Asim Textile Mills Limited

Financial statements

For the year ended June 30, 2014

KRESTON
HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ASIM 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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with the 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 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, its comprehensive income, cash flows and changes in equity for the year then ended; and

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

Without qualifying our opinion, we draw attention to the members towards note 21.1 to the financial statements which indicate that the Company has filed a suit against Faysal Bank Limited for charging illegal profits against the principles of Islamic Banking and that the balances as appearing in these financial statements have also not been confirmed by the Bank. Although, the management of the company is affirmative that the case will be decided in company's favor, the ultimate outcome of the matter cannot presently be determined with any degree of certainty.

KRESTON HYDER BHIMJI CO.
Chartered Accountants
Engagement Partner: Khan Muhammad

DATE: OCTOBER 03, 2014
FAISALABAD

KRESTON
HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

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

We have reviewed the Statement of Compliance with the best practices ("the Statement") contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **Asim Textile Mills Limited** ("the Company") to comply with the Listing Regulation No.35 of the Karachi Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

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

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

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires 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 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.

KRESTON HYDER BHIMJI & CO.
Chartered Accountants
Engagement Partner: Khan Muhammad

DATE: OCTOBER 03, 2014
FAISALABAD

FAISALABAD Office: 206-1st Floor, Business Centre, New Civil Line, Faisalabad. Phone: 92-41-2615632-2615650 Fax: 92-41-2617902, Email: hyderbhimjifsd@gmail.com
LAHORE Office: Amin Building 65-The Mall, Lahore. Phone: 92-42-37352661, 37321043, Fax: 92-42-37248113, Email: hyderbhimjilahoreoffice.com
KARACHI Office: Suit No.1601, Kashif Centre, Main Shahra-e-Faisal, Karachi, Phone: 92-21-35640050-1-2, Fax: 92-21-35640053, hyderbhimji@yahoo.com
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ASIM TEXTILE MILLS LIMITED

BALANCE SHEET

AS AT JUNE 30, 2014

	Note	2014 Rupees	Restated 2013 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	5	366,961,037	371,419,451
Advance for capital expenditure	6	10,191,707	-
Long term deposits	7	11,046,184	11,046,184
		388,198,928	382,465,635
CURRENT ASSETS			
Stores and spares	8	12,238,304	9,626,213
Stock in trade	9	91,991,046	95,091,358
Trade debts	10	29,111,463	3,873,914
Advances, prepayment and other receivable	11	11,730,958	9,018,862
Short term investment	12	10,097,291	9,338,298
Tax refunds due from Government	13	8,875,646	11,006,169
Cash and bank balances	14	194,556,030	165,529,175
		358,600,738	303,483,989
TOTAL ASSETS		746,799,666	685,949,624
SHARE CAPITAL AND RESERVES			
Authorized capital			
17,500,000 ordinary shares of Rs.10 each		175,000,000	175,000,000
Issued, subscribed and paid up capital			
15,177,000 ordinary shares of Rs. 10 each, fully paid in cash		151,770,000	151,770,000
Accumulated loss		(285,811,747)	(320,958,821)
		(134,041,747)	(169,188,821)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	15	140,430,714	146,171,524
NON CURRENT LIABILITIES			
Long term financing	16	415,046,998	415,046,998
Deferred liabilities	17	90,011,806	61,493,416
		505,058,804	476,540,414
CURRENT LIABILITIES			
Trade and other payables	18	38,646,764	35,721,376
Accrued mark up	19	194,161,422	194,161,422
Short term borrowing	20	2,543,709	2,543,709
		235,351,895	232,426,507
CONTINGENCIES AND COMMITMENTS	21	-	-
TOTAL EQUITY AND LIABILITIES		746,799,666	685,949,624

The annexed notes 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

Khan Hyder Bhimji & Company
Chartered Accountants

DIRECTOR

ASIM TEXTILE MILLS LIMITED

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

	Note	2014 Rupees	2013 Rupees
Sales - net	22	1,314,143,237	1,130,025,767
Cost of sales	23	1,226,685,538	1,004,830,726
Gross profit		87,457,699	125,195,041
Operating expenses			
Administrative expenses	24	23,535,581	22,285,943
Other operating expenses	25	3,709,203	5,477,068
Finance cost	26	558,291	159,352
		27,803,075	27,922,363
Operating profit		59,654,624	97,272,678
Other income	27	10,820,236	6,791,618
Profit before taxation		70,474,860	104,064,296
Taxation	28	41,827,589	2,656,378
Profit for the year		28,647,271	101,407,918
Earnings per share - Basic	29	1.89	6.68

The annexed notes 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

Hyder Bhimji & Company Chartered Accountants

DIRECTOR

ASIM TEXTILE MILLS LIMITED

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

	2014 Rupees	2013 Rupees
Profit for the year	28,647,271	101,407,918
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Unrealized income on changes in fair value of investment	758,993	743,178
Total comprehensive income for the year	29,406,264	102,151,096

The annexed notes 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

Kreston Hyder Bhimji & Company Chartered Accountants

DIRECTOR

ASIM TEXTILE MILLS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		70,474,860	104,064,296
Adjustments for non cash and other items:			
Depreciation		19,796,629	18,516,195
Profit on deposit accounts		(9,813,198)	(6,176,178)
Profit on deposit with SNGPL		(1,007,038)	-
Profit on short term investment		-	(608,322)
Workers' profit participation fund		3,709,203	5,477,068
Finance cost		558,291	159,352
Operating cash flows before working capital changes		83,718,747	121,432,411
Changes in working capital			
(Increase)/decrease in current assets			
Stores and spares		(2,612,091)	(531,185)
Stock in trade		3,100,312	(55,158,606)
Trade debts		(25,237,549)	(3,873,914)
Advances, prepayment and other receivable		(2,884,344)	(4,335,878)
Tax refunds due from Government		2,069,162	-
Increase/(decrease) in current liabilities			
Trade and other payables		4,214,523	(13,144,160)
		(21,349,987)	(77,043,743)
Cash generated from operations		62,368,760	44,388,668
Finance cost paid		(79,561)	(36,290)
Taxes paid		(13,219,063)	(7,192,467)
Staff retirement gratuity paid		(28,775)	(56,784)
Workers' profit participation fund Paid		(5,477,068)	(2,098,500)
Net cash generated from operating activities		43,564,293	35,004,627
b) CASH FLOWS FROM INVESTING ACTIVITIES			
Addition in property, plant and equipment		(15,391,352)	(2,783,425)
Advance for capital expenditure		(10,191,707)	-
Sale proceeds from the disposal of electric equipments		53,137	-
Profit on deposits		10,992,484	5,889,259
Short term investment		-	8,648,500
Profit on short term investment		-	1,351,500
Long term deposits		-	(2,692,500)
Net cash (used in)/ generated from investing activities		(14,537,438)	10,413,334
Net increase in cash and cash equivalents	(a+b)	29,026,855	45,417,961
Cash and cash equivalents at the beginning of the year		165,529,175	120,111,214
Cash and cash equivalents at the end of the year	14	194,556,030	165,529,175

The annexed notes 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

Kreston Hyder Bhimji & Company Chartered Accountants

DIRECTOR

ASIM TEXTILE MILLS LIMITED

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

	Share capital	Accumulated loss	Total
	[R U P E E S]		
Balance as at July 01, 2012	151,770,000	(429,064,292)	(277,294,292)
Incremental depreciation on revalued property, plant and equipment for the year	-	9,021,781	9,021,781
Tax effect on incremental depreciation	-	(3,067,406)	(3,067,406)
Total comprehensive income for the year	-	102,151,096	102,151,096
Balance as at June 30, 2013	**151,770,000**	**(320,958,821)**	**(169,188,821)**
Incremental depreciation on revalued property, plant and equipment for the year	-	**8,568,373**	**8,568,373**
Tax effect on incremental depreciation	-	**(2,827,563)**	**(2,827,563)**
Total comprehensive income for the year	-	**29,406,264**	**29,406,264**
Balance as at June 30, 2014	**151,770,000**	**(285,811,747)**	**(134,041,747)**

The annexed notes 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

Kreston Hyder Bhimji & Company Chartered Accountants

DIRECTOR

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

1. THE COMPANY AND ITS OPERATIONS

1.1 The Company is limited by shares and incorporated in Pakistan under the Companies Ordinance, 1984. Its shares are quoted at Karachi, Islamabad and Lahore stock exchanges. The principal business of the Company is manufacturing and sale of yarn. The Mill is situated at Tehsil Jaranwala, District Faisalabad in the Province of Punjab and the registered office of the Company is situated at JK House, 32-W, Susan Road, Madina Town, Faisalabad.

2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 **Standards, interpretations and amendments to approved accounting standards that are issued but not yet effective**

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

		Effective date (annual reporting Periods beginning on or After)
IFRS-2	Shared-based Payments (Amendments)	July 01, 2014
IFRS-3	Business Combinations (Amendments)	July 01, 2014
IFRS-8	Operating Segments (Amendments)	July 01, 2014
IAS-16	Property, Plant and Equipment (Amendments)	July 01, 2014
IAS-24	Related Party Disclosures (Amendments)	July 01, 2014
IAS-32	Financial Instrument: Presentation (Amendments)	January 01, 2014
IAS-36	Impairments of Assets (Amendments)	January 01, 2014
IAS-39	Financial Instrument: Recognition & Measurement (Amendments)	January 01, 2014
IFRIC-21	Levies	January 01, 2014

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

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

		IASB Effective date (Accounting Periods beginning on or After)
IFRS 1	First-time adoption of International Financial Reporting standards	July 01, 2009
IFRS 9	Financial instruments	January 01, 2015
IFRS 10	Consolidated financial statements	January 01, 2013
IFRS 11	Joint arrangements	January 01, 2013
IFRS 12	Disclosure of interests in other entities	January 01, 2013
IFRS 13	Fair value measurement	January 01, 2013
IFRIC 21	Levies	January 01, 2014

3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except property, plant and equipment refered in note 4.3 are carried at revalued amounts. The company's significant accounting policies are stated in note 4. In these financial statements, except for cash flow statement, all the transactions have been accounted for on accrual basis.

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of setting up and applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognized in the period in which the estimate is 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.

Significant areas requiring the use of the management estimates in these financial statements are as follows:

Useful life of the depreciable assets	(Note : 4.1)
Store and spares	(Note : 4.2)
Provision for doubtful debts	(Note : 4.4)
Taxation	(Note : 4.10)
Contingencies	(Note : 4.13)

However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the subsequent years.

Hyder Bhimji & Co. Chartered

4. SUMMERY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 **Property, plant and equipment**

Operating assets

Operating fixed assets except land and capital work in progress are stated at cost / revalued amounts less accumulated depreciation and impairment, if any. Cost in relation to fixed assets signifies historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Free hold land is stated at revalued amount and capital work in progress is stated at historical cost.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with them will flow to the entity and its cost can be reliably measured. Cost incurred to replace a component of an item of the property, plant and equipment is capitalized and the asset so replaced is retired from use. Normal repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

Depreciation is charged to income applying the reducing balance method so as to write off the historical cost of the assets over their expected useful life at the rates mentioned in property, plant and equipment note - 5.1.

Depreciation on additions during the year is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off. The residual values and useful lives are reviewed by the management at each financial year end and adjusted if impact on depreciation is significant.

Gains and losses on disposal of property, plant and equipment are included in current income.

Capital work in progress is shown at cost less any identified impairment loss and represents expenditure incurred on property, plant and equipment during the construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

4.2 **Stores and spares**

These are valued at lower of moving (monthly weighted) average cost and net realizable value except items-in-transit which are valued at cost accumulated to the balance sheet date. Stores, spares and loose tools are regularly reviewed by the management to assess their net realizable value (NRV). Provision is made for slow moving and obsolete store items when so identified.

4.3 **Stock in trade**

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw material - At factory	Annual average cost
- In Transit	Invoice value plus direct charges in respect thereof.
Work in process and finished goods	Prime cost including a proportion of production overheads.
Wastes	At net realizable value

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

4.4 **Trade and other receivables**

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future. Balances considered bad are written off when identified.

4.5 **Short term investment**

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available -for -sale.

Subsequent to initial recognition at cost, these are measured at fair value. The Company uses latest stock exchange quotations to determine the fair value of quoted investments. Gain or losses on available for sale investments are recognized directly in other comprehensive income until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously recognized in other comprehensive income, is re-classified from equity to profit and loss as re-classification adjustment.

4.6 **Foreign currency translation**

Transactions in foreign currencies are translated into Pak Rupees (functional and presentation currency) at the rates of exchange approximating those appearing on the dates of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevalent on the balance sheet date. All exchange differences arising from foreign currency transactions/ translations are charged to profit and loss account.

4.7 **Cash and cash equivalents**

Cash and cash equivalents comprise of cash and cheques in hand and at banks and include short term highly liquid investments. The cash and cash equivalents are readily convertible to known amount of cash and are subject to insignificant risk of change in value.

4.8 **Surplus on revaluation of property, plant and equipment**

The surplus arising on revaluation of these assets is credited to the "Surplus on revaluation of property, plant and equipment"' account shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance 1984. The Company has adopted the following accounting treatment of depreciation on revalued assets in accordance with the provisions of the above said section:

Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and

Hyder Bhimji & Co. Chartered

An amount equal to incremental depreciation for the year net of deferred taxation is transferred from " Surplus on Revaluation of Fixed Assets account" to accumulated profits/losses through Statement of Changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

4.9 Staff retirement benefits

The Company changed its policy for staff retirement benefits as on 31st March, 2008 from staff retirement gratuity to provident fund and staff retirement gratuity up to that date is stated on termination basis.

At present the Company operates an approved Provident Fund Scheme covering all its permanent employees. Equal monthly contributions are made, both by the Company, and the employees, to the fund at the rate of 8.33% of the basic salary. The Company's contribution to the fund is recognized as expense for the year.

4.10 Taxation

Current Taxation

Under normal law

The current taxation is computed on the basis of profit for the year adjusted for fiscal purposes, minimum tax u/s 113 or Alternate Corporate Tax (ACT) u/s 113C of the Income Tax Ordinance, 2001, which ever is higher, after taking into account the tax credit or rebate, if any.

Under presumptive tax regime

Taxation in relation to export of goods under section 154 read with section 169 is provided on the basis of Presumptive Tax Regime in accordance with the provisions of the Income Tax Ordinance, 2001.

Deferred Taxation

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

4.11 Trade and other payables

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

4.12 Provisions

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

4.13 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities, which may differ on the occurrence/ non- occurrence of the uncertain future event(s).

4.14 Related party transactions and transfer pricing

All transactions with related parties are carried out at arm's length. The prices are determined in accordance with comparable uncontrolled price method.

4.15 Borrowing costs

Borrowing costs to the extent of borrowing costs that are directly attributable to the acquisition or construction 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. All other borrowing costs are charged to profit and loss account in the period of incurrence.

4.16 Dividend and other appropriations

Dividend is recognized as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

Kreston Hyder Bhimji & Company
Chartered Accountants

4.17 Financial Instruments

Financial assets are long term deposits, long term advances, trade debtors, advances & other receivables and cash and bank balances. These are initially recognized at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred; and the company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are recognized according to the substance of the contractual arrangements entered into. Significant financial liabilities are long term loans & finances, short term loans & borrowing and trade payables. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

4.18 Impairment

The management assesses at each balance sheet date whether there is any indication that an 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 cash generating unit is reduced to its recoverable amount by charging the impairment loss against profit and loss account for the year.

4.19 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off and the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4.20 Revenue recognition

Revenue is recognized to the extent it is probable that economic benefits will flow to the Company and revenue can be measured reliably. Revenue is measured at fair value of consideration received or receivable and is recognized on the following basis;

Revenue from sales of goods is recognized when the significant risks and rewards of the ownership of the goods have been passed to the customer usually when goods are delivered/ dispatched and title has passed.

Profit on short term investment is recognized on the time-apportioned basis.

4.21 Correction of prior periods error

Deferred tax effect in the sum of Rs. 3,184,464 for the year ended June 30, 2012 on the surplus arisen from time to time on the revaluation of property, plant and equipment was inadvertently not transferred from "surplus on revaluation of property plant and equipment" account. Since such an error was found to be the misinterpretation of fact during those periods, therefore, the same is being rectified as "prior period errors" in accordance with the para 45 of IAS 8, "Accounting policies, Changes in accounting estimates and Errors". The above correction has no effect on the profit and loss account, cash flow statement and changes in equity. The effect of these adjustments in these financial statements is, as under:

	Amount Rupees
Effect on year 2012 :	
Effect on the balance sheet	
Increase in surplus on revaluation of Property, plant & equipment	3,184,464
Decrease in deferred liabilities	(3,184,464)

5. PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	COST / REVALUATION			DEPRECIATION				W.D.V	Rate
2014	As at July 1, 2013	Addition/ (deletion)	As at June 30, 2014	As at July 1, 2013	Adjustment	For the year	As at June 30, 2014	As at June 30, 2014	%
Freehold land	39,206,400	-	39,206,400	-	-	-		39,206,400	-
Building on freehold land	100,136,763	-	100,136,763	27,475,140	-	3,633,081	31,108,221	69,028,542	5
Plant and machinery	492,513,580	2,725,993	495,239,573	245,878,380	-	12,354,477	258,232,857	237,006,716	5
Electric installations	16,080,359	186,137 (54,500)	16,211,996	9,622,656	(1,363)	659,070	10,280,363	5,931,633	10
Furniture and fittings	659,633	-	659,633	347,440	-	31,219	378,659	280,974	10
Office equipments	2,567,992	23,600	2,591,592	1,352,606	-	122,203	1,474,809	1,116,783	10
Vehicles	9,872,998	12,455,622	22,328,620	4,981,494	-	2,992,635	7,974,129	14,354,491	20
Factory Equipment	355,750	-	355,750	316,308	-	3,944	320,252	35,498	10
Total 2014	**661,393,475**	**15,336,852**	**676,730,327**	**289,974,024**	**(1,363)**	**19,796,629**	**309,769,290**	**366,961,037**	

DESCRIPTION	COST / REVALUATION			DEPRECIATION				W.D.V	Rate
2013	As at July 1, 2012	Addition/ (deletion)	As at June 30, 2013	As at July 1, 2012	Adjustment	For the year	As at June 30, 2013	As at June 30, 2013	%
Freehold land	39,206,400	-	39,206,400	-	-	-	-	39,206,400	-
Building on freehold land	100,136,763	-	100,136,763	23,650,844	-	3,824,296	27,475,140	72,661,623	5
Plant and machinery	492,513,580	-	492,513,580	232,897,580	-	12,980,800	245,878,380	246,635,200	5
Electric installations	13,966,869	2,113,490	16,080,359	8,966,869	-	655,787	9,622,656	6,457,703	10
Furniture and fittings	659,633		659,633	312,752		34,688	347,440	312,193	10
Office equipments	2,567,992	-	2,567,992	1,217,563	-	135,043	1,352,606	1,215,386	10
Vehicles	7,840,873	2,032,125	9,872,998	4,100,295	-	881,199	4,981,494	4,891,504	20
Factory Equipment	355,750	-	355,750	311,926	-	4,382	316,308	39,442	10
Total 2013	**657,247,860**	**4,145,615**	**661,393,475**	**271,457,829**	**-**	**18,516,195**	**289,974,024**	**371,419,451**	

5.1 **Detail of property plant and equipment disposed off during the year:**

Description	Party	Mode of disposal	Note	Cost	Book value	Sale proceeds	Gain/(Loss)
__Electric installations__							
Split A/C	Multi Electronics	Exchange with new AC	5.1.1	54,500	53,137	53,137	-

5.1.1 This represents exchange of split air conditioner with new one at book value.

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	2014 Rupees	2013 Rupees
5.2 Depreciation charge for the year has been allocated as under;		
Cost of sales	**16,650,572**	17,465,265
Administrative expenses	**3,146,057**	1,050,930
	19,796,629	18,516,195

5.3 Had there been no revaluation, the related figures of freehold land, building on freehold land, plant and machinery and electric installations as at June 30 would have been as follows.

	2014		
	Cost	Accumulated depreciation	Written down value
	[R U P E E S]		
Freehold land	4,062,000	-	4,062,000
Building on freehold land	40,631,000	31,763,409	8,867,591
Plant and machinery	404,439,390	269,277,400	135,161,990
Electric installations	15,748,022	10,192,208	5,555,814
	464,880,412	**311,233,017**	**153,647,395**

	2013		
	Cost	Accumulated depreciation	Written down value
	[R U P E E S]		
Freehold land	4,062,000	-	4,062,000
Building on freehold land	40,631,000	31,296,694	9,334,306
Plant and machinery	401,713,397	262,283,172	139,430,225
Electric installations	15,616,385	9,576,259	6,040,126
	462,022,782	**303,156,125**	**158,866,657**

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	Note	2014 Rupees	2013 Rupees
6. ADVANCE FOR CAPITAL EXPENDITURE			
Advance against purchase of land	21.3	10,191,707	-
7. LONG TERM DEPOSITS			
Security deposits			
- SNGPL	7.1	8,266,056	8,266,056
- FESCO		2,734,078	2,734,078
- WASA		8,550	8,550
- CDC		37,500	37,500
		11,046,184	11,046,184

7.1 This represents the security amount deposited with Sui Northern Gas Pipelines Limited (SNGPL) for supply of natural gas to the Company. The balance amount is subject to profit @ 5% p.a.

	Note	2014 Rupees	2013 Rupees
8. STORES AND SPARES			
Stores		5,068,768	4,311,528
Spares		7,169,536	5,314,685
		12,238,304	9,626,213
9. STOCK IN TRADE			
Raw material		40,469,254	42,522,854
Work in process		6,993,814	7,693,160
Finished goods		44,527,978	44,875,344
		91,991,046	95,091,358
10. TRADE DEBTS			
Considered good			
Local - unsecured		29,111,463	3,873,914
11. ADVANCES, PREPAYMENT AND OTHER RECEIVABLE			
Advances-considered good			
- Advances to employees		51,000	776,433
- Advances to suppliers		11,037,553	7,434,479
Prepaid insurance		218,449	211,746
Accrued profit		423,956	596,204
		11,730,958	9,018,862
12. SHORT TERM INVESTMENT			
Available for sale			
NAFA Government Securities Liquid Fund	12.1	10,097,291	9,338,298

12.1 These have been valued by using published net asset value (NAV) as at 30 June 2014, the number of units held by the Company is 1,004,325.8445 units (2013: 930,303.9687 units).

	Note	2014 Rupees	2013 Rupees
13. TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax		7,951,532	10,020,694
Income tax		924,114	985,475
		8,875,646	11,006,169
14. CASH AND BANK BALANCES			
Cash in hand		42,587,318	106,205
Cash at bank			
In current accounts	14.1	24,729,438	991,077
In deposit accounts	14.2	127,239,274	164,431,893
		151,968,712	165,422,970
		194,556,030	165,529,175

14.1 It includes US$. 1000/- (2013: US$.1000/-) and SAR. 2,461/- (2013: SAR.2,461/-)

14.2 Deposits with commercial banks yield profit at the rate of 5% to 9% (2013: 5% to 10.5%)

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	2014 Rupees	Restated 2013 Rupees
15. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Balance as on July 01,	146,171,524	148,941,435
Add: Correcttion of surplus on revaluation of property plant and equipment note- 4.21	-	3,184,464
Balance as on July 01-**restated**	146,171,524	152,125,899
Incremental depreciation on revalued property, plant and equipment for the year	(8,568,373)	(9,021,781)
Related effect of deferred tax liability	2,827,563	3,067,406
	(5,740,810)	(5,954,375)
Balance as on June 30,	140,430,714	146,171,524

First revaluation of building on freehold land and plant and machinery was carried out as on September 30, 1995 by an independent valuer M/s Iqbal A. Nanjee & Co. Lahore on the basis of depreciated replacement values.

Second revaluation of freehold land, building on freehold land and plant and machinery has been carried out on September 30, 2000 by an independent valuer Inspectorates Corporation International (Pvt) Ltd., Lahore and the same has been verified by SBP's approved auditors on the basis of depreciated replacement values.

Third revaluation of freehold land, building on freehold land, plant and machinery and electric installations has been carried out on June 30, 2012 by an independent valuer M/s Nizamy Associates, Faisalabad on the basis of depreciated replacement values.

	Note	2014 Rupees	2013 Rupees
16. LONG TERM FINANCING			
Loan from banking companies - secured			
Morabaha finance:			
Morabaha - I	16.1	340,901,898	340,901,898
Morabaha - II	16.2	74,145,100	74,145,100
		415,046,998	415,046,998

16.1 It represents morabaha finance created by Faysal Bank Limited by converting various morabaha finances into long term morabaha-I at an interest rate of 13% per annum.

16.2 It represents an interest free morabaha finance by Faysal Bank Limited by converting various unpaid markups into long term non-profit morabaha-II.

16.3 The above mentioned morabaha finances are secured against the first charge of Rs. 505 million on fixed assets and personal guarantees of directors and Chief Executive of the Company.

16.4 The Company is not repaying the morabaha finances as it has filed a suit against Faysal Bank Limited in the Honorable Lahore High Court, Lahore. The bank has also filed a counter suit praying for a decree to be passed in its favor for a sum of Rs. 454.502 million against the defendants jointly and severally, with cost of funds at the rate of 20% or as certified by State Bank of Pakistan from date of default and 20% liquidated damages plus service charges and all costs, charges, expenses payable or to be incurred by the plaintiff bank till the final payment / realization of the afore-mentioned amount. The facts and status of the litigations are further explained in note 21.1. Accordingly, the current portion of these morabaha finances has not been transferred to current liabilities as the amount of liability and related current portion is dependent upon the decision of the above stated cases.

	Note	2014 Rupees	Restated 2013 Rupees
17. DEFERRED LIABILITIES			
Deferred taxation	17.1	88,470,244	59,923,079
Staff retirement gratuity	17.2	1,541,562	1,570,337
		90,011,806	61,493,416

17.1 DEFERRED TAXATION

	2014	2013
17.1.1 Balance as on July 01,	59,923,079	66,174,949
Correcttion of surplus on revaluation of property plant and equipment note- 4.21	-	(3,184,464)
Balance as on July 01-**restated**	59,923,079	62,990,485
Adjusted during the year	28,547,165	(3,067,406)
Balance as on June 30,	88,470,244	59,923,079

17.1.2 This comprise of following:

	2014	2013
Deferred tax liability:		
Taxable temporary differences relating to operating assets	32,680,646	-
Taxable temporary differences raiating to surplus on revaluation of property, plant and equipment	57,095,516	-
Deferred tax assets:		
Deductible temporary differences on tax losses	(797,203)	-
Staff retirement benefits	(508,715)	-
	88,470,244	-

17.1.3 The Company has accounted for deffered tax liability in this year as compared to previous year in which the provision for deferred taxation is based only on temporary differences arising on surplus on revaluation of property, plant and equipment. Previously the Company being prudent had not accounted for net deferred tax asset on net taxable temporary differences comprising accelerated tax depreciation, recognized losses and staff retirement benefits, due to the uncertainty with regard to availability of future taxable profits of the Company against which the unused tax losses and unused tax credits can be utilized.

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	Note	2014 Rupees	2013 Rupees
17.2 STAFF RETIREMENT GRATUITY			
Balance as on July 01,		1,570,337	1,627,121
Paid during the year		(28,775)	(56,784)
Balance as on June 30,		1,541,562	1,570,337

18. TRADE AND OTHER PAYABLES

	Note	2014 Rupees	2013 Rupees
Trade creditors		17,118,708	15,499,081
Accrued expenses		12,520,726	10,195,194
Advances from customers		3,043,568	3,204,988
Due to related parties	18.1	1,501,344	1,166,170
Withholding tax payable		62,220	27,091
Sale tax withheld payable		212,265	151,784
Workers' profit participation fund	18.2	4,187,933	5,477,068
		38,646,764	35,721,376

18.1 This represents directors current account balances maintained with the company.

	2014	2013
Balance as on July 01,	1,166,170	927,452
Received during the year	1,200,000	1,600,000
Paid during the year	(864,826)	(1,361,282)
Balance as on June 30,	1,501,344	1,166,170

18.2 Workers' profit participation fund

	2014	2013
At the beginning of the year	5,477,068	1,975,438
Interest on funds utilized in the Company's business	478,730	123,062
	5,955,798	2,098,500
Allocation for the year	3,709,203	5,477,068
	9,665,001	7,575,568
Less: Amount paid for the year	(5,477,068)	(2,098,500)
	4,187,933	5,477,068

19. ACCRUED MARK UP

	Note	2014	2013
Accrued markup on secured morabaha finance	19.1	194,161,422	194,161,422

19.1 The company has ceased the payment of markup since July 01, 2006, as it has filed a suit against Faysal Bank Limited in the Honorable Lahore High Court, Lahore. The facts of the litigation are explained in note 21.1.

20. SHORT TERM BORROWING

Banking company

	Note	2014	2013
Interest free bank overdraft - unsecured	20.1	2,543,709	2,543,709

20.1 The company has ceased repayment of the overdraft as it has filed a suite against Faysal Bank Limited in the Honorable Lahore High Court, Lahore. The facts of the litigation are explained in note 21.1.

21. CONTINGENCIES AND COMMITMENTS

Contingencies

21.1 The company has instituted a suit in the Honorable Lahore High Court, Lahore against Faysal Bank Limited claiming damages on account of acquisition of un-remunerative agricultural land on the advice of FIBL for not providing timely cash finance facilities despite written commitments and for charging illegal profits against the principles of Islamic Banking and in contravention of the objective clause of its Memorandum of Association, Articles of Association and against circulars issued by the State Bank of Pakistan. The amount claimed for the first two counts is Rs.141.831 million (including claims of Central Excise Duty), whereas the amount of last count has been left for the Court to determine.

The bank has also filed a counter suite for recovery of Rs. 454.502 million in the Honorable Lahore High Court, Lahore along with cost of funds, etc., pending adjudication at the terminal date. The cost of the fund in the instant case cannot be determined with reasonable degree of certainty at this point in time, in view of the dispute in the recovery amount as well as undetermined rate of cost and period of default. Due to litigations, the Bank is not responding and confirming the balance to the company.

The management of the company as well as its legal advisors are of the opinion that these cases are based and being contested on strong legal grounds and are likely to be decided in Company's favor. Accordingly, mark ups on these lending are not being accrued as referred to in notes 16, 19 and 20 of these financial statements, particularly in view of the fact that the total liability already booked in this regard is much more than that to be decided by the court.

21.2 During the year, the Company has not acknowledged a liability amounting to **Rs. 1,409,497/-** (2013: Rs. 2,081,286/-) of Workers Welfare Fund in the light of the decision of Honorable High Court Lahore dated 24 August 2011 whereby the Honorable High Court Lahore has struck down amendments regarding Workers Welfare Fund Ordinance, 1971 introduced through Finance Act 2006 and 2008 as being unconstitutional. However, the department has filed a review petition against the decision, which is still pending for adjudication.

Commitments

21.3 The Company has acquired land of 10.22 acres at Rs. 67,856,882/- at M-3 Industrial Estate developed by Faisalabad Industrial Estate Development and Management Company (FIEDMC). It represent interest free installments consist of four years quarterly plan. Only 15% down payment is made during the year.Allotment letter shall be issued on full payment of land. Refer note 6.

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	Note	2014 Rupees	2013 Rupees
22. SALES - NET			
Local:			
Yarn sales		1,329,765,645	1,127,354,323
Waste sales		10,688,309	10,157,534
Gross sales		1,340,453,954	1,137,511,857
Less: Sales tax		(26,283,417)	(7,443,872)
Commission		(27,300)	(42,218)
		(26,310,717)	(7,486,090)
		1,314,143,237	1,130,025,767

23. COST OF SALES

	Note	2014 Rupees	2013 Rupees
Raw material consumed	23.1	896,731,869	793,725,074
Stores and spares consumed		23,541,972	21,279,289
Packing material consumed		20,996,038	16,779,965
Salaries, wages and benefits		87,836,402	78,504,196
Provident fund contribution		2,809,978	2,346,418
Fuel and power		171,870,604	111,058,341
Repairs and maintenance		1,409,513	1,810,972
Insurance		3,074,140	2,095,396
Depreciation	5.2	16,650,572	17,465,265
General expenses		717,738	642,802
		1,225,638,826	1,045,707,718
Work in process			
Balance as on July 01,		7,693,160	7,648,957
Balance as on June 30,		(6,993,814)	(7,693,160)
		699,346	(44,203)
Cost of goods manufactured		1,226,338,172	1,045,663,515
Finished goods			
Balance as on July 01,		44,875,344	4,042,555
Balance as on June 30,		(44,527,978)	(44,875,344)
		347,366	(40,832,789)
		1,226,685,538	1,004,830,726

23.1 RAW MATERIAL CONSUMED

	Note	2014 Rupees	2013 Rupees
Balance as on July 01,		42,522,854	28,241,240
Purchases		894,678,269	808,006,688
		937,201,123	836,247,928
Balance as on June 30,		(40,469,254)	(42,522,854)
		896,731,869	793,725,074

24. ADMINISTRATIVE EXPENSES

	Note	2014 Rupees	2013 Rupees
Staff salaries and benefits		10,588,862	6,920,192
Provident fund contribution		284,440	257,406
Postage and telecommunication		444,156	345,562
Electricity, Fuel and water		846,980	120,916
Printing and stationary		71,006	59,891
Travelling and conveyance		100,670	96,808
Entertainment		456,609	175,916
Fees and subscription		963,984	1,481,434
Legal and professional		1,769,944	652,556
Rent, rate and taxes	24.1	254,217	8,293,411
Vehicle, running and maintenance		3,119,108	1,907,644
Auditors' remuneration	24.2	320,000	320,000
Insurance		942,807	369,643
Advertisement		10,260	10,260
Depreciation	5.2	3,146,057	1,050,930
Others		216,481	223,374
		23,535,581	22,285,943

24.1 It includes sale tax **Rs. Nil** (2013: Rs. 8,016,421/-) paid into Government treasury to avail sale tax amnesty in terms of SRO. 179(I)/2013 dated 7th March, 2013.

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	Note	2014 Rupees	2013 Rupees

24.2 AUDITORS' REMUNERATION

Statutory audit		250,000	250,000
Half yearly review		50,000	50,000
Out of pocket expenses		20,000	20,000
		320,000	320,000

25. OTHER OPERATING EXPENSES

Workers' profit participation fund		3,709,203	5,477,068

26. FINANCE COST

Interest on workers' profit participation fund		478,730	123,062
Bank charges and commission		79,561	36,290
		558,291	159,352

27. OTHER INCOME

Income from financial assets

Profit on deposit accounts		9,813,198	6,176,178
Profit on short term investment		-	608,322
Exchange gain on foreign currency translation		-	7,118
Profit on deposit with SNGPL		1,007,038	-
		10,820,236	6,791,618

28. TAXATION

Current	28.1	13,249,908	5,684,298
Deferred		28,547,165	(3,067,406)
Prior year		30,516	39,486
		41,827,589	2,656,378

28.1 In view of the available tax losses, provision for current taxation is based on turnover under Section 113 of the Income Tax Ordinance, 2001. Reconciliation of tax expense and product of accounting profit has not been presented in these financial statements due to the reason of trunover taxation.

29. EARNINGS PER SHARE-BASIC

	2014	2013
Profit for the year (Rupees)	28,647,271	101,407,918
Weighted average number of ordinary shares outstanding during the year	15,177,000	15,177,000
Earnings per share-basic (Rupees)	1.89	6.68

There is no dilutive effect on the basic earnings per share of the Company.

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	EXECUTIVES	
	[R U P E E S]	
	2014	2013
Salary	1,216,000	-
House rent allowance	486,400	-
Utilities allowance	592,006	-
Total	1,824,000	
Number of persons	2	

No remuneration has been paid to the Chief Executive and directors during the year, however Chief Executive is provided with free use of Company maintained car. No meeting fee has been paid to any director of the Company for attending the board meetings.

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31. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertakings and other key management personnel. Amounts due from and due to related parties, if any, are shown under relevant notes to financial statements. Remuneration of Chief Executive Officer, Directors and Executives is explained in Note 30. Transactions with related parties other than those specifically mention in relevant notes is as follows.

Nature of relationship	Nature of transactions	2014 Rupees	2013 Rupees
Post employment benefit	Expense during the year	**6,188,836**	5,207,648

There were no transactions with key management personnel except those covered under their terms of employment.

32. PLANT CAPACITY AND PRODUCTION

	2014	2013
Number of spindles installed	**22,320**	22,320
Number of spindles worked	**22,320**	22,320
Number of shifts worked per day	**3**	3
Installed capacity after conversion into 20/s count (Kgs)	**9,964,261**	9,682,858
Actual production of yarn after conversion into 20/s count (Kgs)	**9,111,022**	8,338,396

33. EMPLOYEES PROVIDENT FUND TRUST

The following information is based on latest un-audited financial statements of the fund:

	2014	2013
Size of the fund (Rupees)	**12,352,444**	10,212,981
Cost of investment made (Rupees)	**2,907,980**	8,186,793
Percentage of investment made (%)	**24**	80
Fair value of investment (Rupees)	**11,808,341**	9,643,045

33.1 The breakup of fair value of investments is:

	2014		2013	
	Rupees	% of total	Rupees	% of total
NAFA Govt. Securities	**3,023,420**	**25.60**	9,356,455	97.03
Bank balances	**8,784,921**	**74.40**	286,590	2.97
	11,808,341	**100.00**	9,643,045	100.00

33.2 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

34. NUMBER OF EMPLOYEES

The average number of employees for the year ended June 30,2014 were 571 (2013: 568) and number of employees as at June 30,2014 were 574 (2013: 571).

35 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

35.1 Financial assets and liabilities

Financial assets and liabilities of the company are as follows:-

	June 30, 2014						
	Interest/mark-up bearing			Non Interest/mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	RUPEES						
Financial assets							
At fair value through profit and loss							
- Investment (NAFA Government Securities)		-	-	10,097,291	-	10,097,291	10,097,291
Loans and receivables							
Long term deposits	-	8,266,056	8,266,056	-	2,780,128	2,780,128	11,046,184
Trade debts	-	-	-	29,111,463	-	29,111,463	29,111,463
Advances, prepayment and other receivable	423,956	-	423,956	11,088,553	-	11,088,553	11,512,509
Cash and bank balances	127,239,274	-	127,239,274	67,316,756	-	67,316,756	194,556,030
	127,663,230	8,266,056	135,929,286	117,614,063	2,780,128	120,394,191	256,323,477
Financial liabilities							
At amortised cost							
Long term finances	-	415,046,998	415,046,998	-	-	-	415,046,998
Trade and other payables	-	-	-	31,140,778	-	31,140,778	31,140,778
Interest accrued on long term financing	-	-	-	194,161,422	-	194,161,422	194,161,422
Short term borrowing	-	-	-	2,543,709	-	2,543,709	2,543,709
	-	415,046,998	415,046,998	227,845,909	-	227,845,909	642,892,907
Excess of financial assets over financial liabilities	127,663,230	(406,780,942)	(279,117,712)	(110,231,846)	2,780,128	(107,451,718)	(386,569,430)

	June 30, 2013						
	Interest/mark-up bearing			Non Interest/mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	RUPEES						
Financial assets							
At fair value through profit and loss							
- Investment (NAFA Government Securities)	-	-	-	9,338,298	-	9,338,298	9,338,298
Loans and receivables							
Long term deposits	-	8,266,056	8,266,056	-	2,780,128	2,780,128	11,046,184
Trade debts	-	-	-	3,873,914	-	3,873,914	3,873,914
Advances, prepayment and other receivable	596,204	-	596,204	776,433	-	776,433	1,372,637
Cash and bank balances	164,431,893	-	164,431,893	1,097,282	-	1,097,282	165,529,175
	165,028,097	8,266,056	173,294,153	15,085,927	2,780,128	17,866,055	191,160,208
Financial liabilities							
At amortised cost							
Long term finances	-	415,046,998	415,046,998	-	-	-	415,046,998
Trade and other payables	-	-	-	26,860,445	-	26,860,445	26,860,445
Interest accrued on	-	-	-	-	-	-	-
long term financing	-	-	-	194,161,422	-	194,161,422	194,161,422
Short term borrowing	-	-	-	2,543,709	-	2,543,709	2,543,709
	-	415,046,998	415,046,998	223,565,576	-	223,565,576	638,612,574
Excess of financial assets over financial liabilities	165,028,097	(406,780,942)	(241,752,845)	(208,479,649)	2,780,128	(205,699,521)	(447,452,366)

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the company is exposed to market risk comprising interest rate risk, currency risk and other price/equity risk, credit risk and liquidity risk. The company's principal financial liabilities comprise long term borrowings, short term borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finance for company's operations. The company has various financial assets such as deposits, trade debts, prepayments and other receivables and cash and bank balances, which are directly related to its operations. The company's finance departments oversees the management of these risks and provide assurance to the company's senior management that the company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company policies and risk appetite. No changes were made in the objectives, policies, procedures and assumptions during the year ended June 30, 2014. The policies for managing each of these risks are summarized below:

36.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, and other price risk, such as equity risk. Financial instruments susceptible to/affected by market risk include loans, borrowings and deposits. The sensitivity analysis in the following sections relate to the position as at June 30, 2014 and 2013.

36.1.1 Interest rate risk:

Interest rate risk represents the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long term interest bearing financial assets. The Company's interest rate risk arises from long term financing. Borrowings obtained at variable rates exposes the Company to cash flow interest rate risk. Borrowings obtained at fixed rate exposes the company to fair value interest rate risk.

	2014 Rupees	2013 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	**415,046,998**	415,046,998
Financial assets		
Security deposits with SNGPL	**8,266,056**	8,266,056
Floating rate instruments		
Financial assets		
Bank balances-deposit account	**127,239,274**	164,431,893

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 827,055/- (2013: Rupees 1,068,807/-) higher / lower. The analysis is prepared assuming the amounts of bank balances outstanding at the balance sheet date were outstanding for the whole year.

36.1.2 Currency risk / Foreign Exchange risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables or payables that exist due to transactions in foreign currencies.

Financial assets include Rs. 163,230/- (2013: Rs. 163,305/-) which were subject to currency risk.

At June 30, 2014, had the currency been weakened/strengthened by 5% against the foreign currency with all other variables held constant, profit for the year and equity would have been Rs. 5,305/- (2013 : Rs.5,307/-) higher / lower, mainly as a result of foreign exchange gains / losses on translation of foreign currency denominated trade debts and foreign currency bank accounts.

36.1.3 Other price risk / Equity Price risk:

Other price risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future values of investments in securities. As at balance sheet date, the Company is not exposed to equity price risk as the Company do not have any investments in equity market.

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36.2 Credit risk and concentration of credit risk:

Credit risk is the risk representing accounting loss that would be recognized at the reporting date if one party to a financial instrument will fail to discharge an obligation or its failure to perform duties under the contract as contracted. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company is mainly exposed to credit risk on trade debts amounting to Rs. 29.111 million (2013: Rs. 3.874 million). Company seeks to minimize the credit risk exposure through having exposure only to customers and suppliers considered credit worthy and also by obtaining advance against sales from customers. The carrying values of financial assets which are neither past due nor impaired are as under:

	2014	2013
FINANCIAL ASSETS	**Rupees**	**Rupees**
Long term deposits	**11,046,184**	11,046,184
Trade debts	**29,111,463**	3,873,914
Advances, deposits and other receivable	**423,956**	596,204
Cash and bank balances	**194,556,030**	165,529,175
	235,137,633	181,045,477

Credit quality of financial assets

The credit quality of the company's financial assets have been assessed below by reference to external credit ratings of counterparties determined by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit rating determined based on their historical information for any defaults in meeting obligations.

	Rating			2014	2013
	Short term	Long term	Agency	Rupees	Rupees
Bank balances					
Al-Baraka Bank Limited	A	A	PACRA	**718,478**	626,842
Dubai Islamic Bank Limited	A-1	A+	JCR-VIS	**37,173**	62,374,370
Faysal Bank Limited	A1+	AA	PACRA	**666**	666
Habib Bank Limited	A-1+	AAA	JCR-VIS	**24,220**	22,740
JS Bank Limited	A1	A+	PACRA	**204,908**	18,139,772
MCB Bank Limited	A1+	AAA	PACRA	**26,955**	26,955
Meezan Bank Limited	A-1+	AA	JCR-VIS	**10,411**	10,411
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**140,880**	700,717
Samba Bank Limited	A-1	AA-	JCR-VIS	**10,981**	10,981
United Bank Limited	A-1+	AA+	JCR-VIS	**148,333,899**	83,509,516
				149,508,571	165,422,970
Short term investment					
NAFA Government Securities Liquid Fund		AAA	PACRA	**10,097,291**	9,338,298
Counterparties without external credit rating					

36.3 Liquidity risk

Liquidity risk reflects the company's inability in raising funds to meet commitments. The Company's production remained below its installed normal capacity. Working capital of the Company is positive as at the balance sheet date. The Company's Management closely monitors the Company's 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. As a result of these efforts, the working capital improved over the last year. Management also foresees that the working capital position will become more favorable in the period to come due to increased revenues from the continuous operation of plant and increase in demand and price of the yarn.

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The table below summaries the maturity profiles of company's financial liabilities as on June 30, 2014 and 2013 based on contractual undiscounted payments date and present market interest rates.

	Within 1 year	More than 1 year and up to 5 years	Total
	[R U P E E S]		
June 30, 2014			
Long term financing	-	415,046,998	415,046,998
Trade and other payables	29,639,434	1,501,344	31,140,778
Markup and profits payable	-	194,161,422	194,161,422
Short term borrowings	-	2,543,709	2,543,709
	29,639,434	613,253,473	642,892,907
June 30, 2013			
Long term financing	-	415,046,998	415,046,998
Trade and other payables	25,694,275	1,166,170	26,860,445
Accrued interest/markup	-	194,161,422	194,161,422
Short term borrowings	-	2,543,709	2,543,709
	25,694,275	612,918,299	638,612,574

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

36.5 Capital risk Management:

The Company's objectives when managing capital are to ensure the Company's ability not only to continue as a going concern but also to meet its requirements for expansion and enhancement of its business, maximize return of shareholders and optimize benefits for other stakeholders to maintain an optimal capital structure and to reduce the cost of capital.

37. CORRESPONDING FIGURES

37.1 Previous year figures have been rearranged and reclassified wherever necessary for the purpose of comparison. No major reclassification has been made in the corresponding figures.

37.2 Following nomenclatures have been changed during the year:

Previous year nomenclature	Current year nomenclature
Accrued Profit on deposits accounts	Accrued profit
Furnitur, fixture & office equipments	Furniture and fittings
	Office equipments

37.3 Figures in these financial statements have been rounded off to the nearest Rupee.

38. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on 0 2 OCT 2014 by the Board of Directors of the Company.

CHIEF EXECUTIVE

Hyder Bhimji & Company Chartered Accountants

DIRECTOR