June 30, 2013	
<b>Owned assets:</b>												
Land - freehold	41,167,502	-	-	19,447,498	-	60,615,000	-	-	-	-	-	60,615,000
<b>Buildings on freehold land:</b>												
- Factory building	237,443,728	-	-	136,687,315	-	374,131,043	76,814,384	8,570,322	-	85,384,706	-	288,746,337
- Residential building	52,774,691	-	-	36,440,245	-	89,214,936	16,312,219	1,967,994	-	18,280,213	-	70,934,723
	290,218,419	-	-	173,127,560	-	463,345,979	93,126,603	10,538,316	-	103,664,919	-	359,681,060
<b>Plant and machinery including generators</b>	1,797,112,093	53,279,221	-	451,841,139	(16,964,404)	2,280,268,049	574,060,725	66,149,580	(11,022,501)	629,187,804	1,651,080,245	5% to 10%
Power grid station	-	35,769,200	64,747,312	-	-	100,516,512	-	6,535,050	20,262,176	26,797,226	73,719,286	10%
Gas Installations	18,739,816	-	-	-	-	18,739,816	546,578	909,662	-	1,456,240	17,283,576	5%
Electric installations	43,698,201	-	-	-	-	43,698,201	31,207,250	1,873,642	-	33,080,892	10,617,309	15%
Factory equipments	33,449	383,570	-	-	-	417,019	14,579	20,472	-	35,051	381,968	10%
Office equipments	2,975,451	340,700	-	-	-	3,316,151	964,913	223,624	-	1,188,537	2,127,614	10%
Telephone installations	458,224	-	-	-	-	458,224	326,755	13,147	-	339,902	118,322	10%
Furniture and fittings	1,139,536	-	-	-	-	1,139,536	671,772	46,777	-	718,549	420,987	10%
Arms and ammunition	27,800	-	-	-	-	27,800	16,740	1,106	-	17,846	9,954	10%
Weighting scale	210,000	-	-	-	-	210,000	140,319	6,968	-	147,287	62,713	10%
Tube well	45,000	-	-	-	-	45,000	28,863	1,614	-	30,477	14,523	10%
Vehicles	24,460,016	16,436,462	-	-	(2,968,800)	37,927,678	12,497,338	3,433,862	(1,974,391)	13,956,809	23,970,869	20%
	2,215,285,507	106,209,153	64,747,312	644,416,197	(19,933,204)	3,010,724,965	713,602,435	89,753,820	7,265,284	810,621,539	2,200,103,426	
<b>Lensed assets:</b>												
Power grid station	64,747,312	-	(64,747,312)	-	-	-	20,262,176	-	(20,262,176)	-	-	10%
	64,747,312	-	(64,747,312)	-	-	-	20,262,176	-	(20,262,176)	-	-	
	2,280,032,819	106,209,153	-	644,416,197	(19,933,204)	3,010,724,965	733,864,611	89,753,820	(12,996,892)	810,621,539	2,200,103,426	

3.1.1 Depreciation for the year has been allocated as follows:

	Note	2014	2013
		Rupees	Rupees
Cost of sales	26	122,863,470	84,046,838
Administrative expenses	30	8,954,814	5,706,982
		<u>131,818,284</u>	<u>89,753,820</u>

3.1.2 Net book value of plant and machinery includes Rs. 25,258 million (2013: Rs. 10,579 million) representing net book value of spare parts capitalized.

3.1.3 Vehicles include a vehicle whose title is jointly in the name of the Company and one of its Bankers.

3.1.4 Costs of plant and machinery include borrowing costs capitalized during the year amounting to Rs. 9,736,696/- (2013: Rs. Nil). Interest rates used to determine borrowing cost eligible for capitalization range from 11.10% to 12.11% (2013: Nil)

3.1.5 Revaluation of freehold land, building on freehold land and plant and machinery was carried out on June 22, 2013 by an independent valuer (M/s Iqbal A. Nanjee & Co. (Pvt.) Ltd., Karachi) on the basis of evaluated present values. Revaluation surplus has been credited to surplus on revaluation of property, plant and equipment. Previously, the revaluation was carried out on June 22, 2010 by an independent valuer (M/s Pirsons Associates, Multan).

3.1.6 Had there been no revaluations, the related carrying values of freehold land, buildings on freehold land and plant and machinery including generators would have been as follows:

	2014	2013
	Rupees	Rupees
Freehold land	2,577,758	2,577,758
Buildings on freehold land	116,403,204	103,065,935
Plant and machinery including generators	1,253,869,421	978,412,762
	<u>1,372,850,383</u>	<u>1,084,056,455</u>

3.1.7 The following assets were disposed of during the year:

Description of assets disposed of	Rupees				Mode of disposal	Particulars of buyer
	Cost	Accumulated depreciation	Book value	Sale proceeds		
Toyota 2.D. Saloon - MLA-37	1,166,460	1,067,097	99,363	400,000	Negotiation	Mr. Tariq, Taj Mahal Marriage Club, Multan
2014	<u>1,166,460</u>	<u>1,067,097</u>	<u>99,363</u>	<u>400,000</u>		
2013	<u>19,933,204</u>	<u>12,996,892</u>	<u>6,936,312</u>	<u>10,875,001</u>		

3.2 Capital work-in-progress

Note	Rupees				As at June 30, 2014
	As at June 30, 2013	Additions during the year	Transfer to operating property, plant and equipment	Transfer to stores and spares	
3.2.1 Plant and machinery including generators	129,943,715	87,924,703	(158,401,416)	-	59,467,002
Office equipment	525,290	-	(525,290)	-	-
Factory building	1,826,213	16,741,721	(18,567,934)	-	-
Advances payments against building	-	469,706	-	-	469,706
Machinery and parts in transit	4,461,533	90,051	(3,317,209)	(1,234,375)	-
	<u>136,756,751</u>	<u>105,226,181</u>	<u>(180,811,849)</u>	<u>(1,234,375)</u>	<u>59,936,708</u>

3.2.1 It includes borrowing cost capitalized during the year amounting to Rs. 267,411 (2013: Rs. 1,136,486). Interest rates used to determine borrowing cost eligible for capitalization range from 11.10% to 12.11% (2013: 11.40%).



4. <b>LONG TERM INVESTMENTS</b>	<b>Note</b>	<b>2014</b>	<b>2013</b>
<b>Held to maturity</b>		<b>Rupees</b>	<b>Rupees</b>
Term Finance Certificates		259,272	259,376
Less: Current maturity shown under current assets		<u>(259,272)</u>	<u>(104)</u>
		<u>-</u>	<u>259,272</u>

The market value of these Term Finance Certificates (TFCs) as at June 30, 2014 was Rs. 260,145 (2013: Rs. 262,271).

On March 07, 2007, the Company had purchased second tranche of TFCs of Bank Al-Habib Limited having face value of Rs. 260,000. The final maturity date is February 07, 2015. These certificates carry mark up at a rate of KIBOR+1.5% per annum and are redeemable on half yearly basis starting from August 07, 2007. First fourteen redemptions are of principal amount of Rs. 52 each and the last two of Rs. 129,636 each.

#### 5. **LONG TERM DEPOSITS**

Security deposits against:

Utilities	5.1	39,154,010	39,154,010
Others		<u>26,000</u>	<u>26,000</u>
		<u>39,180,010</u>	<u>39,180,010</u>

5.1 These include security deposit of Rs. 34,593,513 (2013: Rs. 34,593,513) deposited with Sui Northern Gas Pipelines Limited (SNGPL) against Gas Connection at mills. The principal amount of deposit (Rs. 34,390,000) bears markup @ 5% (2013: 5%) per annum.

#### 6. **STORES, SPARE PARTS AND LOOSE TOOLS**

Stores		26,476,995	23,220,046
Spare parts		18,702,549	18,999,804
Loose tools		330,458	201,356
Less: allowance for obsolescence and slow moving items		<u>(51,761)</u>	<u>-</u>
		<u>45,458,241</u>	<u>42,421,206</u>

Stores and spares held for specific capitalization amount to Rs. 2,744,915 (2013: Rs. 1,374,468).

#### 7. **STOCK-IN-TRADE**

Raw material		245,306,018	244,098,608
Work-in-process		63,914,578	54,763,962
Finished goods		<u>277,185,499</u>	<u>194,135,971</u>
		<u>586,406,095</u>	<u>492,998,541</u>

Stock-in-trade has been measured at net realisable value. Adjustments amounting to Rs. 36.947 million (2013: Rs. Nil) have been made to closing inventory to write down stocks to their net realisable value.



	<u>Note</u>	<u>2014</u> <u>Rupees</u>	<u>2013</u> <u>Rupees</u>
<b>8. TRADE DEBTS</b>			
<i>Considered good</i>			
Foreign - secured against letter of credits	8.1	235,256,786	140,111,954
Local - unsecured		<u>102,231,818</u>	<u>87,143,184</u>
		<u>337,488,604</u>	<u>227,255,138</u>
<b>8.1</b>	Trade debts are non-interest bearing and are generally on 30 to 90 days terms.		
<b>8.2</b>	Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable, where appropriate.		
<b>9. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS</b>			
<i>Loans - considered good:</i>			
To employees - against salary	9.1	1,699,695	1,580,179
<i>Advance payments - considered good:</i>			
To suppliers and against expenses		31,288,098	28,519,529
Income tax		37,795,722	32,815,805
Margin deposits with banks against shipping guarantees		-	29,063,700
Letter of credit		37,323	1,075,754
Prepayments		-	1,830,597
		<u>70,820,838</u>	<u>94,885,564</u>
<b>9.1</b>	These include loans of Rs. 594,083 (2013 Rs. 655,514) given to executives of the Company.		
<b>10. TAX REFUNDS DUE FROM GOVERNMENT</b>			
Sales tax		23,827,215	13,212,515
Income tax		21,088,300	9,378,289
		<u>44,915,515</u>	<u>22,590,804</u>
<b>11. OTHER RECEIVABLES</b>			
Markup receivable on deposit with SNGPL	5.1	1,719,500	3,439,000
Others	11.1	8,251,519	4,230,591
		<u>9,971,019</u>	<u>7,669,591</u>
<b>11.1</b>	These include Rs. 3,576,621 (2013: Rs. 3,576,621) paid to Excise and Taxation Department as mentioned in Note 24.1.1.		
<b>12. CASH AND BANK BALANCES</b>			
Cash in hand		340,877	229,350
Cash at banks in current accounts		5,134,026	17,707,305
		<u>5,474,903</u>	<u>17,936,655</u>

	2014 Rupees	2013 Rupees
<b>13. SHARE CAPITAL</b>		
Authorised share capital: 20,000,000 (2013: 20,000,000) ordinary shares of Rs. 10 each.	<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid up share capital: 14,408,248.8 (2013: 14,408,248.8) ordinary shares of Rs. 10 each issued for cash.	<u>144,082,488</u>	<u>144,082,488</u>

**13.1** There is no movement in share capital during the reporting years.

**13.2** The Company has one class of ordinary shares which carry no right to fixed income. The shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally.

#### **14. CAPITAL RESERVE**

This includes share premium received during the previous years as detailed below:

Rs. 4 per share on issue of 2,989,920 ordinary shares of Rs. 10 each issued during the year 2001	11,959,680	11,959,680
Rs. 10 per share on issue of 1,138,992 ordinary shares of Rs. 10 each issued during the year 2004	11,389,920	11,389,920
Rs. 5 per share on issue of 1,879,336.8 ordinary shares of Rs. 10 each issued during the year 2007	9,396,684	9,396,684
	<u>32,746,284</u>	<u>32,746,284</u>

#### **15. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**

Opening Balance	1,040,851,547	416,680,723
Revaluation Surplus on Revaluation carried out during the year	-	644,416,197
Less: Transferred to unappropriated profit on account of:		
Incremental depreciation (net of deferred tax)	(43,823,409)	(19,110,316)
Disposal of property, plant and equipment	-	(1,135,057)
Closing balance	<u>997,028,138</u>	<u>1,040,851,547</u>

16. LONG TERM FINANCING  
From banking companies - secured

Name of the Bank / Type of Facility	2014 Rupees	2013 Rupees	Collaterals / Securities	Total no. of installments	Remaining no. of installments	Frequency of payment	Repayment commenced from	Rate of markup
<b>Habib Bank Limited</b>								
Demand Finance	48,067,497	96,067,497	- Joint pari passu charge on present and future fixed assets of the Company. - Personal Guarantees of sponsoring directors of the Company. - Subordination of directors' loan.	64	12	Monthly	28-Feb-10	Average 6 Months KIBOR + 0.75%
Demand Finance	16,666,671	26,885,883		60	20	Monthly	31-Mar-11	Average 6 Months KIBOR + 0.75%
	64,734,168	122,953,380						
<b>Allied Bank Limited</b>								
LTF - EOP	26,458,119	44,954,089	- Joint pari passu charge on present and future fixed assets of the Company. - Personal Guarantees of sponsoring directors of the Company. - Subordination of directors' loan.	12	3	Half yearly	24-Dec-09	SBP base rate + 0.5%
<b>Faysal Bank Limited</b>								
LTF - EOP	-	8,864,437	- Joint pari passu charge on present and future fixed assets of the Company. - Personal Guarantees of sponsoring directors of the Company. - Subordination of sponsoring directors' loan. - Ownership of leased assets in case of Term Finance.	8	0	Half yearly	17-Oct-09	SBP base rate + 2%
<b>United Bank Limited</b>								
Demand Finance	-	21,250,000	- Joint pari passu charge on present and future fixed assets of the Company. - Personal Guarantees of sponsoring directors of the Company.	8	0	Half yearly	01-Jul-10	Average 3 Months KIBOR + 2.5%
<b>Bank Alfalah Limited</b>								
Term Finance	83,816,982	-	- Ranking charge on entire fixed assets of the Company which will be converted into first exclusive charge over specific machineries. - Joint pari passu charge over fixed assets of the company. - Subordination of sponsoring directors' loan.	20	20	Quarterly	06-Dec-14	6 Month KIBOR + 2 %
<b>Bank Al Habib Limited</b>								
Term Finance - II	40,944,444	52,111,111	- First exclusive charge over specific machineries and allied parts. - Hypothecation charge over imported vehicle duly registered and insured in the joint name of the Bank and the Company. - Personal Guarantees of sponsoring directors of the Company.	18	11	Quarterly	09-Oct-12	Average 6 Months KIBOR + 2%
Term Finance - III	93,441,846	-		20	20	Quarterly	16-Nov-14	Average 6 Months KIBOR + 2%
Term Finance - LTF-II	40,500,000	-		20	20	Quarterly	17-Mar-15	SBP base rate + 3%
Term Finance - IV	5,200,000	6,500,000		20	16	Half yearly	19-Jul-13	Average 6 Months KIBOR + 2%
Long Term Finance	88,750,000	88,750,000		20	20	Half yearly	21-Aug-14	SBP rate + 3%
	269,836,290	147,361,111						
<b>LONG TERM FINANCES</b>								
Current portion classified under current liabilities	443,845,559	345,383,017						
	(141,139,181)	(119,296,349)						
	302,706,378	226,086,668						

16.1 Effective rate of mark up on long term loans ranges from 5.5% to 12.15% (2013: 5.5% to 14.49%) per annum.



<b>17. SUBORDINATED LOANS</b>		<b>2014</b>	<b>2013</b>
<i>Unsecured- from related parties</i>	<u>Note</u>	<u>Rupees</u>	<u>Rupees</u>
Mian Muhammad Javed Anwar		27,500,000	27,500,000
Mian Muhammad Parvez		27,500,000	27,500,000
Dr. Muhammad Haris		35,000,000	35,000,000
Mrs. Waheeda Parvez		15,000,000	15,000,000
		<u>105,000,000</u>	<u>105,000,000</u>

These interest free subordinated loans were obtained during the years ended June 30, 2008 and 2009. These loans are subordinated to long term finances from Habib Bank Limited, Allied Bank Limited and Bank Alfalah Limited.

#### **18. DEFERRED TAXATION**

The deferred taxation liability comprises of temporary differences arising due to:

Credit balance arising in respect of

- Accelerated tax depreciation allowances	92,346,622	78,206,464
- Surplus on revaluation of property, plant and equipment	97,922,877	112,251,691
- Provision for gratuity	335,025	31,692
	<u>190,604,524</u>	<u>190,489,847</u>

#### **19. TRADE AND OTHER PAYABLES**

Creditors	72,141,372	92,751,343
Accrued liabilities	72,009,979	108,956,186
Advances from customers	9,180,503	8,597,203
Taxes deducted at source	1,503,410	5,184,545
Workers' Profit Participation Fund	4,304,765	9,607,757
Workers' Welfare Fund	469,393	287,952
Unclaimed dividend	4,075,455	3,758,117
Other payables	172,245	172,415
	<u>163,857,122</u>	<u>229,315,518</u>

#### **20. FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES**

*From banking companies - Secured*

Short term running finances	20.1	164,297,568	133,557,774
Short term loans	20.1	270,216,998	228,268,022
Export finances	20.2	329,289,327	130,330,107
		<u>763,803,893</u>	<u>492,155,903</u>

**Finances under markup arrangements and other credit facilities - continued**

- 20.1** Short term finance facilities available from commercial banks under markup arrangements aggregate to Rs. 1,373.13 million (2013: Rs. 1,022.67 million) of which facilities aggregating Rs. 919.89 million (2013: Rs. 660.84 million) remained unutilized at the year end. These facilities, during the year, carried markup at the rates ranging from 9.52% to 11.94% (2013: 9.69% to 13.89%) per annum. These facilities are expiring, if not renewed, on various dates by December 31, 2014.
- 20.2** The Company has obtained export finance facilities from commercial banks aggregating to US\$ 10.5 million (2013: US\$ 2.36 million) of which facilities aggregating US\$ 7.36 million (2013: US\$ 1.04 million) remained unutilized at the year end. These facilities, during the year, carried markup at the rates ranging from 2.00% to 2.80% (2013: 1.68% to 3.50%) per annum. These facilities are expiring, if not renewed, on various dates by December 31, 2014.

These include foreign currency balances aggregated US\$ 3.14 million (2013: US\$ 0.99 million) which have been converted into Pak rupees at the exchange rate of Rs. 98.75 (2013: Rs. 98.8) prevailing on the balance sheet date.

- 20.3** Facilities available for opening letters of credit and guarantee aggregate Rs. 1,330.91 million (2013: Rs. 368.77 million).
- 20.4** The aggregate facilities are secured against pledge of stocks, first pari passu charge on present and future current assets of the Company, lien on import/export documents, trust receipts and personal guarantees of sponsoring directors of the Company. The facilities of Bank Alfalah Limited are also secured by first joint pari passu charge over fixed assets of the Company. The carrying value of pledged goods as on June 30, 2014 is Rs. 429.20 million (2013: Rs. 326.05 million).

	<u>Note</u>	<u>2014</u> <u>Rupees</u>	<u>2013</u> <u>Rupees</u>
<b>21. CURRENT PORTION OF NON-CURRENT LIABILITIES</b>			
Long term financing	16	141,139,181	119,296,349
		<u>141,139,181</u>	<u>119,296,349</u>
<b>22. ACCRUED FINANCE COST</b>			
Long term financing		11,406,176	7,631,284
Finances under markup arrangements and other credit facilities		17,992,571	12,885,701
		<u>29,398,747</u>	<u>20,516,985</u>
<b>23. PROVISION FOR TAXATION</b>			
Opening Balance		38,442,018	33,640,570
Add: Provision made during the year	33	2,527,188	38,442,018
Less: Prior year adjustment	33	(17,128,901)	(4,480,608)
Payments / adjustments against completed assessments		(21,313,117)	(29,159,962)
Closing balance		<u>2,527,188</u>	<u>38,442,018</u>



**Provision for taxation - continued**

- 23.1** Income tax returns of the Company have been filed up to the Tax Year 2013 and deemed assessed.
- 23.2** During the year ended June 30, 2013, the Commissioner Inland Revenue, Regional Tax Office (RTO) Multan passed an order under section 122(5A) for amendment of deemed assessment for tax year 2010. As a result refund determined in the deemed assessment has been curtailed by Rs. 8,259,367. The Company did not make any adjustment in the refund already accounted for in the financial statements (Note 24.4) and filed appeal before the Commissioner Income Tax (Appeals), Multan. During the year, the appeal has been disposed off by the Commissioner Income Tax (Appeals), against the Company. The Company has filed appeal in the Appellate Tribunal which is pending for adjudication. The Company is of the firm view that the outcome of the appeal will be in favour of the Company.
- 23.3** On June 06, 2013 Inland Revenue Audit Officer passed an order levying default surcharge amounting to Rs. 154,236 for late deposit of tax deducted on account of dividend. The Company did not account for default surcharge and filed an appeal before the Commissioner of Income Tax (Appeals), Multan who decided the case in favour of the Company. The Tax Department has filed an appeal before the Appellate Tribunal which is pending for adjudication. However, the Company is of firm view that the decision will be in favour of the Company.

**24. CONTINGENCIES AND COMMITMENTS**

**24.1 Contingencies**

- 24.1.1** Excise and Taxation Department Karachi imposed excise duty of Rs. 7.152 million on account of machinery imported by the Company. The Company did not accept it and filed a suit in Sindh High Court Karachi against said levy. The Honourable High Court issued order that "Till the next date, the respondent may not recover impugned levy upon the appellants furnishing bank guarantee for the amount demanded". A bank guarantee amounting to Rs. 7.152 million had been given by Bank Al-Habib Limited on behalf of the Company in favour of the Director Excise and Taxation Karachi. In 2013, on the basis of interim order passed by Sindh High Court, the Company paid Rs. 3.576 million (50% of the disputed amount) to Excise and Taxation Department, that is classified as receivable in these financial statements.
- 24.1.2** During the year ended June 30, 2013, the Company imported Cotton yarn under Duty and Tax Remission for Exports (DTRE) Scheme. According to the scheme, the Company had issued postdated cheque of Rs. 1.93 million to Collector of Customs, Multan against the amount of import duty, Sales Tax and Income Tax. The finished goods had been exported successfully and the Company submitted all relevant required documents. The Company is following up the Collector of Customs for getting back the cheques issued.
- 24.1.3** During the year the Company has issued postdated cheques of Rs. 16.87 million to Collector of Customs, Multan against the amount of Sales Tax, Customs Duty and Income Tax on purchase of cotton yarn chemical and packing material under Duty and Tax Remission for Exports (DTRE) Scheme. These cheques will be returned to the Company after complying with the formal requirements.

**Contingencies - continued**

**24.1.4** Through the Finance Act, 2006 an amendment was made in section 2(i) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'total income' had been amended, the effect of the amendment is that the term "total income" for the purposes of the WWF Ordinance is deemed to be 'profit before taxation' as per the accounts or declared income as per the return, whichever is higher.

Further, through Finance Act, 2008 amendments were made in the WWF Ordinance, and in section 4(5) the term "assessed income" had been substituted with the term "total income" which means that purportedly the WWF is to be charged at 2% of the "total income", as defined and amended in section 2(i) through Finance Act, 2006.

The Honourable Lahore High Court vide its judgment dated August 19, 2011 on a similar case had declared the amendments introduced vide Finance Act, 2006 and Finance Act, 2008 in the WWF Ordinance as unconstitutional and therefore struck down on the basis that the contribution paid towards the fund under the WWF Ordinance is a fee and not a tax. However FBR has filed an appeal with the Supreme Court of Pakistan which had been granted leave but the decision is still pending.

Moreover in similar cases, the Honourable Lahore High Court restrained FBR to recover the disputed / differential amount of WWF unless authoritative pronouncement is made on the question raised before the Divisional Bench of the Honourable Lahore High Court and Honourable Supreme Court of Pakistan. Based on the above facts, the Company is booking its liability against WWF @2% of assessable income.

The Deputy Commissioner Inland Revenue, Multan, relying on contrary Judgment of Honorable Sindh High Court, passed the order u/s 4(4) of WWF Ordinance, raising demand of amount aggregating to Rs. 8.07 million for tax year 2010, 2011 and 2012. The Company did not accept the demand and filed an appeal before the Commissioner Inland Revenue (Appeals) as the demand was contrary to clear instructions of the Honourable Lahore High Court. Subsequent to the balance sheet date, the Commissioner Inland Revenue (Appeals) decided the appeal in favour of the Company. However, various cases of similar nature are pending in higher courts of Pakistan, on which basis, the Tax Department may file an Appeal against the decision of the Commissioner Inland Revenue (Appeals). Yet, the Company expects favourable outcome. The aggregate unrecognised disputed amount of WWF as at June 30, 2014 works out to Rs. 12.89 million (2013: Rs. 11.43 million).

**24.1.5** Counter guarantees issued by the Company to one of its bankers outstanding as at June 30, 2014 amount to Rs. 4.576 million ( 2013: Rs. 3.576 million).

**24.1.6** During the year the Company has given a bank guarantee of Rs. 1.00 Million to the Director Excise and Taxation, Karachi against 50% disputed amount of infrastructure Cess for release of imported goods. The decision of Sind High Court on Infrastructure cess is pending. The Company expects favorable decision

**24.1.7** The Company has not accounted for the disputed liability against tax and default surcharge as mentioned in Note 23.2 and Note 23.3.

	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>24.2 Commitments</b>			
<b>24.2.1</b> Aggregate amount of contractual commitments for capital expenditure and property, plant and equipment against:			
Letter of credits		201,461,508	101,522,000
Other contracts		4,018,760	-
<b>24.2.2</b> The Company's commitments other than capital expenditure; against letter of credit outstanding as at June 30, 2014 amount to Rs. 4.8 million (2013: Rs. 3.67 million).			
<b>24.2.3</b> Foreign bills discounted outstanding as at June 30, 2014 aggregated Rs. 191.494 million (2013: Rs. 78.540 million).			
<b>25. SALES - NET</b>			
<b>Local:</b>			
Yarn (net of sales tax of Rs. 7,427,636 (2013: Rs. 2,882,313))		367,824,970	398,863,772
Fabric (net of sales tax of Rs. 26,755,671 (2013: Rs. 8,368,529))		978,164,773	764,628,288
Waste (net of sales tax of Rs. 1,736,324 (2013: Rs. 564,807))		76,862,965	66,135,597
Yarn processing income		960,000	4,648,650
		<b>1,423,812,708</b>	<b>1,234,276,307</b>
<b>Export:</b>			
Yarn		1,022,923,129	1,068,336,227
Fabric		1,515,375,051	1,686,576,393
Waste		15,199,156	26,624,409
		<b>2,553,497,336</b>	<b>2,781,537,029</b>
		<b>3,977,310,044</b>	<b>4,015,813,336</b>
Export sales include sales of approximately Rs. 170 million (2013: 420 million) sold through Standardized Purchase Orders.			
<b>26. COST OF SALES</b>			
Raw material consumed	26.1	2,792,324,807	2,740,487,466
Salaries, wages and benefits	26.2	165,418,092	161,179,245
Stores and spares consumed		75,036,532	79,757,124
Packing materials consumed		36,549,295	33,325,578
Chemicals consumed		31,004,280	35,614,263
Processing charges		5,528,424	3,712,647
Power and fuel		449,857,283	403,749,417
Repair and maintenance		8,449,883	3,738,050
Insurance		9,187,381	7,099,807
Other expenses		955,500	-
Depreciation	3.1.1	122,863,470	84,046,838
		<b>3,697,174,947</b>	<b>3,552,710,435</b>
Adjustment of work-in-process:			
Opening stock		54,763,962	78,649,546
Closing stock	7	(63,914,578)	(54,763,962)
		<b>(9,150,616)</b>	<b>23,885,584</b>
<b>Cost of goods manufactured</b>		<b>3,688,024,331</b>	<b>3,576,596,019</b>

	<b>Note</b>	<b>2014</b> <b>Rupees</b>	<b>2013</b> <b>Rupees</b>
<b>Cost of sales - continued</b>			
Adjustment of finished goods:			
Opening stock		194,135,971	186,006,924
Closing stock	7	(277,185,499)	(194,135,971)
		<u>(83,049,528)</u>	<u>(8,129,047)</u>
<b>Cost of sales</b>		<u><b>3,604,974,803</b></u>	<u><b>3,568,466,972</b></u>
<b>26.1 Raw material consumed</b>			
Opening stock		244,098,608	193,981,063
Purchases including direct expenses		<u>2,793,532,217</u>	<u>2,790,605,011</u>
		3,037,630,825	2,984,586,074
Less: Closing stock	7	<u>(245,306,018)</u>	<u>(244,098,608)</u>
		<u><b>2,792,324,807</b></u>	<u><b>2,740,487,466</b></u>
<b>26.2</b> These include Rs.4,800,000 (2013: Rs. 4,800,000) in respect of staff gratuity.			
<b>27. OTHER OPERATING INCOME</b>			
<b>Income from financial assets:</b>			
Profit on bank deposits		-	35,681
Profit on investments		32,157	842,789
Mark-up on security deposit with SNGPL		1,730,398	1,719,500
Exchange rate fluctuation gain		-	4,669,061
		<u>1,762,555</u>	<u>7,267,031</u>
<b>Income from non-financial assets:</b>			
Export rebate on packing materials		-	746,717
Gain on disposal of property, plant and equipment		<u>300,637</u>	<u>3,938,689</u>
		<u>300,637</u>	<u>4,685,406</u>
		<u><b>2,063,192</b></u>	<u><b>11,952,437</b></u>
<b>28. PROFIT ON TRADING</b>			
Local sale of yarn		4,938,000	528,000
Less: Purchase and related expenses		<u>(4,866,565)</u>	<u>(506,132)</u>
		<u><b>71,435</b></u>	<u><b>21,868</b></u>
<b>29. DISTRIBUTION COST</b>			
Commission on:			
Local sales		7,617,684	9,562,292
Export sales		68,895,004	68,698,029
Freight, forwarding and others		40,747,175	44,844,274
Export development surcharge		5,672,446	6,324,921
Export expenses		8,071,494	8,118,373
		<u><b>131,003,803</b></u>	<u><b>137,547,889</b></u>



	<b>Note</b>	<b>2014</b> <b>Rupees</b>	<b>2013</b> <b>Rupees</b>
<b>30. ADMINISTRATIVE EXPENSES</b>			
Director's meeting fee		3,000	2,500
Staff salaries and benefits	30.1	24,357,615	20,031,593
Vehicles running and maintenance		4,059,679	4,593,081
Utilities		932,908	777,886
Travelling and conveyance		2,291,375	2,672,666
Printing and stationery		386,202	323,657
Communication		1,672,346	1,477,696
Rent, rates and taxes		81,567	81,567
Repair and maintenance		1,418,273	1,889,987
Entertainment		818,073	703,950
Fees and subscription		1,288,536	898,699
Advertisement		300,940	102,650
Depreciation	3.1.1	8,954,814	5,706,982
Auditors' remuneration	30.2	730,000	655,000
Legal and professional charges		222,500	1,271,667
Others		1,040,983	2,355,870
		<u>48,558,811</u>	<u>43,545,451</u>
<b>30.1</b> These include Rs. 500,000 (2013: Rs.500,000) in respect of staff gratuity.			
<b>30.2 Auditors' remuneration</b>			
Annual audit		500,000	500,000
Half yearly review		150,000	150,000
Taxation services		75,000	-
Certification		5,000	5,000
		<u>730,000</u>	<u>655,000</u>
<b>31. OTHER OPERATING EXPENSES</b>			
Workers' Profit Participation Fund		4,304,765	9,607,757
Workers' Welfare Fund		181,441	287,952
Exchange rate fluctuation loss		2,501,602	-
Charity and donation		1,756,764	314,735
		<u>8,744,572</u>	<u>10,210,444</u>
No director or his spouse had any interest in the donee.			
<b>32. FINANCE COST</b>			
Markup on:			
Long term financing		30,427,645	36,100,819
Liabilities against assets subject to finance lease		-	37,868
Finances under markup arrangements		68,293,395	45,414,149
Interest on Workers' Profit Participation Fund		566,313	492,676
Bank charges		5,266,243	3,711,943
		<u>104,553,596</u>	<u>85,757,455</u>



	<b>2014</b> <i>Rupees</i>	<b>2013</b> <i>Rupees</i>
<b>33. TAXATION</b>		
Current:		
Minimum tax payable on local sales	<b>12,594,508</b>	10,626,648
Final tax on exports realization	<b>24,881,861</b>	27,815,370
	<b>37,476,369</b>	38,442,018
Tax credits under section 65A and 65B of Income Tax Ordinance, 2001	<b>(34,949,181)</b>	-
	<b>2,527,188</b>	38,442,018
Prior year adjustment*	<b>(17,128,901)</b>	(4,480,608)
Deferred	<b>114,677</b>	4,299,298
	<b>(14,487,036)</b>	38,260,708

\*This includes Rs. 8,904,824 (2013: Rs. Nil) on account of tax credits claimed in the Income Tax Return for tax year 2013.

**Relationship between tax expense and accounting profit**

The provision for current taxation represents the minimum tax and final tax liabilities under section 113 and 169 of the Income Tax Ordinance, 2001. Accordingly tax charge reconciliation has not been prepared and presented.

**34. EARNINGS PER SHARE**

**34.1 Basic**

Profit after taxation	<i>Rupees</i>	<b>96,096,122</b>	143,998,722
Weighted average number of ordinary shares	<i>No.</i>	<b>14,408,248.8</b>	14,408,248.8
Earnings per share	<i>Rupees</i>	<b>6.67</b>	9.99

**34.2 Diluted**

There is no dilutive effect on the basic earnings per share of the Company as at June 30, 2014 and June 30, 2013.

**35. CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before taxation	<b>81,609,086</b>	182,259,430
Adjustments for:		
Depreciation on property, plant and equipment	<b>131,818,284</b>	89,753,820
Provision for gratuity	<b>5,300,000</b>	5,300,000
Provision for Workers' Profit Participation Fund	<b>4,304,765</b>	9,607,757
Provision for Workers' Welfare Fund	<b>181,441</b>	287,952
Gain on disposal of property, plant and equipment	<b>(300,637)</b>	(3,938,689)
Profit on investments	<b>(32,157)</b>	(842,789)
Mark-up on security deposit with SNGPL	<b>(1,730,398)</b>	(4,669,061)
Loss / (gain) on exchange rate fluctuation	<b>-</b>	(1,719,500)
Finance cost	<b>104,553,596</b>	85,757,455
	<b>244,094,894</b>	179,536,945
<b>Cash flows before working capital changes carried forward</b>	<b>325,703,980</b>	361,796,375





	Note	2014 Rupees	2013 Rupees
<b>Cash flows from operating activities - continued</b>			
Cash flows before working capital changes brought forward		325,703,980	361,796,375
<b>Working capital changes:</b>			
<b>(Increase) / decrease in current assets:</b>			
Stores, spares and loose tools		(3,037,035)	(9,337,206)
Stock-in-trade		(93,407,554)	(34,361,008)
Trade debts		(110,233,466)	21,652,581
Loans, advances, deposits and prepayments - excluding advance income tax		29,044,643	31,203,271
Tax refunds due from government		(22,324,711)	(9,726,216)
Short term investments		-	20,394,452
Other receivables		(4,020,928)	(2,342,735)
<b>Increase / (decrease) in current liabilities:</b>			
Trade and other payables (excluding provision for gratuity, unclaimed dividend, provision for Workers' Profit Participation Fund and provision for Workers' Welfare Fund)		(57,444,134)	40,395,626
		(261,423,185)	57,878,765
<b>CASH GENERATED FROM OPERATIONS</b>		<b>64,280,795</b>	<b>419,675,140</b>
<b>35.1 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	12	5,474,903	17,936,655
Short term running finances	20.1	(164,297,568)	(133,557,774)
		(158,822,665)	(115,621,119)

**36. RELATED PARTY TRANSACTIONS**

The related parties comprise of an associated undertaking (Ahmad Cotton Industries), Chief Executive Officer, directors and executives of the Company.

**36.1** The Company, during the year, purchased goods aggregating Rs. 202,939,806 (2013: Rs. 215,018,046) from the associated undertaking.

**36.2** Maximum aggregate amount due to the associated undertaking at any month end during the year was Rs. 86,806 (2013: Rs. 49,248,162).

**36.3** No interest was charged on the associated undertaking's balances during the year as these arose due to normal trade dealings.

**36.4** Remuneration and benefits to Chief Executive Officer, directors and executives under the term of their employment are disclosed in note 39.

**37. FINANCIAL RISK MANAGEMENT**

The Company's principal financial liabilities comprise borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has loan and advances, trade and other receivables and cash and short term deposits that arise directly from its operations. The Company also holds investment held to maturity.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews these policies periodically.

**37.1 Credit risk and concentration of credit risk**

The Company is exposed to credit risk from its operating activities (primarily for trade receivables, advances and loans) and from its financing activities, including deposits with banks.

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties to the financial instruments fail to perform as contracted. Out of the total financial assets of Rs. 425,139,652 (2013: Rs. 351,896,844) the financial assets which are subject to credit risk amounted to Rs. 425,058,047 (2013: Rs. 351,667,598). The management believes that the Company is not exposed to major concentration of credit risk. The management monitors and limits the Company's exposure to credit risk through monitoring of clients credit exposure review and conservative estimates of provision for doubtful receivable. The management is of the view that it is not exposed to significant concentration of credit risk.

The maximum exposure to credit risk as at the reporting date is tabulated below:

**Financial assets**

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
Long term investments	259,272	259,376
Long term deposits	39,180,010	39,180,010
Trade debts	337,488,604	227,255,138
Loans, advances, deposits and prepayments	33,025,116	60,239,162
Other receivables	9,971,019	7,026,607
Bank balances	5,134,026	17,707,305
	<b>425,058,047</b>	<b>351,667,598</b>

The bank balances and investments along with credit ratings are tabulated below:

<b>Credit rating</b>	<b>Bank Balances</b>	<b>Long term Investments</b>
	<b>Rupees</b>	
<b>June 30, 2014:</b>		
A1+	5,134,026	-
AA	-	259,272
	<b>5,134,026</b>	<b>259,272</b>
<b>June 30, 2013:</b>		
A1+	17,707,305	-
AA	-	259,376
	<b>17,707,305</b>	<b>259,376</b>

Due to Company's long standing relationship with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company.

**37.1 .1 Credit risk related to receivables**

Customer credit risk is managed by each business unit subject to the Companys established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on past experience with the customers. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit.

At June 30, 2014, the Company has 10 customers (2013: 7 customers) that owed more than Rs. 9 million each and accounted for approximately 77% (2013: 79%) of all trade debts. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets mentioned in Note 8.

The Company does not hold collateral as security.

**37.1 .2 Credit risk related to financial instruments and cash deposits**

Credit risk on balances with banks is managed by management in accordance with the Companys policy. Excess funds are placed in deposits with reputable banks and financial institutions.

**37.2 Liquidity risk management**

Liquidity risk reflects the Companys inability in raising funds to meet commitments. Management closely monitors the Companys liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

The Company manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 20.1 is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

Financial Liabilities in accordance with their contractual maturities are presented as follows:

	<i>Interest/markup bearing</i>			<i>Non-Interest/markup bearing</i>			<i>Total</i>
	<i>Maturity within 1 year</i>	<i>Maturity after 1 year</i>	<i>Sub-total</i>	<i>Maturity within 1 year</i>	<i>Maturity after 1 year</i>	<i>Sub-total</i>	
<i>Rupees</i>							
<b>June 30, 2014</b>							
<b>Financial liabilities</b>							
Long term financing	141,139,181	302,706,378	443,845,559	-	-	-	443,845,559
Subordinated loan	-	-	-	-	105,000,000	105,000,000	105,000,000
Trade and other payables	-	-	-	150,199,609	-	150,199,609	150,199,609
Accrued finance cost	-	-	-	29,398,747	-	29,398,747	29,398,747
Short term finances	763,803,893	-	763,803,893	-	-	-	763,803,893
	<u>904,943,074</u>	<u>302,706,378</u>	<u>1,207,649,452</u>	<u>179,598,356</u>	<u>105,000,000</u>	<u>284,598,356</u>	<u>1,492,247,808</u>
<b>June 30, 2013</b>							
<b>Financial liabilities</b>							
Long term financing	119,296,349	226,086,668	345,383,017	-	-	-	345,383,017
Subordinated loans	-	-	-	-	105,000,000	105,000,000	105,000,000
Trade and other payables	-	-	-	210,938,143	-	210,938,143	210,938,143
Accrued finance cost	-	-	-	20,516,985	-	20,516,985	20,516,985
Short-term finances	492,155,903	-	492,155,903	-	-	-	492,155,903
	<u>611,452,252</u>	<u>226,086,668</u>	<u>837,538,920</u>	<u>231,455,128</u>	<u>105,000,000</u>	<u>336,455,128</u>	<u>1,173,994,048</u>



### **37.3 Market risk management**

Market risk is the risk that changes market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The management of the Company continuously monitors its investments to avoid such risks.

#### **37.3 .1 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. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term debt obligations having floating interest rates.

#### **37.3 .2 Interest rate sensitivity**

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's profit before taxation for the year ended June 30, 2014 would increase / decrease by Rs. 5,112,971 (2013: Rs. 4,187,695). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

The Company's sensitivity to interest rates has increased during the current year mainly due to the increase in borrowings and variable rate debts.

#### **37.3 .3 Foreign exchange risk management**

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. As at June 30, 2014, the total foreign currency risk exposure was Rs. 235,256,786 (2013: Rs.140,111,954) in respect of foreign trade debts. However, Rs. 314,962,930 (2013: Rs. 98,330,107) were payable in respect of foreign currency borrowing.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

#### **37.3 .4 Foreign currency sensitivity analysis**

At June 30, 2014, if the Pak Rupee had strengthened / weakened by 5% against the US dollar with all other variables held constant, profit before taxation for the year would have been increased / decreased by Rs. 125,080 (2013: Rs.233,453) mainly as a result of foreign exchange gains on translation of foreign currency-denominated trade receivables and foreign exchange losses on translation of foreign currency short term borrowings. Profit is less sensitive to movement in Rupee / foreign currency exchange rates in year 2014 than in year 2013.

#### **37.3 .5 Equity price risk management**

The Company is not exposed to equity price risks arising from equity investments as the Company has no such investment which are held for trading purpose.

### **37.4 Determination of fair values**

#### **Fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction other than in a forced or liquidation sale.

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

### **37.5 Fair value estimation**

IFRS 7 requires fair value measurement disclosures using following three level fair value hierarchy that reflects the significance of the inputs used in measuring fair value of financial instruments.

- Level 1; Quoted prices (unadjusted) in active market for identical assets or liabilities

- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derive from prices).

- Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

The Company has no financial assets measured at above mentioned levels. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

### 37.6 Financial instruments by category

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an approximate mix between various sources of finance to minimize risk. Taken as a whole, the Company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>Financial assets as per balance sheet</b>			
<b>Loan and receivables:</b>			
Long-term deposits	5	39,180,010	39,180,010
Trade debts	8	337,488,604	227,255,138
Loans, advances, deposits and prepayments		33,025,116	60,239,162
Other receivables	11	9,971,019	7,026,607
<b>Cash and bank balances</b>	<b>12</b>	<b>5,474,903</b>	<b>17,936,655</b>
<b>Held to maturity investments:</b>			
Long term investments	4	-	259,272
		<b>425,139,652</b>	<b>351,896,844</b>
<b>Financial liabilities as per balance sheet</b>			
<b>Financial liabilities measured at amortised cost :</b>			
Long term financing	16	443,845,559	345,383,017
Subordinated loans	17	105,000,000	105,000,000
Trade and other payables		150,199,609	210,938,143
Accrued finance cost	22	29,398,747	20,516,985
Finances under markup arrangements and other credit facilities	20	763,803,893	492,155,903
		<b>1,492,247,808</b>	<b>1,173,994,048</b>

### 38. CAPITAL DISCLOSURE

The Company's objectives, policies and processes for managing capital are as follows:

- The Company is not subject to any externally imposed capital requirements.
- The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
- Consistently with others in the industry, the Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e., share capital and unappropriated profit).



- The debt-to-adjusted capital ratios at June 30, 2014 and June 30, 2013 were as follows:

	<u>2014</u> <u>Rupees</u>	<u>2013</u> <u>Rupees</u>
Total debt	1,312,649,452	942,538,920
Less: Cash and bank balances	(5,474,903)	(17,936,655)
Net debt	1,307,174,549	924,602,265
Total equity	938,209,385	819,902,227
Adjusted capital	2,245,383,934	1,744,504,492
Debt-to-adjusted capital ratio	0.58	0.53

### 39. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	<u>2014</u>		<u>2013</u>	
	<u>Rupees</u>	<u>No. of persons</u>	<u>Rupees</u>	<u>No. of persons</u>
Managerial remuneration:				
Chief executive officer	2,400,000	1	800,000	1
Directors	4,800,000	2	4,240,000	3
Executives	4,176,800	7	3,590,100	6
	<u>11,376,800</u>	<u>10</u>	<u>8,630,100</u>	<u>10</u>

**39.1** Meeting fee amounting to Rs. 3,000 (2013: Rs. 2,500) was paid to one (2013: one) non-working director. The chief executive officer, the two directors and four executives are provided with the Company maintained cars. The chief executive officer and the two directors are provided with telephone at their residences.

**39.2** Remuneration of chief executive officer, directors and executives has been included in "Administrative Expenses - Staff salaries and benefits" (Note 30).

**40. SEGMENT REPORTING****40.1 REPORTABLE SEGMENTS**

The management has determined the operating segments of the Company on the basis of the difference in the products produced.

The Company's reportable segments are as follows:

- Spinning segment - production of different qualities of yarn using natural and artificial fibers.
- Weaving segment - production of different qualities of fabric using yarn.

Information regarding the Company's reportable segments is presented below:

**40.2 SEGMENT REVENUE AND RESULTS**

Following is an analysis of the Company's revenue and results by reportable operating segments :

	<i>Spinning</i> <i>Rupees</i>	<i>Weaving</i> <i>Rupees</i>	<i>Total</i> <i>Rupees</i>
<b>For the year ended 30 June 2014</b>			
Sales - net	1,423,959,189	2,558,288,855	3,982,248,044
Inter-unit sale / (purchase)	470,074,350	(470,074,350)	-
Cost of sales	(1,752,240,181)	(1,857,601,187)	(3,609,841,368)
<b>Gross profit</b>	<b>141,793,358</b>	<b>230,613,318</b>	<b>372,406,676</b>
Distribution expenses	(20,108,416)	(110,895,387)	(131,003,803)
Administrative expenses	(20,716,524)	(27,842,287)	(48,558,811)
Finance cost	(82,715,255)	(21,838,341)	(104,553,596)
<b>Profit before tax and unallocated expenses</b>	<b>18,253,163</b>	<b>70,037,303</b>	<b>88,290,466</b>
<b>Unallocated income and expenses:</b>			
Other operating expenses			(8,744,572)
Other operating loss			2,063,192
Taxation			14,487,036
<b>Profit after taxation</b>			<b>96,096,122</b>

**Segment reporting - continued**

	<i>Spinning</i> <i>Rupees</i>	<i>Weaving</i> <i>Rupees</i>	<i>Total</i> <i>Rupees</i>
For the year ended 30 June 2013			
Sales - net	1,534,115,039	2,482,226,297	4,016,341,336
Cost of sales	441,115,275	(441,115,275)	-
Other unallocated expenses	(1,656,350,328)	(1,912,622,776)	(3,568,973,104)
Gross profit	318,879,986	128,488,246	447,368,232
Distribution expenses	(65,682,790)	(71,865,099)	(137,547,889)
Administrative expenses	(29,196,162)	(14,349,289)	(43,545,451)
Finance cost	(68,861,709)	(16,895,746)	(85,757,455)
Profit before tax and unallocated expenses	155,139,325	25,378,112	180,517,437
Unallocated income and expenses:			
Other operating expenses			(10,210,444)
Other operating loss			11,952,437
Taxation			(38,260,708)
Profit after taxation			<u>143,998,722</u>

**40.2.1** The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 2.7.22 to the financial statements. Administrative expenses, Distribution & marketing expenditures are allocated on the basis of Sales. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

	<b>2014</b> <i>Rupees</i>	<b>2013</b> <i>Rupees</i>
<b>40.3 REVENUE FROM MAJOR PRODUCTS AND SERVICES</b>		
Fabric export sales	1,515,375,051	1,686,576,393
Yarn export sales	1,022,923,129	1,068,336,227
Waste export sale	15,199,156	26,624,409
Fabric local sales	978,164,773	764,628,288
Yarn local sales	372,762,970	399,391,772
Waste local sales	76,862,965	66,135,597
Income from processing of yarn	960,000	4,648,650
<b>Total sale</b>	<u>3,982,248,044</u>	<u>4,016,341,336</u>
<b>40.4 REVENUE FROM MAJOR CUSTOMERS</b>		
Revenue from top thirty (30) customers of the Company in each segment is as follows:		
Spinning	1,089,495,066	1,326,694,375
Weaving	2,093,731,345	2,143,915,314
	<u>3,183,226,411</u>	<u>3,470,609,689</u>

Revenue from one of the customers of the Company exceeded 10% of the Company's total revenue and amounted to Rs. 473.123 million



**Segment reporting - continued****40.5 GEOGRAPHICAL INFORMATION**

The Company's gross revenue from external customers by geographical location is detailed below:

	<b>2014</b> <b>Rupees</b>	<b>2013</b> <b>Rupees</b>
Pakistan	<b>1,428,750,708</b>	1,234,804,307
Africa	-	41,233,543
Asia	<b>1,850,979,090</b>	2,157,281,087
Europe	<b>702,518,246</b>	583,022,399
	<b><u>3,982,248,044</u></b>	<b><u>4,016,341,336</u></b>

All non-current assets of the Company as at June 30, 2014 are located and operating in Pakistan.

**40.6 SEGMENT ASSETS AND LIABILITIES**

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

<b>As at 30 June 2014</b>	<b>Spinning</b> <b>Rupees</b>	<b>Weaving</b> <b>Rupees</b>	<b>Total</b> <b>Rupees</b>
Segment assets for reportable segment			
Operating property, plant and equipment	1,153,787,655	1,280,575,696	<b>2,434,363,351</b>
Un allocated operating assets			<b>59,936,708</b>
<b>Total operating assets</b>			<b><u>2,494,300,059</u></b>
Stores, spares and loose tools	18,872,100	26,586,141	<b>45,458,241</b>
Stock in trade	265,559,511	320,846,584	<b>586,406,095</b>
Other unallocated corporate assets			<b>508,110,161</b>
<b>Total assets as per balance sheet</b>			<b><u>3,634,274,556</u></b>
Segment liabilities for reportable segment	231,616,187	232,643,062	<b>464,259,249</b>
Unallocated corporate liabilities			<b>1,234,777,784</b>
<b>Total liabilities as per balance sheet</b>			<b><u>1,699,037,033</u></b>

**Segment reporting - continued**

<b>As at 30 June 2013</b>	<b>Spinning Rupees</b>	<b>Weaving Rupees</b>	<b>Total Rupees</b>
Segment assets for reportable segment			
Operating property, plant and equipment	1,055,762,815	1,144,340,611	2,200,103,426
Un allocated operating assets			136,756,751
<b>Total operating assets</b>			<b>2,336,860,177</b>
Stores, spares and loose tools	18,318,202	24,103,004	42,421,206
Stock in trade	209,962,738	283,035,803	492,998,541
Other unallocated corporate assets			409,777,138
<b>Total assets as per balance sheet</b>			<b>3,282,057,062</b>
Segment liabilities for reportable segment	231,616,187	232,643,062	464,259,249
Unallocated corporate liabilities			957,044,039
<b>Total liabilities as per balance sheet</b>			<b>1,421,303,288</b>

For the purposes of monitoring segment performance and allocating resources between segments:

- operating property, plant & equipment, Stocks in trade and Stores, spares and Loose tools are allocated to reportable segments while all other assets are held under unallocated corporate assets; and
- long term loans, liabilities against assets subject to finance lease, trade creditors, short term borrowings and accrued markup are allocated to reportable segment and all other liabilities i.e. loans from related parties, deferred liabilities, trade and other payables are held under unallocated corporate liabilities.

**40.7 OTHER SEGMENT INFORMATION**

<b>For the year ended 30 June 2014</b>	<b>Spinning Rupees</b>	<b>Weaving Rupees</b>	<b>Total Rupees</b>
Capital expenditure	194,634,283	94,723,246	289,357,529
Common capital expenditure			-
			<b>289,357,529</b>
Depreciation:			
Cost of sales	59,686,474	63,176,996	122,863,470
Administrative expenses	4,841,296	4,113,518	8,954,814
			<b>131,818,284</b>

**Segment reporting - continued**

Other segment information	<i>Spinning</i> <i>Rupees</i>	<i>Weaving</i> <i>Rupees</i>	<i>Total</i> <i>Rupees</i>
<b>For the year ended 30 June 2013</b>			
Capital expenditure	58,102,580	48,106,573	<b>106,209,153</b>
Common capital expenditure			<b>70,612,097</b>
			<b>176,821,250</b>
Depreciation:			
Cost of sales	48,724,760	35,322,078	<b>84,046,838</b>
Administrative expenses	2,971,893	2,735,089	<b>5,706,982</b>
			<b>89,753,820</b>

**41. NUMBER OF EMPLOYEES**

Number of permanent employees as at June 30, 2014 was 645 (2013: 623) and average number of employees during the year was 621 (2013: 600).

**42. CAPACITY AND PRODUCTION**

	<b>2014</b>	<b>2013</b>
<b>Yarn</b>		
Number of spindles installed	<b>22,872</b>	20,760
Installed capacity after conversion into 20's count (921 shifts (2013: 1,095 shifts))	<b>8,205,524</b>	7,820,907
Actual production of yarn after conversion into 20's count	<b>6,900,528</b>	6,993,378
<b>Fabric</b>		
Number of looms installed	<b>136</b>	130
Number of looms worked	<b>136</b>	130
Installed capacity after conversion into 60 picks	<b>43,455,766</b>	41,538,600
Actual production of fabric after conversion into 60 picks	<b>34,913,667</b>	35,201,438

It is difficult to describe precisely the production capacity in Spinning / Weaving Mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed twist, the width and construction of fabric woven etc. It also varies according to the pattern of production adopted in a particular year. Underutilization of capacities is due to electricity shut down and normal repair & maintenance.