CONTENTS

36th ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

COMPANY INFORMATION

Board of Directors

Mian Parvez Aslam	Chairman
Mr. Imran Aslam	Chief Executive
Mr. Irfan Aslam	
Mrs. Nazish Imran	
Mr. Naveed Sheikh	
Syed Raza Ali Bokhari	
Mr. Humayun Bakht	

Chief Financial Officer

Mr. Humayun Bakht

Company Secretary

Mr. Hassan-ud-Din Ansari

Auditors

Horwath Hussain Chaudhry & Co.
Chartered Accountants

Audit Committee

Mr. Naveed Sheikh	Chairman
Mrs. Nazish Imran	Member
Syed Raza Ali Bokhari	Member

Human Resource & Remuneration Committee

Mr. Naveed Sheikh	Chairman
Mr. Imran Aslam	Member
Mrs. Nazish Imran	Member

Bankers

NIB Bank Ltd.
Habib Metropolitan Bank Ltd.
J S Bank Ltd.
National Bank of Pakistan
Bank Al- Falah (Islamic Banking)
United Bank Limited.

Share Registrar

Hameed Majeed Associates (Pvt.) Ltd.
H.M. House, 7- Bank Square,
Lahore

Registered Office

19-A Off. Zafar Ali Road,
Gulberg-V, Lahore.
Ph: +92 (42) 35754024-27
Fax: +92 (42) 35712313
E-mail: mis@shaheencotton.com
Web: www.shahzadtex.com

Mills

Units # 1,3 & 4

34th KM Lahore Sheikhupura Road,
Sheikhupura

Unit # 2

7th KM Sheikhupura Faisalabad Road, Sheikhupura.

VISION STATEMENT

We aim at seeing our mills to be a model manufacturing unit producing high quality yarn by complying with the requirements of Quality Management System and continuously improving its effectiveness for total customers' satisfaction. We wish to play a leading role in the spinning sector by keeping a substantial presence in the export and local markets.

MISSION STATEMENT

1. To install state of the art machinery and to acquire sophisticated process technology to achieve maximum growth in a competitive quality environment.

2. To make strenuous efforts to enhance profitability of the mills ensuring a fair return to the investors, shareholders and employees of the company.

3. To exercise maximum care for improvement of quality of our products by employing a team of highly skilled technicians and professional managers.

4. To strive hard to explore new customers for the sale of our products in export and local markets.

5. To improve customers' satisfaction level by adhering strictly to quality requirements of our customers in local and export markets and by improving communications with customers for receiving prompt feed backs about quality of our products.

6. To attend and prompt resolution of customers' quality complaints by taking timely corrective measures.

7. To improve logistic facilities for our customers dispatch programme and issue all shipments / delivery documents well in time.

8. To make comprehensive arrangements for the training of our workers / technicians.

9. To promote team work, sense of transparency, creativity in our professionals and technical people.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

Shahzad Textile Mills Limited has laid down the following business ethics and principles, the observance of which is compulsory for all the directors and staff members of the company in the conduct of company's business in order to protect and safeguard the reputation and integrity of the company at all levels of its operations. Any contravention of these ethics is regarded as misconduct. The company will ensure that all the executives and subordinate staff members are fully aware of these standards and principles.

1. Conflict of interest

All staff members are expected not to engage in any activity which can cause conflict between their personal interests and company's interests, such as:

a. In effecting the purchases for the company and selling its products the directors and the staff members are forbidden from holding any personal interest in any organization supplying goods or services to the company or buying its products.

b. The staff members should not engage in any outside business while serving the company.

c. Staff members are not permitted to conduct personal business in company's premises or use company's facilities for the same.

d. If a staff member has direct or indirect relationship with an outside organization dealing with the company he must disclose the same to the management.

2. Confidentiality

All staff members are required not to divulge any secrets / informations of the company to any outsider even after leaving the service of the company unless it is so required by a court of law. During the course of service in the company they should not disseminate any information relating to business secrets of the company without the consent of management.

3. Kickbacks

All staff members are strictly forbidden not to accept any favour, gifts or kick backs from any organization dealing with the company. In case if such a favour is considered, in the interest of the company, the same should be disclosed clearly to the management.

4. Proper Books of Account

All funds, receipts and disbursements should be properly recorded in the books of accounts of the company. No false or fictitious entries should be made or misleading statement pertaining to the company or its operations should be issued. All agreements with agents, dealers and consultants should be made in writing supported with required evidence.

5. **Relationship with government officials suppliers, agents etc.**

The dealings of the company with Government officials, suppliers, buyers, agents and consultants of the company should always be such that the integrity of the company and reputation is not damaged. Members having queries in connection with how to deal with these requirements should consult the management.

6. **Health and Safety**

Every staff member is required to take care of his health and safety and of those working with him. The management is responsible for keeping its staff members insured as per government rules and regulations.

7. **Environment**

To preserve and protect the environment all staff members are required to operate the company's facilities and processes so as to ensure maximum safety of the adjoining communities, and strive continuously to improve environmental awareness and protections.

8. **Alcohol, Drugs**

All types of gambling and betting at the company's work places are strictly forbidden. Also bringing alcohols or drugs inside the work places are not allowed. If any staff member, not abiding by these prohibitions will attract disciplinary as well as penal action.

9. **Coordination among staff members to maintain discipline**

All staff members will work in close coordination with their co-workers, seniors and colleagues. Every member will cooperate with other members so that the company's work could be carried out effectively and efficiently. All cases of non-cooperation among staff members should be reported to the management for necessary and suitable action. Strict disciplinary action will be taken against those staff members who violate the rules and regulations of the company.

10. **Workplace harassment**

All staff members will be provided an environment that is free from harassment and in which all employees are equally respected. Work place harassment means any action that creates an intimidating, hostile or offensive environment which may include sexual harassment, disparaging remarks based on gender, religious, race or ethnicity.

SIX YEARS FINANCIAL SUMMARY

	2014	2013	2012	2011	2010	2009
	Rupees in Thousand					
Sales	4,997,603	4,977,944	4,172,217	4,513,244	3,116,385	2,223,397
Gross Profit	398,645	480,705	345,286	389,170	346,644	125,216
Profit/(Loss) before taxation	285,627	258,799	143,224	200,474	164,838	(55,491)
Provision for tax	(67,928)	8,889	(25,830)	(68,359)	(22,447)	(2,539)
Profit/(Loss) after taxation	217,699	267,688	117,394	132,115	142,391	(58,030)
Total Assets	2,639,987	2,460,816	2,127,009	1,971,948	1,857,692	1,675,246
Current liabilities	600,823	635,105	536,127	413,192	367,594	326,444
	2,039,164	**1,825,711**	**1,590,882**	**1,558,757**	**1,490,098**	**1,348,802**
Represented By :						
Equity & Surplus	1,693,873	1,497,869	1,218,474	1,108,167	981,374	798,867
Long Term Loans & leases	35,224	77,014	125,264	190,162	282,750	334,641
Deferred Liablities	310,067	250,828	247,144	260,427	225,974	215,294
	2,039,164	**1,825,711**	**1,590,882**	**1,558,757**	**1,490,098**	**1,348,802**

Statement of Compliance with the Code of Corporate Governance (Appendix-B)
[See clause (xl)]

Name of company **SHAHZAD TEXTILE MILLS LIMITED** Year Ending 30th June, 2014.

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of Listing Regulations of the Exchange 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. At present the board includes:

Category		**Names**
Independent Director	1.	Mr. Naveed Sheikh
Executive Directors	2.	Mr. Imran Aslam
-do-	3.	Mr. Humayun Bakht
Non Executive Directors	4.	Mian Parvez Aslam
-do-	5.	Mr. Irfan Aslam
-do-	6.	Mrs. Nazish Imran
-do-	7.	Syed Raza Ali Bokhari

The independent directors meets the criteria of independence under clause (b) of the CCG.

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

3. All the resident directors of the company are registered as 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. A casual vacancy occurring on the board on 1st January, 2014 was filled up by the directors within 10 (ten) days.

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

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

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, 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. In accordance with the criteria specified on clause (xi) of CCG, Two of Directors of the Company are exempted from the requirement of Directors' training program, one director obtained the certification and rest of the Directors would be trained within due time. However, no director obtained training during the year.

10. The board has approved appointment of 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 three (3) members, of whom two (2) are non-executive directors and the chairman of the committee is an independent 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 formed an HR and Remuneration Committee. It comprises three members, of whom two (2) are non-executive directors and the chairman of the committee is an independent director.

18. The board has set up an effective internal audit function who is suitably experienced and is conversant with the policies and procedures of the Company. The internal audit function was duly reviewed and ratified by the Audit Committee and approved by the Board of Directors 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 exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

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

Lahore
Dated: September 29, 2014

IMRAN ASLAM
Chief Executive Officer

REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of **Shahzad Textile Mills Limited** for the year ended June 30, 2014 to comply with requirements of the Listing Regulation No. 35 (Chapter XI) of both the Karachi Stock Exchange and Lahore Stock Exchange, 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company’s personnel and review of various documents prepared by the Company to comply with the Code.

As a 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 of Directors’ 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended June 30, 2014.

Further, we would like to highlight an instance of non-compliance with the requirements of the Code as reflected in the Statement of Compliance (Serial No.9) that the Company has not arranged training programs for its directors during the year.

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

LAHORE

Dated: September 29, 2014

(Engagement Partner: Abrar S. Chaudhury)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Sixth Annual General Meeting of the Shareholders of **SHAHZAD TEXTILE MILLS LIMITED** will be held at Company's Registered Office, 19-A, Off. Zafar Ali Road, Gulberg-V, Lahore on Thursday, October 30, 2014 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements for the year ended June 30, 2014 together with the Directors' and Auditors' Report thereon.

2. To approve and declare the payment of Final Cash Dividend @ 15.00% i.e. Rs.1.50 per share of Rs.10/- each as recommended by the Board of Directors.

3. To appoint auditors of the Company for the year ending June 30, 2015 and fix their remuneration. The present auditors M/s Horwath Hussain Chaudhry & Co., Chartered Accountants, retire and offer themselves for re-appointment.

SPECIAL BUSINESS

4. To consider and if deemed fit, to pass the following resolution, with or without modification, addition or deletion, as a Special Resolution in term of Section 208 of the Companies Ordinance, 1984.

"RESOLVED that the Company be and is hereby authorized in terms of Section 208 of the Companies Ordinance, 1984 to provide loans and advances to the extent of Rs. 100 million (Rupees one hundred million only) as and when deemed appropriate, to be adjustable/repayable within a period of one year to Sargodha Jute Mills Limited, an associated company at the mark up rate of 3 months KIBOR plus 3% per annum to be determined on 1st day of each quarter, the mark up will be paid quarterly."

"RESOLVED FURTHER that the Chief Executive of the Company be and is hereby authorized to take and/or cause to be taken and do all necessary actions, deeds and things including signing of any documents and agreements for carrying out the purposes aforesaid and giving full effect to this resolution."

By order of the Board

Place: Lahore
Dated: September 29, 2014

(HASSAN-UD-DIN ANSARI)
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 22, 2014 to October 30, 2014 (both days inclusive). Transfers received in order at Company's Independent Share Registrar's Office, Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7- Bank Square, Lahore by the close of business October 21, 2014, will be treated in time for the entitlement of dividend to the transferees and to attend the meeting.

2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her.

3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting.

4. Members are requested to submit declaration for zakat on the required format and to advise change in address, if any.
5. Members are requested to send copies of their Computerized National Identity Cards (CNICs) to the Company's Independent Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7- Bank Square, Lahore to enable the Company to comply with the direction of the Securities and Exchange Commission of Pakistan contained in SRO-831(1)/2012, Dated 05 July, 2012 for mentioning of CNIC Number of the Shareholders on the Dividend Warrants to be issued for Final Cash Dividend @ 15% announced by the Company.
6. In order to make process of payment of cash dividend more efficient, e-dividend mechanism credited into their respective bank accounts electronically without any delay. In this way, dividends may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc. The Securities and Exchange Commission of Pakistan (SECP) through Notice No.8(4)SM/CDC 2008, Dated April 05, 2013 has advised all listed companies to adopt e-dividend mechanism due to the benefits it entails for shareholders. In view of the above, you are hereby encouraged to provide a dividend mandate in favor of e-dividend by providing dividend mandate form duly filled in and signed.
7. Pursuant to the provisions of Finance Act, 2014 effective 1 July, 2014, deduction of income tax from dividend payments shall be made on the basis of filers and non-filers as follows:

S.No.	Nature of Shareholders	Rate of deduction
1.	Filers of Income Tax Return	10%
2.	Non-Filers of Income Tax Return	15%

Income Tax will be deducted on the basis of Active Tax Payers List posted on the Federal Board of Revenue website.

Members seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence, as the case may be.

8. The Company has placed the Audited Annual Separate and Consolidated Financial Statements for the year ended 30th June, 2014 along with Auditors and Directors Reports thereon on its website: shahzadtex.com
9. CDC Account Holder will further have to follow the under mentioned guidelines as laid down in Circular No.1 of 2000, Dated 26th January, 2000 issue by The Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

a. In case of Individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.
b. In case of corporate entity, the Board's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC number shall be mentioned on the form.
c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
e. In case of corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the Thirty Sixth Annual General Meeting of the Company to be held on October 30, 2014.

Loans and Advances to Associated Company

Sargodha Jute Mills Limited is a Public Limited Company having assets of Rs.1,897.434 million with Paid-up Capital of Rs.224.570 million. The Company has reserves/un-appropriated profits amounting Rs.599.795 million as on 30-06-2014. The Company manufactures and deals in all types of Jute Products. The Directors of the Company intend to provide loans and advances of up to Rs.100.000 million to the Associated Company at such time at terms and conditions mentioned in the proceed resolution. The information required Regulation 3 (1) (b) of the Companies (Investment in Associated Companies or Associated Undertaking Regulations, 2012 is given below:-

(i)	Name of Associated Company and criteria based on which the associated relationship is established;	Sargodha Jute Mills Limited (SJML). The Company holds 36.16% shares of SJML.
(ii)	The amount of loans and advances;	Up to Rs.100 million.
(iii)	The purpose of loans and advances and its benefits likely to accrue to the Company and its shareholders;	The purpose of short term loans and advances is to earn better return. The investing company and its shareholders will be benefited in a manner that their investment will fetch a return of 1% above the prevailing short term borrowing rate from banks.
(iv)	The complete detail of any loan has already been granted to the associated company;	In the annual general meeting held on October 21, 2013, the shareholders approved loan and advance to the extent of Rs.100 million (Rupees one hundred million only) to Sargodha Jute Mills Limited. However, during the year 2013-2014 no loans and advances were made.
(v)	A brief about the financial position of the investee company on the basis of its latest financial statements for the year ended 30-06-2014.	

Net Sales	Rupees	2,767.130	Million
Equity-Net	Rupees	824.365	Million
Long Term Financing	Rupees	30.000	Million
Current Assets	Rupees	1,078.428	Million
Total Assets	Rupees	1,897.434	Million

(vi) Average borrowing cost of the Company;	The rate of mark up of average short term borrowings of the Company is 3 months KIBOR plus 2%.
(vii) Rate of mark up to be charged;	Mark up will be charged on loans and advances at the rate of 3 months KIBOR plus 3% per annum to be determined on 1st day of each quarter.
(viii) Sources of funds from where loans or advances will be given;	Loans and advances will be given out of the Company's own funds.
(ix) Particulars of collateral security to be obtained against loan to the borrowing company, if any;	No security is considered necessary as both the companies are associated companies.
(x) Repayment Schedule;	The loans and advances are adjustable within a period of twelve months. The mark up will be payable quarterly.
(xi) Salient feature of all agreements entered or to be entered with the associated company with regards to proposed investment.	Loans and advances will be for period of one year. The mark up will be 3 months KIBOR plus 3% to be paid quarterly. In case of default 1% additional mark up will be charged as penalty.
(xii) Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	The Directors, sponsors and majority shareholders do not have any interest except to the extent of their shareholdings in the associated company. Some of them are director of the associated company. The shareholdings of Directors, sponsors and majority shareholders in associated company are as under:-

Name	No. of Shares
Mian Parvez Aslam	722,120
Mrs. Fakhra Parvez	255,500
Mr. Imran Aslam	4,379,515
Mr. Irfan Aslam	4,379,515
Mian Shahzad Aslam	2,144,576
Mian Sajjad Aslam	528,794

The associated company hold 14,990 Shares of the Company and its directors and sponsors are also shareholder/director of the investing company.

Other information to be disclosed to the members;

In the Annual General Meeting held on October 21, 2013, the shareholders approved loans and advances to the extent of Rs.100.000 million (Rupees one hundred million only) in Sargodha Jute Mills Limited. However, during the year no investments were made as the funds were not required by Sargodha Jute Mills Limited at any time during the year 2013-2014.

The directors submit that they have carried out necessary due diligence for the proposed investment in the associated company.

The duly signed recommendation of the due diligence report and the audited financial statements of the associated company shall be available for inspection of the members in the general meeting.

Directors' Report

On behalf of directors, it is my great pleasure to present the 36th Annual Report together with the Audited Financial Statements of the Company for the year ended on June 30, 2014 along with auditors' report thereon which reflects the affairs of the company.

Financial and operational performance:

The financial results of the Company are summarized below:	2014 Rupees	2013 Rupees
Profit before Taxation and share of Associate	242,048,813	216,301,735
Share of net profit of associate	43,578,409	42,496,854
Profit before Taxation	285,627,222	258,798,589
Taxation	67,927,714	8,889,080
Profit after Taxation	217,699,508	267,687,669

As you will note from the above given financial data the Company's profit for the year is Rs.242.048 million which consists of 163.226 million accounting profit and Rs.78.823 million frozen mark up written off by NIB Bank appreciating the timely payment of our long term loan as per rescheduling agreement.

It is apparent from above information that profit is decreased to Rs.163.226 million as compared to profit of Rs.216.032 million in the corresponding year. This decrease in profit is due to non stability of raw material prices i.e. cotton , polyester and viscose and non availability of favorable sales rates in local as well as international market. Company's turnover also slightly improved to Rs. 4,997.603 millions as compared to sales of Rs. 4,977.943. millions in previous financial year. The management is incessantly striving to work with brilliant innovative ideas to give favorable results.

Expansion Plan

By following its expansion plan the management has also inducted latest imported textile machinery by obtaining funding through leasing company of Rs.146.411million and through internal cash generation of Rs. 32.840 million to upgrade the existing plant and machinery to improve the efficiency and productivity of the existing units. The new machinery consists of imported cards, latest schlaforst winding machines and blow room machinery which are installed in our mills and functioning successfully . The management is fully determined to continue its expansion plan in the coming year too.

Earning per Share

Earnings per share of the Company for the year ended June 30, 2014 is Rs.12.11 as compared to earnings per share of Rs.14.90 per share in the preceding year.

Dividend

The Board of Directors has proposed cash dividend 15% (i.e.@Rs.1.50 per share) for the year ended June 30, 2014.

Future Prospects

There is no development in existing power supply scenario prevailing in the country. The Electric and sui-gas supplies remain suspended for hours in a day. Moreover, the sudden tripping and un-scheduled stoppage of electricity supply without intimation by LESCO is causing heavy damages to the quality of yarn and machines. Ever escalating power rates and imposition of variety of taxes on electricity and sui gas bills are major obstacles in long term planning. They directly effects the cost of production. Resultantly long term sale agreements do not remain viable. In presence of this undesirable situation, continuity of current state of profitability cannot be envisaged. It is foreseen that profit shall turn into adverse state of affairs in the coming year. However, management is running the affairs with same strength and unwavering determination to show better results in the coming period.

ISO 9001-2008 Certification

The company believes in maintaining high standard of quality to the entire satisfaction of the customers. For this company has acquired latest version of ISO 9001-2008 Certification which is renewed every year after an exhaustive checking and entire verification of its efficient control. This quality certification build up the trust of new customers and strengthen the assurance of our old clients.

Related Parties

The transactions between the related parties were made at arm's length prices determined in accordance with the comparable uncontrolled price method. The company has fully complied with the best practices of the transfer pricing as contained in the Listing Regulations. The related party transactions were approved by the Board on the recommendation of Audit Committee.

Corporate and Financial Reporting Frame Work

a) The financial statements are prepared by the management of the Company, presents fairly its state of affairs, the results of its operations, cash flows and changes in equity.

b) Proper books of account for the company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no significant doubts upon the company's ability to continue as going concern.

g) Key operating and financial data for last six years is annexed.

h) In accordance with the criteria specified on clause(xi) of CCG, Two of Directors of the Company are exempted from the requirement of Directors' training program, one director obtained the certification during the year and rest of the Directors would be trained within due time. However, no director obtained training during the year.

i) There are no overdue taxes and levies as on June 30, 2013.

j) The form 34 and Pattern of Shareholding as on June 30, 2013 as required by the section of 236 of the Companies Ordinance 1984 and Code of Corporate Governance is annexed with this report.

k) The company has adopted practices of Corporate Governance as per listing regulations of stock exchange.

l) No material change of commitment affecting financial position occurred between June 30, 2014 and date of directors' report.

m) No trade in the shares of the Company carried out by its Directors, CEO, executives, their spouses and minor children.

n) The Company operates an unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under the gratuity scheme after completion of one year continuous service.

Corporate Social Responsibility

The Company recognizes that the key to successful and sustainable business is to give back to the society from where we derive economic benefits. We create value for our local community, employers and the government by providing a vast array of facilities to our employees, financial assistance to the families of our deceased employees, promoting a better work life balance amongst our employees, contributing regularly to the national exchequer as per law.

Health, safety and Environment:

We work continuously to ensure that our employees work in safe and healthy working environment . Besides, the Company is registered with Social Security Department of the Government and pay regular contribution for the health of workers of the company.

Work-life balance:

In order to promote a healthy –life balance we strictly follow 9am to 5.30pm working routine. This ensures that our employees have plenty of time after working hours for extra curricular activities with their families and friends.

Business ethics and anti corruption measures:

The management is committed to conduct all business activities with integrity, honesty and in full compliance with the current laws and regulations. A code of conduct has been developed and approved by the board, which is signed by all employees.

Contribution to the National Exchequer:

To meet our legal and social obligation towards the development of the economy of the country, the company has contributed Rs.127.787 million in the year 2013-14 into the Government exchequer on account of taxes, levies, excise duty and sales tax. Moreover, foreign exchange amount of USD$ 15.769. Million was also earned for the country from export during financial year.

Energy Conservation

The company has taken many precautionary measures at mill premises to conserve the energy by fixing energy conserving devices.

ABSTRACT UNDER SECTION 218(1) OF THE COMPANIES ORDINANCE, 1984

During the year ended 30 June 2014 , the Board of Directors have revised the remuneration of Chief Executive, Executive Director, and company secretary during the year June 30 , 2014.

1.	Imran Aslam Chief Executive	Rs.575,000/- to Rs.625,000/- per month.
2.	Mr.Humayun Bakht	Rs.250,000/- to Rs.290,000/- per month

There was no change in other terms and conditions of their appointment. Mr.Imran Aslam, Mr.Humayun Bakht, both are elected directors of the Company and are considered as interested in the aforesaid variation of their terms of appointments.

Board of directors Meetings

During the period under review, eleven (11) meetings of the Board of Directors were held from July 1, 2013 to June 30, 2014. The attendance of the Board members was as follows:

Name of Directors		No. of Meetings Attended
Mian Parvez Aslam		11
Mr.Imran Aslam		10
Mrs.Nazish Imran		10
Mr.Irfan Aslam	(Elected on 9-01-2014)	05
Mr. Naveed Sheikh		11
Syed Raza Ali Bokhari		11
Mr. Humayun Bakht		09
Mrs. Sara Irfan	(Rretired on 09-01-2014)	05

Audit Committee

The Board of Directors in compliance of Code of Corporate Governance has established an Audit Committee which consists of following directors:

Mr. Naveed Sheikh	Chairman
Mrs. Nazish Imran	Member
Syed Raza Ali Bukhari	Member

The Audit committee actively review the effectiveness of prevailing internal control system and recommends modern techniques for making the system more efficient.
During the period under review five(5) meetings of audit committee of the company were held from July 01, 2013 to June 30, 2014 and attendance of Audit Committee members was as follows:

Name Of Member	No of Meetings Attended
Mr.Naveed Sheikh	5
Mrs. Nazish Imran	5
Syed Raza Ali Bokhari	5

Human Resource and Remuneration (HR & R) Committee

In compliance with the Code of Corporate Governance the Board of Directors has formed a Human Resource and Remuneration Committee(HR & R Committee) comprising three Directors named below. The HR & R Committee shall provide assistance to the Board of directors in functioning Company's Human Resources efficiently. Further, the HR & R Committee will also assesses and makes recommendations to ensure that the Company's Human Resource policies are objectively associated with its overall business.

Names Of The Members Of The Committee

Mr.Naveed Sheikh	Chairman
Mr.Imran Aslam	Member
Mrs. Nazish Imran	Member

Corporate Governance

Statement of compliance with the code of Corporate Governance is annexed.

Appointment of Auditors

The Auditors M/s Horwath Hussain Chaudhury and Company, Chartered Accountants, will retire and are eligible for re-appointment as auditors for the company for the next year.

The Audit Committee and the Board have endorsed their re-appointment for consideration of the members at the forthcoming annual general meeting of the Company.

Acknowledgement

The directors openly acknowledge and cordially appreciate the excellent cooperation extended by the banks and financial institution by facilitating their technical and financial support to the company for smooth running of its business. The directors also express their heartfelt gratitude to employees, staff and officers who remained helpful to our team in running the administrative affairs of the company. The directors are also indebted to the shareholders for their incessant support to the Company.

For and on behalf of the Board

Lahore
Dated: September 29, 2014

Mr. Imran Aslam
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SHAHZAD TEXTILE MILLLS LIMITED** 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, except for the change in accounting policy as stated in note 3 to the accompanying financial statements, with which we concur;

(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, 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.

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

LAHORE

Dated: September 29, 2014

(Engagement Partner: Abrar S. Chaudhury)

BALANCE SHEET AS AT

	Note	2014 Rupees	2013 Rupees (Restated)
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital: 40,000,000 (2013: 21,000,000) ordinary shares of Rs. 10 each		400,000,000	210,000,000
Issued, subscribed and paid up capital	7	179,713,720	179,713,720
Reserves	8	1,013,607,176	801,018,612
		1,193,320,896	980,732,332
Surplus on Revaluation of Property, Plant and Equipment	9	500,551,708	517,136,980
Non Current Liabilities			
Long term financing	10	-	77,014,000
Liabilities against assets subject to finance lease	11	35,224,345	-
Staff retirement benefits	12	72,795,423	56,724,989
Deferred tax liability	13	237,272,094	194,102,623
		345,291,862	327,841,612
Current Liabilities			
Trade and other payables	14	231,542,501	278,053,370
Accrued mark up	15	7,019,300	23,987,354
Short term borrowings	16	278,815,013	269,089,786
Current portion of non current liabilities	17	33,469,731	20,462,676
Provision for taxation	18	49,976,031	43,512,223
		600,822,576	635,105,409
Contingencies and Commitments	19	-	-
		2,639,987,042	2,460,816,333

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

CHIEF EXECUTIVE

JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees (Restated)
ASSETS			
Non Current Assets			
Property, plant and equipment	20	1,689,272,566	1,551,878,363
Long term investment	21	298,199,623	254,453,968
Long term deposits	22	14,021,789	13,290,329
		2,001,493,978	1,819,622,660
Current Assets			
Stores and spares	23	46,014,613	50,047,400
Stock in trade	24	341,087,212	337,353,500
Trade debts	25	48,921,554	100,172,733
Advances, trade deposits, prepayments and other receivables	26	45,247,695	68,454,997
Short term investments	27	795,200	612,359
Tax refunds due from Government	28	77,475,200	51,264,498
Cash and bank balances	29	78,951,590	33,288,186
		638,493,064	641,193,673
		2,639,987,042	2,460,816,333

DIRECTOR

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

	Note	2014 Rupees	2013 Rupees
Sales	30	4,997,603,071	4,977,943,500
Cost of sales	31	(4,598,958,046)	(4,497,238,404)
Gross Profit		398,645,025	480,705,096
Operating Expenses			
-Selling and distribution costs	32	(48,720,010)	(57,843,976)
-Administrative expenses	33	(106,652,720)	(92,083,902)
		(155,372,730)	(149,927,878)
Operating Profit		243,272,295	330,777,218
Finance cost	34	(58,883,571)	(53,129,938)
Other operating expenses	35	(22,844,923)	(70,621,099)
Other income	36	80,505,012	9,275,554
Share of net profit of associate	21	43,578,409	42,496,854
		42,354,927	(71,978,629)
Profit before Taxation		285,627,222	258,798,589
Taxation	37	(67,927,714)	8,889,080
Net Profit for the Year		217,699,508	267,687,669
Earnings per Share - Basic and Diluted	39	12.11	14.90

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

CHIEF EXECUTIVE **DIRECTOR**

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

	2014 Rupees	2013 Rupees
Net Profit for the Year	217,699,508	267,687,669
Other Comprehensive Income for the Year		
Items that will not be reclassified to profit and loss		
Experience adjustment on remeasurement of staff retirement benefits (net of deferred tax) of:		
- The Company	(21,379)	(6,632,881)
- Associate	-	(2,711,625)
Items that may be reclassified subsequently to profit and loss		
Share in surplus on revaluation of investments available for sale of associate (net of deferred tax)	13,890	(229,070)
	(7,489)	(9,573,576)
Total Comprehensive Income for the Year	217,692,019	258,114,093

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

CHIEF EXECUTIVE **DIRECTOR**

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
CASH GENERATED FROM OPERATIONS	38	364,647,477	429,262,815
Income tax paid		(30,684,251)	(37,282,280)
Gratuity paid		(12,628,390)	(8,076,414)
Finance cost paid		(62,794,480)	(40,731,486)
Workers' (profit) participation fund paid		(14,176,084)	(7,341,954)
Workers' welfare fund		-	(2,836,844)
Net Cash generated from Operating Activities		244,364,272	332,993,837
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant and equipment		(62,059,969)	(21,312,556)
Capital work in progress		(32,526,601)	(307,012,341)
Long term deposits		(731,460)	(10,430,000)
Proceeds from disposal of property, plant and equipment		2,850,000	4,953,101
Proceeds from disposal of short term investments		-	1,021,299
Net Cash used in Investing Activities		(92,468,030)	(332,780,497)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term financing from banking company		(20,462,676)	(73,523,845)
Loan repaid to related parties		-	(5,000,000)
Dividend received from associated undertaking		4,060,000	4,060,000
Dividend paid to shareholders		(26,849,465)	(17,970,400)
Liabilities against assets subject to finance lease		(72,705,924)	(1,809,781)
Short term borrowings		9,725,227	84,598,359
Net Cash used in Financing Activities		(106,232,838)	(9,645,667)
Net Increase / (Decrease) in Cash and Cash Equivalents		45,663,404	(9,432,327)
Cash and cash equivalents at the beginning of the year		33,288,186	42,720,513
Cash and Cash Equivalents at the End of the Year		78,951,590	33,288,186

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

CHIEF EXECUTIVE **DIRECTOR**

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

	Share Capital	Share Premium	Unappropriated Profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2012 as previously reported	179,713,720	5,796,000	534,223,357	719,733,077
Effect of change in accounting policy (Note - 3)	-	-	1,138,725	1,138,725
Effect of change in accounting policy of Associate	-	-	128,306	128,306
Restated Balance as at June 30, 2012	179,713,720	5,796,000	535,490,388	721,000,108
Net profit for the year June 30, 2013	-	-	267,687,669	1,267,031
Other comprehensive income for the year ended June 30, 2013	-	-	(9,573,576)	(9,573,576)
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year (net of deferred tax)	-	-	15,844,244	15,844,244
Surplus realized on disposal of revalued property, plant and equipment (net of deferred tax) transferred to retained earnings	-	-	968,646	968,646
Share in realized surplus on revaluation of property, plant and equipment of associate (net ofdeferred tax)	-	-	2,776,613	2,776,613
Final dividend for the year ended June 30, 2012	-	-	(17,971,372)	(17,971,372)
Restated Balance as at June 30, 2013	179,713,720	5,796,000	795,222,612	714,311,694

	Share Capital	Share Premium	Unappropriated Profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2013 as previously reported	179,713,720	5,796,000	803,300,088	988,809,808
Effect of change in accounting policy (Note - 3)	-	-	(5,494,156)	(5,494,156)
Effect of change in accounting policy of Associate	-	-	(2,583,320)	(2,583,320)
Restated Balance as at June 30, 2013	179,713,720	5,796,000	795,222,612	980,732,332
Net profit for the year June 30, 2014	-	-	217,699,508	217,699,508
Other comprehensive income for the year ended June 30, 2014	-	-	(7,489)	(7,489)
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year (net of deferred tax)	-	-	16,313,829	16,313,829
Surplus realized on disposal of revalued property, plant and equipment (net of deferred tax) transferred to retained earnings	-	-	1,749,142	1,749,142
Share in realized surplus on revaluation of property, plant and equipment of associate (net ofdeferred tax)	-	-	3,790,632	3,790,632
Final dividend for the year ended June 30, 2013	-	-	(26,957,058)	(26,957,058)
Balance as at June 30, 2014	179,713,720	5,796,000	1,007,811,176	1,193,320,896

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

CHIEF EXECUTIVE **DIRECTOR**

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

Note 1
The Company and its Operations

Shahzad Textile Mills Limited (the Company) was incorporated in Pakistan on October 24, 1978 as a Public Limited Company under the Companies Act, 1913 (now the Companies Ordinance, 1984). The shares of the Company are quoted on Karachi and Lahore Stock Exchanges of Pakistan and its registered office is situated at 19-A, Off Zafar Ali Road, Gulberg - V, Lahore. The Company manufactures and deals in all types of yarn.

Note 2
Basis of Preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with 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 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 Basis of measurement

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

Staff retirement benefits	Note 12	Present value
Certain property, plant and equipment	Note 20	Revalued amount
Long term investment	Note 21	Equity method
Investments in quoted companies	Note 27	Fair value

2.3 Functional and presentational currency

These financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency. All financial information presented in Pak Rupees have been rounded off to the nearest rupee, unless otherwise stated.

Note 3
Change in Accounting Policy

Staff retirement benefits

Defined benefit plan

IAS-19 (revised) 'Employee Benefits' amends the accounting for employment benefits. The Standard has become effective for the Company from July 01, 2013. Major changes introduced by the revised Standard are as follows:

i) Past service cost to be recognized immediately in the profit and loss account.

ii) Interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate to be measured at the beginning of the year.

Note 3, Change in Accounting Policy - Contd…

iii) Remeasurement of the net defined benefit liability / asset comprising the actuarial gain / losses and the difference between the actual return on investments and return implied by the net interest cost.

iv) Recognition of remeasurement immediately in other comprehensive income.

The management has adopted IAS-19 - Employee Benefits (revised) and changed its accounting policy retrospectively in accordance with IAS-8 'Accounting Policies, Changes in Accounting Estimates and Errors' resulting in restatement of financial statements of prior periods. Corresponding period adjustments and restatements have been incorporated in the balance sheet, statement of comprehensive income and statement of changes in equity. There is no impact on profit and loss and cash flow statement as a result of the retrospective application of change in accounting policy. The comparative statement of financial position (balance sheet) as at June 30, 2012 has not been provided due to immaterial effect of restatement.

The effect of change in the accounting policy is demonstrated as below:

	June 30, 2013 Rupees	June 30, 2012 Rupees
Effect on Balance Sheet		
Reserves		
As previously reported	809,096,088	540,019,357
Effect of change in accounting policy	(5,494,156)	1,138,725
As restated	803,601,932	541,158,082
Staff retirement benefits		
As previously reported	49,649,533	38,577,451
Effect of change in accounting policy	7,075,456	(1,466,467)
As restated	56,724,989	37,110,984
Deferred taxation		
As previously reported	195,970,958	208,566,819
Effect of change in accounting policy	(1,868,335)	327,742
As restated	194,102,623	208,894,561
Effect on other comprehensive income		
	8,541,923	1,466,467
Remeasurement of defined benefit liability recognized in other comprehensive income	(1,909,042)	(327,742)
Less: Related tax impact	6,632,881	1,138,725

Note 4
Use of Estimates and Judgments

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

Note 4 - Use of Estimates and Judgments - Contd....

The estimates and underlying assumptions are reviewed on an ongoing basis. The 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 revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the future periods are as under:

4.1 Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on a regular basis. Any change in the management's estimates might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

4.2 Doubtful receivables

The Company records its trade and other receivables after deducting appropriate provisioning using its prudence and experience. This estimate is subjective in nature. Recoveries of amounts already provided and / or the need of further provisioning cannot be determined with precision.

4.3 Staff retirement benefits

The Company has recorded its employees' retirement benefits at fair value using actuarial assumptions regarding increase in salaries in subsequent years, remaining working lives of employees and an estimate of discount rates. Change in actuarial assumptions over the period of time may affect the fair value of post-employment benefits payable and the charge for such liability accounted for in any given period.

4.4 Inventories

The Company has recorded its inventories using lower of cost and net realizable value. Valuation of this inventory is reviewed at regular intervals for determination of possible impairment, if any. Any possible impairment may change the future value of inventories.

4.5 Taxation

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

Note 5
Amendments to Existing Standards and Forthcoming New Standards and Interpretations

Since July 01, 2013, International Accounting Standards Board (IASB) has made certain amendments into the existing standards and introduced one new interpretation (IFRIC 20). These amendments seek to enhance the disclosure requirements in the financial statements and are as under:

Note 5 - Amendments to Existing Standards and Forthcoming New Standards and Interpretations - Contd....

5.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year and are relevent

Revision / improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IAS 1: Presentation of financial statements	January 1, 2013
- IAS 16: Property, plant and equipment	January 1, 2013
- IAS 32: Financial instruments: Presentation	January 1, 2013
- IAS 19: Employee Benefits - (Amendment)	January 1, 2013

5.2 Standards, interpretations and amendments to approved accounting standards which became effective during the year but are not relevant

Revision / improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IAS 27 (Revised): 'Separate financial statements'	January 1, 2013
- IFRS 1 (Amendment): 'First time adoption' on government loans	January 1, 2013
- IFRS 7 (Amendment): 'Financial Instruments: Disclosures' on offsetting financial assets and financial liabilities	January 1, 2013

The following new standards have been issued by the IASB and notified by the SECP for application in Pakistan but their applicability start form the annual period beginning on or after January 01, 2015.

- IFRS 10: 'Consolidated financial statements'	January 1, 2013
- IFRS 11: 'Joint arrangements'	January 1, 2013
- IFRS 12: 'Disclosures of interest on other entities'	January 1, 2013
- IFRS 13: 'Fair value measurement'	January 1, 2013

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

Revision / improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IFRIC 21: 'Levies'	January 1, 2014
- IAS 32 (Amendment): 'Financial instruments: Presentation' on "offsetting financialassets and financial liabilities"	January 1, 2014
- IAS 36 (Amendment): 'Impairment of assets'	January 1, 2014
- Annual improvements 2012 IFRS 8, 'Operating segments' IAS 16, 'Property, plant and equipment'. IAS 38, 'Intangible assets'	July 1, 2014
- IAS 24 (Amendment): 'Related parties'	July 1, 2014

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

Revision / improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IAS 39 (Amendment): 'Financial Instruments: Recognition and measurement' on novation of derivatives and hedge accounting	January 1, 2014
- Annual Improvements 2010-2012 and 2011-2013 Cycle	July 1, 2014
- IFRS 14: 'Regulatory deferral accounts'	January 1, 2016
- IFRS 15: 'Revenue from contracts'	January 1, 2017
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41]	January 1, 2016

Note 6
Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

6.1 Provisions

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

6.2 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under the gratuity scheme after completion of one year of continuous service. The benefit is calculated based upon the number of completed years of service and last drawn gross salary.

Actuarial gains / (losses) arising from experience adjustments and changes in actuarial assumptions for the defined benefit plan are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognized immediately as income.

6.3 Taxation

Current

Charge for taxation for the year on taxable profit is based on applicable tax rates after taking into account all tax credits and rebates available, if any.

Deferred

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 bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent of potential available taxable profits against which 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 substantially enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

6.4 Trade and other payables

Liabilities for trade and other amounts payable 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.

6.5 Contingent liabilities

Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Note 6, Summary of Significant Accounting Pilicies - Contd…

A contingent liability is also disclosed when there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits would be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

6.6 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land which is stated at revalued amount and buildings and plant and machinery which are stated at revalued amounts less accumulated depreciation.

The management reviews market value of land, building and plant and machinery at each balance sheet date to ascertain whether the fair value of revalued assets has differed materially from the carrying value of revalued assets, thus necessitating further revaluation.

Depreciation on property, plant and equipment has been provided for using the reducing balance method at the rates specified in Note 20 and is charged to the profit and loss account. Depreciation on additions is charged from the month in which the asset is available for use up to the month in which the asset is disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of property, plant and equipment, if any, is shown in the profit and loss account.

Leased

Leases where the Company has substantially all the risks and rewards of ownership are classified as 'finance lease'. Assets subject to finance lease are initially recognized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

Related rental obligations, net of finance charges are included in liabilities against assets subject to finance lease. Liabilities are classified as current and long term depending upon the timing of payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset using the reducing balance method at the same rates as used for owned assets. Depreciation of leased assets is charged to the profit and loss account. Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

6.7 Impairment

Carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of the fair value less costs to sell and value in use. In the absence of any information about the fair value of a cash-generating unit, the recoverable amount is deemed to be the value in use.

Note 6, Summary of Significant Accounting Pilicies - Contd…

"Impairment loss is recognized as expense in the profit and loss account. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the profit and loss account. Reversal of impairment loss is restricted to the original cost of asset. "

6.8 Investment in associate

"An associate is an entity in which the Company holds more than 20% voting power or over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. "

The operating results, assets and liabilities of associates are incorporated in the financial statements using the equity method. This method is applied from the date when significant influence is established until the date when the significant influence ceases. The Company's share of income and expenses of associates are recognized based upon their latest audited financial statements after realigning their accounting policies, if required.

The Company's investment is reduced to zero in recognition of its share of losses of the associate. Further losses are recognized only when the Company has made payments on behalf of the associate or has an obligation to make payments on its behalf.

Unrealized gains and losses, if any, arising from transactions with associates are eliminated under the equity method. The Company's share of changes recognized directly in associate's statement of comprehensive income and statement of changes in equity are recognized directly in the Company's statement of comprehensive income and statement of changes in equity, respectively.

Investments in associates, not accounted for under the equity method are classified as "Available for Sale".

6.9 Stores, spares and stock in trade

These are valued at lower of cost and net realizable value; cost being determined as under:

Stores and spares	-	At moving average cost
Raw materials	-	At average cost
Material in transit	-	At cost comprising invoice value plus incidental charges
Work in process	-	At estimated average manufacturing cost
Finished goods	-	At average manufacturing cost
Wastes	-	At net realizable value

Manufacturing cost in relation to work-in-process and finished goods comprises cost of material, labour and appropriate manufacturing overheads.

Net realizable value signifies the selling price at which goods in stock could be currently sold less any further costs which would be incurred to complete the sale.

6.10 Trade debts and other receivables

All outstanding receivables are reviewed at the balance sheet date. The Company recognizes and carries these receivables at original invoice amount less an allowance for uncollectible amounts, if any. Bad debts are written off as incurred and provision is made against debts considered doubtful when the collection of full amount is no longer probable.

6.11 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand, cash at bank and short term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

Note 6, Summary of Significant Accounting Pilicies - Contd…

6.12 Financial instruments
6.12.1 Financial assets

The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at the time of initial recognition. The Company classifies its financial assets in the following categories:

At fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise advances, deposits and other receivables in the balance sheet.

Held to maturity

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

Available-for-sale

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

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

Measurement criteria

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

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

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

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

Note 6, Summary of Significant Accounting Pilicies - Contd…

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

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

6.12.2 Financial liabilities

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

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

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

6.12.3 Offsetting

Financial assets and financial liabilities and tax assets and tax liabilities are set off in the balance sheet, only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

6.13 Foreign currency translation

Assets and liabilities in foreign currency are stated in Pak Rupees at the rates of exchange ruling on the balance sheet date or rate of exchange fixed under contractual agreements. Transactions in foreign currency are translated at the exchange rate prevailing at the date of transaction. All exchange differences are included in the profit and loss account.

6.14 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party or between two or more segments of the Company are at arm's length prices using the comparable uncontrolled price method except in circumstances where it is not in the interest of the Company to do so.

6.15 Revenue recognition

- Revenue from sale of goods is recognised at the time of dispatch to customers.
- Dividend on equity investments is recognized as income when the Company's right to receive the dividend is established.

6.16 Borrowing costs

Borrowing costs are charged to income as and when incurred except those costs that are directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.

6.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Segment results, assets, and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

6.18 Dividends

Dividends are recognized as a liability in the period in which these are declared.

Note 7
Issued, Subscribed and Paid Up Capital

2014	2013		2014	2013
No. of Shares			Rupees	Rupees
12,240,569	12,240,569	Ordinary shares of Rs. 10 each fully paid in cash	122,405,690	122,405,690
4,418,803	4,418,803	Ordinary shares of Rs. 10 each issued for consideration otherwise than in cash	44,188,030	44,188,030
1,312,000	1,312,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	13,120,000	13,120,000
17,971,372	17,971,372		179,713,720	179,713,720

7.1 Movement in number of shares during the year

	Number	Number
Opening number of shares	17,971,372	17,971,372
Shares issued / (cancelled) during the year	-	-
Closing number of shares	17,971,372	17,971,372

7.2 Sargodha Jute Mills Limited, an associate, held 14,990 (2013: 14,990) ordinary shares of the Company as at the balance sheet date.

Note 8
Reserves

	Note	2014 Rupees	2013 Rupees (Restated)
Capital			
Share premium reserve	8.1	5,796,000	5,796,000
Revenue			
Unappropriated profit		1,007,811,176	795,222,612
		1,013,607,176	801,018,612

8.1 This reserve can be utilized by the Company only for the purpose specified in section 83(2) of the Companies Ordinance 1984.

Note 9
Surplus on Revaluation of Property, Plant and Equipment

	Note	2014 Rupees	2013 Rupees
Land - freehold			
- Opening balance		197,491,920	180,886,920
- Revaluation during the year		-	16,605,000
		197,491,920	197,491,920
Buildings on freehold land:			
- Opening balance		46,724,557	44,999,946
- Revaluation during the year		-	4,319,126
		46,724,557	49,319,072
Plant and machinery			
- Opening balance		270,126,952	272,853,584
- Revaluation during the year		-	10,412,825
		270,126,952	283,266,409
Power house			
- Opening balance		2,793,551	2,793,551
- Revaluation during the year		-	804,025
		2,793,551	3,597,576
		517,136,980	533,674,977
Related deferred taxation		-	(4,096,482)
	9.1	517,136,980	529,578,495
Deferred tax relating to export	9.2	(1,262,139)	1,562,906
Deferred tax due to change in tax rate		2,739,838	2,808,469
Incremental depreciation (net of deferred tax) charged on revalued property, plant and equipment during the year transferred to retained earnings		(16,313,829)	(15,844,244)
Surplus realized on disposal of revalued property, plant and equipment (net of deferred tax) transferred to retained earnings		(1,749,142)	(968,646)
		500,551,708	517,136,980

9.1 Revaluation of land, buildings and plant and machinery was carried out by an independent valuer as at September 30, 1995 resulting in revaluation surplus of Rs. 435.412 million. The following basis were used for revaluation:

Land	Market value
Building	Residual value
Plant and machinery	Residual value

Latest revaluation of property plant and equipment was carried out as at June 30, 2013, by an approved valuer that has resulted in revaluation surplus of Rs. 34.935 million. The following basis were used for revaluation:

Land	Market value
Buildings	Replacement value
Plant and machinery	Market value
Power house	Market value

9.2 This represents amount transferred from deferred tax liability due to change in proportion of local and export sales resulting in change in estimate of deferred tax on surplus on revaluation of property, plant and equipment.

Note 10
Long Term Financing

	Note	2014 Rupees	2013 Rupees
Loans from banking company - Secured (NIB Bank Limited)			
State Bank of Pakistan LTF - EOP Scheme		-	20,462,676
Freezed mark-up		-	77,014,000
		-	97,476,676
Current portion transferred to current liabilities	17	-	(20,462,676)
		-	77,014,000

10.1 This represented long term financing obtained from NIB Bank Limited. During the year, the Company has repaid the entire liability and transferred freezed mark up to other income (Note 36) as allowed under the terms and conditions of the rescheduled loan agreement.

Note 11
Liabilities Against Assets Subject to Finance Lease

	2014 Rupees	2013 Rupees
Future gross minimum lease payments and the period in which they will become due are as under:		
2014-15	40,006,800	-
2015-16	37,451,000	-
Gross minimum lease payments	77,457,800	-
Financial charges not currently due	(8,763,724)	-
Present value of minimum lease payments	68,694,076	-
Current portion shown under current liabilities	(33,469,731)	-
	35,224,345	-

Reconciliation between total of minimum lease payments and their present value is as under:

	2014 Rupees	2013 Rupees
Gross minimum lease payments:		
- Due not later than one year	40,006,800	-
- Due later than one year but not later than five years	37,451,000	-
	77,457,800	-
Present value of minimum lease payments:		
- Due not later than one year	33,469,731	-
- Due later than one year but not later than five years	35,224,345	-
	68,694,076	-

This represents finance lease arrangement entered into with a financial institution for plant and machinery. This liability is repayable latest by June, 2016 as per the repayment schedule. The Company made an upfront equity contribution of Rs. 70.700 million that has been adjusted against the lease liability. Lease rentals include finance cost @ KIBOR plus 2% (2013: Nil) per annum which is used as discounting factor. The finance lease arrangement is secured against hypotecation over fixed assets and personal guarantees of directors of the Company. All registration cost, taxes, insurance, repairs and maintenance cost are borne by the Company.

Note 12
Staff Retirement Benefits

	Note	2014 Rupees	2013 Rupees
Staff retirement benefits - Gratuity	12.3	72,795,423	56,724,989

12.1 The Company operates an unfunded gratuity scheme covering its permanent employees subject to completion of minimum prescribed period of service. Actuarial valuation of the scheme is carried out every year by an independent actuary and the latest actuarial valuation has been carried out as at June 30, 2014. The disclosures made in note 12.2 are based on the information included in that actuarial report.

12.2 Actuarial assumptions

	2014	2013
Discount rate	13.25%	10.5%
Expected rate of salary increase in future years	12.25%	9.5%
Average expected remaining working life time of employees	5 Years	5 years
Expected mortality rate for active members	As per SLIC (2001-2005) Mortality Table with one year setback	
Actuarial valuation method	Projected Unit Credit Method	

12.3 Company's liability

	Note	2014	2013
Opening balance		56,755,200	37,110,984
Remeasurement chargeable to other comprehensive income		-	8,541,923
Charge for the year	12.3.2	28,668,613	19,148,496
		85,423,813	64,801,403
Benefits paid to outgoing employees		(12,628,390)	(8,076,414)
		72,795,423	56,724,989

12.3.1 Reconciliation

	2014	2013
Present value of defined benefit obligation	72,795,423	56,724,989
Unrecognized actuarial (loss) / gain	-	-
Liability recognized in financial statements	72,795,423	56,724,989

12.3.2 Charge for the year

	2014	2013
Current service cost	23,375,480	14,324,068
Interest cost	5,293,133	4,824,428
	28,668,613	19,148,496

12.3.3 Charge for the year has been allocated as under

	2014	2013
Cost of sales	23,555,743	15,605,497
Administrative expenses	5,112,870	3,542,999
	28,668,613	19,148,496

12.3.4 Year end sensitivity analysis on defined benefit obligation

Reasonably possible changes at the balance sheet date to one of the relevant actuarial assumptions, holding other assumptions constant, would have resulted in present value of defined benefit obligation as stated below.

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption Rupees	Decrease in assumption Rupees
Discount rate	1%	68,656,633	77,490,254
Salary increase	1%	77,681,340	68,408,106

12.3.5 The Company does not have any plan assets covering its post-employment benefits payable. The comparative statement of present value of defined benefit obligations is as under:

	2014 Rupees	2013 Rupees	2012 Rupees	2011 Rupees	2010 Rupees
Present value of defined defined benefit obligation	72,795,423	56,724,989	38,577,451	29,948,793	21,983,053
Fair value of plan asset	-	-	-	-	-
Net balance sheet liability	72,795,423	56,724,989	38,577,451	29,948,793	21,983,053

Note 13
Deferred Tax Liability - Net

	Note	2014 Rupees	2013 Rupees
Deferred tax liability - Net	13.1	237,272,094	194,102,623
13.1 Credit / (Debit) balance arising in respect of:			
- Share of net profit of associate		23,259,962	18,885,397
- Accelerated tax depreciation		149,180,804	137,503,886
- Surplus on revaluation of property, plant and equipment		86,601,511	93,154,494
- Unused tax credits available		(18,473,122)	(38,044,127)
- Staff retirement benefits and others		(3,297,061)	(17,397,027)
		237,272,094	194,102,623

Note 14
Trade and Other Payables

	Note	2014 Rupees	2013 Rupees
Creditors for:			
- Goods supplied		23,933,849	26,871,088
- Services		34,326,633	33,814,820
Accrued liabilities	14.1	145,866,462	187,245,874
Advances from customers		7,927,940	9,122,457
Workers' (profit) participation fund	14.2	13,192,318	14,176,084
Workers' welfare fund		3,389,848	1,526,438
Sales tax payable		1,643,275	1,358,126
Unclaimed dividend		419,702	312,109
Unclaimed wages		842,474	3,626,374
		231,542,501	278,053,370

14.1 This included Rs. Nil (2013: 36.503 million) on account of fuel price adjustment.

14.2 Workers' (profit) participation fund

	2014	2013
	Rupees	Rupees
Opening balance	14,176,084	7,047,562
Provision for the year	12,577,077	14,176,084
Interest on funds utilized in the Company's business	615,241	294,392
	27,368,402	21,518,038
Paid during the year	(14,176,084)	(7,341,954)
Closing balance	13,192,318	14,176,084

Note 15
Accrued Mark-up

	2014	2013
	Rupees	Rupees
Long term financing	18,218	13,951,369
Short term borrowings	7,001,082	10,035,985
	7,019,300	23,987,354

Note 16
Short Term Borrowings

	Note	2014 Rupees	2013 Rupees
From banking companies - Secured			
Cash / packing finances	16.1	176,141,374	269,089,786
Overdrawn bank balances		42,673,639	-
From related parties - Unsecured			
Loan from directors	16.2	60,000,000	-
		278,815,013	269,089,786

16.1 These represent utilized portion of funded and unfunded short term finance facilities of Rs. 1,435 million (2013: Rs. 1,620 million) available from various banks under mark up arrangements. These facilities shall expire on various dates latest by September 30, 2014. Mark up on these facilities is charged from 1 month KIBOR plus 2.75% to 3 month KIBOR plus 3.25% (2013: 3 months KIBOR plus 2.00% to 3 month KIBOR plus 3.25%), payable quarterly. The aggregate short term finances are secured by ranking and hypothecation charge on property, plant and equipment, stocks and receivables of the Company; lien over export and import documents and personal guarantee of sponsoring directors of the Company. Certain short term facilities amounting to Rs. 572 million are secured against corporate guarantee of an associated undertaking (Sargodha Jute Mills Limited).

16.2 This represents short term loan obtained from directors to meet working capital requirements of the Company. The loan is unsecured and carries mark up at the rate of 3 month Kibor plus 2%, payable quarterly.

Note 17
Current Portion of Non-Current Liabilities

	Note	2014 Rupees	2013 Rupees
Long term financing	10	-	20,462,676
Liabilities against assets subject to finance lease	11	33,469,731	-
		33,469,731	20,462,676

Note 18
Provision for Taxation - Net

	2014	2013
	Rupees	Rupees
Opening balance	43,512,223	53,964,992
Provision:		
- Current year	49,976,031	43,512,223
- Prior years	(3,171,404)	5,572,450
	46,804,627	49,084,673
Payments / adjustments against advance tax, tax credits and refunds	(40,340,819)	(59,537,442)
	49,976,031	43,512,223

18.1 Assessments up to Tax Year 2013 are deemed finalized as income tax returns are filed under the self assessment scheme.

Note 19
Contingencies and Commitments

Contingencies

- The Company has provided bank guarantees / post dated cheques in the favour of following parties:

	2014	2013
	Rupees in Million	
- Sui Northern Gas Pipeline Limited	36.64	37.14
- Custom Authorities	20.92	40.62
	57.56	77.76

- The Company is contingently liable for Rs. 8.108 million (June 2013: Rs. 6.471 million) on account of electricity duty on self generation not acknowledged as debt as the case is pending before the Supreme Court of Pakistan.

Commitments

- The Company's outstanding commitments / contracts as at the balance sheet date are as under:

	2014	2013
	Rupees in Million	
Foreign bills of exchange purchased	187.68	149.42
Letters of credit	42.01	24.09
Capital expenditure	-	12.81
	229.69	186.32

Note 20
Property, Plant and Equipment

	Note	2014 Rupees	2013 Rupees
Operating fixed assets	20.1	1,688,553,006	1,545,949,583
Capital work in progress	20.6	719,560	5,928,780
		1,689,272,566	1,551,878,363

20.1 Operating fixed assets

Year ended June 30, 2014

Description	Cost / Revalued Amounts			Rate	Depreciation			Book Value
	As at 01-07-2013	Additions / (Disposals)	Total as at 30-06-2014	%	Up to 01-07-2013	For the year	Total as at 30-06-2014	as at 30-06-2014
	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees
Owned								
Land - freehold	202,293,750	-	202,293,750	-	-	-	-	202,293,750
Buildings on freehold land	181,093,940	15,652,330	196,746,270	5	-	9,054,697	9,054,697	187,691,573
Plant and machinery	1,026,183,702	24,809,086	1,044,368,279	5	-	51,587,862	51,477,455	992,890,824
		(6,624,509)				(110,407)		
Power house	93,536,977	-	93,536,977	20	-	18,707,395	18,707,395	74,829,582
Furniture and fixtures	5,867,172	-	5,867,172	10	5,115,641	75,153	5,190,794	676,378
Vehicles	44,938,324	47,104,092	88,574,086	20	15,504,704	10,026,926	23,164,128	65,409,958
		(3,468,330)				(2,367,502)		
Electric installations	31,576,197	7,120,970	38,697,167	10	20,355,663	1,257,648	21,613,311	17,083,856
Computers and equipment	3,385,414	98,500	3,483,914	20	2,176,512	251,888	2,428,400	1,055,514
Arms and ammunition	410,775	-	410,775	7	184,148	15,864	200,012	210,763
	1,589,286,251	94,784,978	1,673,978,390		43,336,668	90,977,433	131,836,192	1,542,142,198
		(10,092,839)				(2,477,909)		
Leased								
Plant and machinery	-	146,410,808	146,410,808	5	-	-	-	146,410,808
	-	146,410,808	146,410,808		-	-	-	146,410,808
June 30, 2014	1,589,286,251	241,195,786	1,820,389,198		43,336,668	90,977,433	131,836,192	1,688,553,006
		(10,092,839)				(2,477,909)		

Note 20, Property, Plant and Equipment - Contd…

20.2 Operating fixed assets

Year ended June 30, 2013

Description	Cost / Revalued Amounts					Rate	Depreciation					Book Value
	As at 01-07-2012	Additions / (Disposals)	Revaluation / (Adjustment)	Transfer to / (from)	Total as at 30-06-2013	%	Up to 01-07-2012	For the Year	Revaluation / (Adjustment)	Transfer to / (from)	Total as at 30-06-2013	as at 30-06-2013
	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Owned												
Land - freehold	185,688,750	-	16,605,000	-	202,293,750		-	-	-	-	-	202,293,750
Buildings on freehold land	139,327,181	58,590,664	4,319,126	-	181,093,940	5	13,125,274	8,017,757	(21,143,031)	-	-	181,093,940
			(21,143,031)									
Plant and machinery	880,221,990	272,830,297	10,412,825	-	1,026,183,702	5	81,821,025	42,153,399	(122,081,410)	-	-	1,026,183,702
		(15,200,000)	(122,081,410)					(1,893,014)				
Power house	187,385,431	-	3,597,576	-	93,536,977	20	74,961,180	22,484,850	(97,446,030)	-	-	93,536,977
			(97,446,030)									
Furniture and fixtures	5,867,172	-	-	-	5,867,172	10	5,032,137	83,504	-	-	5,115,641	751,531
Vehicles	20,688,771	20,913,385	-	4,892,000	44,938,324	20	8,799,673	5,619,914	-	2,268,650	15,504,704	29,433,620
		(1,555,832)						(1,183,533)				
Electric installations	31,340,696	235,501	-	-	31,576,197	10	19,121,507	1,234,156	-	-	20,355,663	11,220,534
Computers and equipment	3,221,744	163,670	-	-	3,385,414	20	1,899,475	277,037	-	-	2,176,512	1,208,902
Arms and ammunition	410,775	-	-	-	410,775	7	167,090	17,058	-	-	184,148	226,627
	1,454,152,510	352,733,517	34,934,527	4,892,000	1,589,286,251		204,927,361	79,887,675	(240,670,471)	2,268,650	43,336,668	1,545,949,583
		(16,755,832)	(240,670,471)					(3,076,547)				
Leased												
Vehicles	4,892,000	-	-	(4,892,000)	-	20	1,905,448	363,202	-	(2,268,650)	-	-
	4,892,000	-	-	(4,892,000)	-		1,905,448	363,202	-	(2,268,650)	-	-
June 30, 2013	1,459,044,510	352,733,517	34,934,527	-	1,589,286,251		206,832,809	80,250,877	(240,670,471)	-	43,336,668	1,545,949,583
		(16,755,832)	(240,670,471)					(3,076,547)				

20.3 Latest revaluation of land, building, plant and machinery and power house was carried out by an independent valuer as at June 30, 2013 as explained in Note 9. Had there been no revaluation, the cost, accumulated depreciation and book values of the revalued assets would have been as follows :

	As on June 30, 2014		
	Cost	Accumulated Depreciation	Book value
	Rupees	Rupees	Rupees
Land - freehold	4,801,830	-	4,801,830
Buildings on freehold land	211,774,726	83,371,919	128,402,807
Plant and machinery	1,281,076,425	615,680,075	665,396,350
Power house	187,385,431	115,433,910	71,951,521
	1,685,038,412	814,485,904	870,552,508

Note 20, Property, Plant and Equipment - Contd…

20.4 Depreciation charge for the year has been allocated as under:

	Note	2014 Rupees	2013 Rupees
Cost of sales	31	80,607,602	73,890,162
Administrative expenses	33	10,369,831	6,360,715
		90,977,433	80,250,877

20.5 Detail of items of property, plant and equipment having book value exceeding Rs. 50,000 sold during the year

Particulars	Cost / Revalued	Accumulated depreciation	Book value	Disposal proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyer
	Rupees	Rupees	Rupees	Rupees	Rupees		
Plant and machinery							
Comber-rieter model 1988 machinery	6,624,509	110,408	6,514,101	1,200,000	(5,314,101)	Negotiation	Mr. Zaher Ud Din & Co. - Faisalabad
	6,624,509	110,408	6,514,101	1,200,000	(5,314,101)		
Vehicles							
Honda Civic	1,557,000	1,297,956	259,044	650,000	390,956	Negotiation	Mr. Naseem Ahmad Saddiqui - Lahore
Honda Civic	1,911,330	1,069,545	841,785	1,000,000	158,215	Negotiation	Mr. Azeem Haider - Faisalabad
	3,468,330	2,367,501	1,100,829	1,650,000	549,171		
Total 2014	**10,092,839**	**2,477,909**	**7,614,930**	**2,850,000**	**(4,764,930)**		
Total 2013	**16,755,832**	**3,076,547**	**13,679,285**	**4,953,101**	**(8,726,184)**		

Note 20, Property, Plant and Equipment - Contd…

	2014 Rupees	2013 Rupees
20.6 Capital Work in Progress		
Buildings on freehold land		
Opening balance	-	15,656,915
Additions during the year	719,560	-
Transferred to buildings on freehold land	-	(15,656,915)
	719,560	-
Plant and machinery		
Opening balance	-	-
Additions during the year	18,996,776	272,830,297
	18,996,776	272,830,297
Transferred to plant and machinery	(18,996,776)	(272,830,297)
	-	-
Advance for purchase of office		
Opening balance	-	30,337,400
Additions during the year	-	12,596,349
	-	42,933,749
Transferred to buildings on freehold land	-	(42,933,749)
	-	-
Advance for purchase of vehicle		
Opening balance	5,928,780	-
Additions during the year	12,810,265	5,928,780
	18,739,045	5,928,780
Transferred to vehicles	(18,739,045)	-
	-	5,928,780
	719,560	5,928,780

Note 21
Long Term Investment

	2014 Rupees	2013 Rupees
Associates - Unquoted		
Sargodha Jute Mills Limited:		
- 8,120,000 (2013: 8,120,000) fully paid ordinary shares of Rs. 10 each Equity held 36.16% (2013: 36.16%) Cost of investment Rs. 65,600,000 (2013: Rs. 65,600,000)	254,453,968	216,199,427
- Share in net profit for the year of associate	43,578,409	42,496,854
- Share in realized surplus on revaluation of property, plant and equipment of associate	4,211,813	3,085,126
- Share in surplus / (deficit) on revaluation of investments available for sale of associate	15,433	(254,522)
- Effect of change in accounting policy of associate	-	(3,012,917)
- Less: Dividend received	(4,060,000)	(4,060,000)
	298,199,623	254,453,968

Note 21, Long Term Investment - Cont....

Restatement due to change in accounting policy of Associate	2014	2013
	Rupees in thousand	
Carrying value of investment as previously reported	257,324,323	216,056,865
Effect of change in accounting policy	(2,870,355)	142,562
As restated	254,453,968	216,199,427

21.1 The Company holds 36.16% shareholding in Sargodha Jute Mills Limited and accounts for this investment under equity method as prescribed in IAS 28 (Investments in Associates). Summarized audited financial statements of Sargodha Jute Mills Limited are as follows:

	2014	2013
	Rupees in thousand	
Equity (2013: Restated)	824,365	706,911
Total assets	1,897,434	2,141,004
Revenue	2,767,130	2,765,430
Net profit for the year	120,516	117,524

Note 22
Long Term Deposits

	2014	2013
	Rupees	Rupees
Deposit with LESCO	11,951,410	10,430,000
Others	2,070,379	2,860,329
	14,021,789	13,290,329

Note 23
Stores and Spares

	Note	2014	2013
		Rupees	Rupees
Stores and spares	23.1	46,014,613	50,047,400

23.1 This includes stores in transit amounting to Rs. 1.512 million (2013: Rs. 1.855 million) as at the balance sheet date.

23.2 Stores and spares include items which may result into fixed capital expenditure but those are not distinguishable as at the balance sheet date.

Note 24
Stock in Trade

	2014	2013
	Rupees	Rupees
Raw materials	193,563,886	240,956,383
Stock in transit	33,966,606	-
Work in process	42,583,035	37,056,910
Finished goods	70,973,685	59,340,207
	341,087,212	337,353,500

24.1 Stocks amounting to Rs. 91.604 million (2013: Rs. 224.800 million) approximately are pledged against short term borrowings.

24.2 Inventories recognized as an expense during the year include Rs. 26.38 million (2013: Nil) in respect of write-down of inventories to net realizable value.

Note 25
Trade Debts

	Note	2014 Rupees	2013 Rupees
Local debts (Unsecured - considered good)		18,582,125	21,200,965
Foreign debts (Secured - considered good)		30,339,429	78,971,768
Foreign debts (Considered doubtful)		6,278,843	6,278,843
		55,200,397	106,451,576
Less : Provision for doubtful debts	25.1	(6,278,843)	(6,278,843)
		48,921,554	100,172,733

25.1 Provision for doubtful debts

	2014	2013
Opening balance	6,278,843	6,278,843
Provision made during the year	-	-
	6,278,843	6,278,843
Bad debts written off	-	-
Closing balance	6,278,843	6,278,843

25.2 There is no outstanding receivable from any related party as at the balance sheet date.

Note 26
Advances, Trade Deposits, Prepayments and Other Receivables

	Note	2014 Rupees	2013 Rupees
Advances - Considered good:			
- Employees	26.1	801,836	960,496
- Suppliers and others		7,848,320	6,072,129
Income tax deducted at source / Advance tax		30,589,343	56,386,872
Margins:			
- Letters of credit		132,510	66,770
- Letters of guarantee		3,942,811	2,792,811
Prepayments		1,562,079	1,604,773
Other receivables		370,796	571,146
		45,247,695	68,454,997

26.1 Amount due from chief executive, directors and executives as at the balance sheet date was Nil (2013: Nil).

Note 27
Short Term Investments

	Note	2014 Rupees	2013 Rupees
At fair value through profit or loss	27.1	795,200	612,359

Investment in quoted shares

27.1 Investments are measured at fair value through profit and loss in accordance with IAS - 39 (Financial Instruments: Recognition and Measurement). The quoted market value in an active market is considered as the fair value of investment. The resulting difference between cost and fair value of investment is taken to the profit and loss account.

Note 28
Tax Refunds Due from Government

	2014 Rupees	2013 Rupees
Sales tax	12,217,802	25,258,255
Income tax	65,257,398	26,006,243
	77,475,200	51,264,498

Note 29
Cash and Bank Balances

	2014 Rupees	2013 Rupees
Cash in hand	619,905	635,475
Cash at banks in:		
- Current accounts	78,331,685	32,502,711
- Deposit account	-	150,000
	78,331,685	32,652,711
	78,951,590	33,288,186

Note 30
Sales - Net

	2014 Rupees	2013 Rupees
Yarn:		
- Local	3,489,435,041	3,349,419,451
- Export	1,621,068,481	1,685,786,228
Wastes	41,259,194	42,204,048
	5,151,762,716	5,077,409,727
Less: Commission to selling agents	(70,271,054)	(73,358,145)
Sales tax	(83,888,591)	(26,108,082)
	4,997,603,071	4,977,943,500

Note 31
Cost of Sales

	Note	2014 Rupees	2013 Rupees
Raw materials consumed		3,404,778,767	3,352,682,159
Stores and spares consumed		95,898,546	104,458,241
Packing materials consumed		91,695,994	85,583,830
Salaries, wages and other benefits	31.1	376,396,965	356,225,019
Fuel and power		539,769,422	516,460,239
Insurance		13,413,244	12,415,182
Repairs and maintenance		5,416,394	5,153,048
Other manufacturing expenses		8,140,715	8,739,188
Depreciation	20.4	80,607,602	73,890,162
		4,616,117,649	4,515,607,068
Opening work in process		37,056,910	34,358,032
Closing work in process		(42,583,035)	(37,056,910)
		(5,526,125)	(2,698,878)
		4,610,591,524	4,512,908,190
Cost of goods manufactured:			
- Opening finished goods		59,340,207	43,670,421
- Closing finished goods		(70,973,685)	(59,340,207)
		(11,633,478)	(15,669,786)
		4,598,958,046	4,497,238,404

31.1 This includes Rs. 23.556 million (2013: 15.605 million) in respect of staff retirement benefits.

Note 32
Selling and Distribution Costs

	2014 Rupees	2013 Rupees
Freight and octroi	11,278,370	13,152,510
Export sale expenses	37,441,640	44,691,466
	48,720,010	57,843,976

Note 33
Administrative Expenses

	Note	2014 Rupees	2013 Rupees
Salaries, wages and other benefits	33.1	52,906,458	51,143,679
Printing and stationery		1,414,890	940,050
Communication		1,330,989	1,671,265
Travelling and conveyance		1,105,135	1,469,928
Repairs and maintenance		687,896	963,860
Vehicles' running and maintenance		7,702,072	7,356,046
Rent, rates and taxes		2,978,488	2,109,859
Insurance		3,508,938	2,314,179
Legal and professional charges		2,462,260	3,386,905
Fee and subscription		6,108,775	2,341,874
Utilities		10,730,770	8,851,006
Entertainment		3,155,652	2,776,046
Advertisement		288,020	181,855
Donations	33.2	1,530,000	-
Miscellaneous		372,546	216,635
Depreciation	20.4	10,369,831	6,360,715
		106,652,720	92,083,902

33.1 This includes Rs. 5.113 million (2013: 3.543 million) in respect of staff retirement benefits.

33.2 None of the directors and their spouses had any interest in any of the donees.

Note 34
Finance Cost

	2014 Rupees	2013 Rupees
Interest / mark-up on:		
- Long term financing	1,965,231	4,830,857
- Liabilities against assets subject to finance lease	549,938	115,811
- Short term borrowings	45,120,257	37,675,287
	47,635,426	42,621,955
Bank charges and commission	9,549,694	9,147,402
Bank guarantee commission	1,083,210	1,066,189
Interest on workers' (profit) participation fund	615,241	294,392
	58,883,571	53,129,938

Note 35
Other Operating Expenses

	Note	2014 Rupees	2013 Rupees
Auditors' remuneration			
- Statutory audit		750,000	750,000
- Limited scope review		100,000	100,000
- Other attestation services		50,000	50,000
		900,000	900,000
Sales tax deposited under amnesty scheme	35.1	-	45,292,393
Loss on disposal of property, plant and equipment - Net		4,764,930	8,726,184
Provision for workers' (profit) participation fund		12,577,077	14,176,084
Provision for workers' welfare fund		1,863,411	1,526,438
Exchange loss		2,739,505	-
		22,844,923	70,621,099

35.1 This represents sales tax deposited under the amnesty scheme introduced by the Federal Board of Revenue vide SRO 179(1) 2013.

Note 36
Other Income

	2014 Rupees	2013 Rupees
Income from financial assets		
Gain on revaluation of short term investments at fair value through profit or loss	182,841	259,179
Gain on disposal of short term investments	-	623,418
Profit on bank account	-	12,750
Exchange gain	-	1,531,787
	182,841	2,427,134
Income from non financial assets		
Profit on sale of raw material	1,054,171	4,571,805
Others	445,000	2,276,615
Others		
NIB Bank freezed mark up written back (Note 10)	78,823,000	-
	80,505,012	9,275,554

Note 37
Taxation

	2014 Rupees	2013 Rupees
Current:		
- Current year		
- Prior years		
- Adjustment on account of assessment / return	49,976,031	43,512,223
- Tax credits utilized		
	(3,171,404)	5,092,928
	(23,110,194)	(44,890,203)
	(26,281,598)	(39,797,275)
Deferred	23,694,433	3,714,948
	44,233,281	(12,604,028)
	67,927,714	(8,889,080)

Note 37, Taxation - Cont....

37.1 Reconciliation of tax charge for the year:

	2014 Rupees	2013 Rupees
Profit before taxation	285,627,222	258,798,589
Tax @ 34% on profit before taxation	97,113,255	90,579,506
Prior year tax charge	(3,171,404)	5,092,928
Tax credits utilized and unutilized	(41,583,316)	(82,934,330)
Tax effect of exports under final tax regime	(14,853,078)	(7,324,154)
Tax effect on income taxed at reduced rate	(14,816,659)	(14,873,899)
Other adjustments	1,005,634	13,174,897
Deferred taxation	44,233,281	(12,604,028)
	67,927,714	(8,889,080)

Note 38
Cash Generated from Operations

	2014 Rupees	2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	285,627,222	258,798,589
Adjustments for:		
- Depreciation	90,977,433	80,250,877
- Share of net profit of associate	(43,578,409)	(42,496,854)
- Loss on disposal of property, plant and equipment - Net	4,764,930	8,726,184
- Gain on disposal of short term investments - Net	-	(623,418)
- Write down of inventories to net realizable value	26,384,209	-
- Surplus on revaluation of short term investments at fair value through profit or loss	(182,841)	(259,179)
- Provision for gratuity	28,668,613	19,148,496
- Exchange loss / (gain)	2,739,505	(1,531,787)
- Provision for workers' (profit) participation fund	12,577,077	14,176,084
- Provision for workers' welfare fund	1,863,411	1,526,438
- Interest on workers' (profit) participation fund	615,241	294,392
- Liabilities written back	(78,823,000)	(1,798,940)
- Finance cost	47,635,426	42,621,955
	93,641,595	120,034,248
Operating profit before working capital changes	379,268,817	378,832,837
Decrease / (increase) in current assets:		
- Stores and spares	4,032,787	402,352
- Stock in trade	(30,117,921)	24,352,462
- Trade debts	48,511,674	(15,139,088)
- Advances, trade deposits, prepayments and other receivables	(2,590,227)	(2,651,294)
- Tax refunds due from Government	13,040,453	(7,539,479)
Increase / (decrease) in current liabilities:		
- Trade and other payables	(47,498,106)	51,005,025
	(14,621,340)	50,429,978
Cash generated from operations	364,647,477	429,262,815

Note 39
Earnings per Share - Basic and Diluted

		2014	2013
		Rupees	Rupees
Basic earning per share is based on			
Net profit for the year attributable to ordinary shareholders	Rupees	217,699,508	267,687,669
Weighted average number of ordinary shares outstanding during the year	Number	17,971,372	17,971,372
Earnings per share - Basic	Rupees	12.11	14.90

39.1 Diluted Earnings per Share

There is no dilutive effect on the basic earnings per share of the Company as the Company has no such commitments that would result in dilution of earnings of the Company.

Note 40
Transactions with Related Parties

Related parties and associates comprise related group companies, local associates, staff retirement funds, directors and key management personnel. Transactions with related parties and associates, other than remuneration and benefits to key management personnel under the term of their employment are as follows:

	2014	2013
Associate	Rupees	Rupees
- Dividend income received	4,060,000	4,060,000
- Rent received from leasehold land	432,000	432,000
- Purchase of materials, goods and services	196,197	291,753
- Sale of materials, goods and services	302,609	227,496
- Dividend paid	22,485	14,990
- Commission paid on corporate guarantee	133,634	-
Director		
- Loan from director obtained / (repaid)	60,000,000	(5,000,000)
- Mark up on loan from director charged	2,974,684	150,337

There were no transactions with key management personnel other than undertaken as per terms of their employment that have been disclosed in Note 41. Sale and purchase transactions have been carried out on commercial terms and conditions under comparable uncontrolled price method.

Note 41
Chief Executive's, Directors' and Executives' Remuneration

The aggregate amounts charged in the financial statements for the year as remuneration and benefits to chief executive, directors and executives of the Company are as follows:

	2014			2013		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	6,818,182	3,163,636	21,312,274	6,272,727	-	17,408,007
Medical	681,818	316,364	2,131,226	627,273	-	1,735,121
Bonus	625,000	290,000	1,875,000	575,000	-	1,594,645
Staff retirement benefits	625,000	290,000	1,632,691	575,000	-	1,370,511
	8,750,000	4,060,000	26,951,191	8,050,000	-	22,108,284
Number of persons	1	1	21	1	-	18

41.1 The chief executive, one director and eight executives are provided with free use of Company maintained vehicles. Executive is defined as an employee with basic salary exceeding Rs. 500,000.

41.2 No meeting fee has been paid during the year.

Note 42
Segment Information

For management purposes, the activities of the Company are recognized into one operating segment, i.e. manufacturing and sales of yarn. The Company operates in the said reportable operating segment based on the nature of the product, risk and return, organizational and management structure and internal financial reporting systems. Accordingly, the figures reported in these financial statements related to the Company's only reportable segment. Entity-wide disclosures regarding reportable segment are as follows:

		2014	2013
		Percentage	Percentage
42.1	**Information about products:**		
	Yarn	99.20%	99.17%
42.2	**Major customers:**		
	3 customers (2013: 3 customers)	34.00%	15.10%

42.3 **Geographical Information:**
Company's revenue from external customers and geographical location is given as under:

	2014	2013
	Rupees in thousand	
Asia	1,142,290	1,171,353
Europe	478,778	463,280
Africa	-	48,750
North America	-	2,404
Pakistan	3,446,806	3,365,515
	5,067,874	5,051,302

42.4 All non-current assets of the Company are located and operated in Pakistan as at the reporting date.

Note 43
Plant Capacity and Production

	2014	2013
	Kilograms	Kilograms
Plant capacity converted into 20/S count based on three shifts per day for 365 days (2013: 365 days)	38,320,778	38,320,778
Actual production converted into 20/S count	33,071,492	34,382,004

Reasons for shortfall

Reasons of shortfall in actual production capacity and the resultant production were on account of various factors such as spindle speed, maintenance of machinery and power shutdown etc.

Note 44
Financial Risk Management

44.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency 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 and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to foreign entities. The Company hedges its export bills proceeds through discounting, when considered appropriate. As at the balance sheet date, the Company's exposure to currency risk was as follows:

	2014	2013
	Rupees in thousand	
Trade debts	36,618	85,251
Outstanding commitments against letters of credit	(42,012)	(24,089)
Outstanding commitments against foreign bills of exchange purchased	(187,680)	(149,417)
Net exposure	(193,074)	(88,255)

The following significant exchange rates were applied during the year:

Rupees per US Dollar

	2014	2013
Average rate	98.78	100.10
Reporting date rate	98.75	100.90

Note 44, Financial Risk Management - Contd…

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 1.831 million (2013: Rs. 4.262 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. This sensitivity analysis reflects exposure as at reporting date and is unrepresentative of the exposure during the year.

(ii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instrument traded in the market. The Company is exposed to equity and commodity price risk in respect of short term investments carried at market value. Following analysis shows the impact of change in equity and commodity price.

	Year	Change in Commodity Prices	Effect on Profit and Loss Account
		%	Rupees in Thousand
Equity instruments	2014	+10%	79.52
	2014	-10%	(79.52)
Equity instruments	2013	+10%	61.24
	2013	-10%	(61.24)

There is no impact of change in equity and commodity price on statement of other comprehensive income.

(iii) Interest rate risk

This represents 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 has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing, short term borrowings and bank balance in saving accounts. As the borrowings are obtained at variable rates, these expose the Company to cash flow interest rate risk.

As at the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was as follows:

Floating rate instruments

	2014	2013
Financial liabilities	Rupees in thousand	
Long term financing	-	97,477
Liabilities against assets subject to finance lease	68,694	-
Short term borrowings	278,815	269,090
Financial assets		
Bank balances - deposit account	-	150

Cash flow sensitivity analysis for variable rate instruments

Note 44, Financial Risk Management - Contd…

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit and loss account. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

	Changes in interest rates	Long term financing	Liabilities against assets subject to finance lease	Short term borrowings	Bank balances - deposit account	Total effects on Profit and Loss Account
	%	Rupees in thousand				
June 30, 2014						
	+1.00	-	(686.94)	(2,788.15)	-	(3,475.09)
	-1.00	-	686.94	2,788.15	-	3,475.09
June 30, 2013						
	+1.00	(974.77)	-	(2,690.90)	1.50	(3,664.16)
	-1.00	974.77	-	2,690.90	(1.50)	3,664.16

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2014	2013
	Rupees in thousand	
Long term deposits	14,022	13,290
Trade debts	48,922	100,173
Trade deposits and other receivables	4,314	3,364
Short term investments	795	612
Bank balances	78,332	32,653

Company exposure relating to credit risk relating to trade debt is disclosed in relevant notes to the financial statement. There are no significant debtors that are past due as at the balance sheet date.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating Agency	2014	2013
	Short term	Long term			
				Rupees in thousand	
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	53,208	16,808
MCB Bank Limited	A1+	AAA	PACRA	17,612	8,837
Habib Bank Limited	A1+	AAA	JCR-VIS	639	3,080
Allied Bank Limited	A1+	AA+	PACRA	5,519	2,614
JS Bank Limited	A1	A+	PACRA	-	931
National Bank of Pakistan	A1+	AAA	JCR-VIS	891	209
United Bank Limited	A1+	AA+	JCR-VIS	273	167
Bank Alfalah Limited	A1+	AA	PACRA	190	7
				78,332	32,653

Note 44, Financial Risk Management - Contd…

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs. 1,216.00 million (2013: 1,351.93 million) worth unavailed short term borrowing limits available (both funded and unfunded) from financial institutions and Rs. 78.952 million (2013: Rs. 33.288 million) cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

Contractual maturities of financial liabilities as at June 30, 2014:

	Carrying Amount	Contractual cash flows	Within 1 year	2-5 Years	More than 5 years
	---------- Rupees in thousand ----------				
Liabilities against leased assets	68,694	77,458	40,007	37,451	-
Trade and other payables	205,389	205,389	205,389	-	-
Accrued interest	7,019	7,019	7,019	-	-
Short term borrowings	236,141	265,227	265,227	-	-
	517,243	555,093	517,642	37,451	-

Contractual maturities of financial liabilities as at June 30, 2013:

	Carrying Amount	Contractual cash flows	Within 1 year	2-5 Years	More than 5 years
	---------- Rupees in thousand ----------				
Long-term finances*	97,477	22,918	22,918	-	-
Trade and other payables	251,870	251,870	251,870	-	-
Accrued interest	23,987	23,987	23,987	-	-
Short term borrowings	269,090	277,539	277,539	-	-
	642,424	576,314	576,314	-	-

*Rs. 77.014 million represented the freezed mark-up that has been waived off in accordance with the rescheduling agreement (Refer to Note 10).

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in relevant notes to these financial statements.

44.2 Financial instruments by categories

Financial assets as at June 30, 2014

	Cash and Cash Equivalents	Loans and advances	Fair value through profit or loss	Total
	---------- Rupees in thousand ----------			
Long term deposits	-	14,022	-	14,022
Short term investments	-	-	795	795
Trade debts	-	48,922	-	48,922
Trade deposits and other receivables	-	4,314	-	4,314
Cash and bank balances	78,952	-	-	78,952
	78,952	67,258	795	147,005

Note 44, Financial Risk Management - Contd…

Financial assets as at June 30, 2013

	Cash and Cash Equivalents	Loans and advances	Fair value through profit or loss	Total
	---------- Rupees in thousand ----------			
Long term deposits	-	13,290	-	13,290
Short term investments	-	-	612	612
Trade debts	-	100,173	-	100,173
Trade deposits and other receivables	-	3,364	-	3,364
Cash and bank balances	33,288	-	-	33,288
	33,288	116,827	612	150,727

Financial liabilities at amortized cost

	2014	2013
	Rupees in thousand	
Long term financing		
Liabilities against assets subject to finance lease	-	97,477
Trade and other payables	68,694	-
Accrued mark-up	205,389	251,870
Short term borrowings	7,019	23,987
	278,815	269,090
	559,917	642,424

44.3 Fair values of financial assets and liabilities

Carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Note 45

Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhance shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchasing shares, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level and regulating its dividend payout thus maintaining smooth capital management.

In line with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) and finance leases less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

As at the balance sheet date, the gearing ratio of the Company was as under:

	2014	2013
	Rupees in thousand	(Restated)
Total borrowings		
Cash and bank balances	347,509	366,566
Net Debt	(78,952)	(33,288)
Equity	268,557	333,278
Total Capital	1,193,321	980,732
	1,461,878	1,314,010
Gearing Ratio		
	18.37%	24.49%

Note 46
Number of Employees

	2014				
	Permanent		Contractual		Total
	Head office	Mills	Head office	Mills	
	Number	Number	Number	Number	Number
Employees as at the year end	36	1,999	3	129	2,167
Average employees during the year	36	1,943	3	124	2,106

	2013				
	Permanent		Contractual		Total
	Head office	Mills	Head office	Mills	
	Number	Number	Number	Number	Number
Employees as at the year end	35	2,082	3	76	2,196
Average employees during the year	35	2,055	3	72	2,165

Note 47
Proposed Dividend

The directors in their meeting held on September 29, 2014 have recommended a final cash dividend of Rs. 1.50 (2013: Rs. 1.50) per share in respect of the year ended June 30, 2014.

Note 48
Provident Fund Related Disclosures

The Company does not maintain any provident fund for its employees.

Note 49
Authorization of Financial Statements

These financial statements were authorized for issuance on ____________________________ by the Board of Directors of the Company.

Note 50
Corresponding Figures

Comparative figures have been re-arranged / reclassified, wherever necessary, to facilitate comparison. Following rearrangements have been made in these financial statements for better presentation of the financial statements.

From	**Amount** (Rupees)	**To**	**Amount** (Rupees)
Other manufacturing expenses (Note 31)	(1,140,000)	Legal and professional (Note 33)	1,140,000
Fee and subscription (Note 33)	(1,250,430)	Legal and professional (Note 33)	1,250,430

CHIEF EXECUTIVE **DIRECTOR**

FORM - 34

PATTERN OF HOLDING OF SHARES
HELD BY THE SHAREHOLDERS AS AT 30TH JUNE, 2014

No. of Shareholders	Share Holding From	To	Total Shares Held
482	1	100	12,218
241	101	500	58,759
42	501	1,000	30,176
55	1,001	5,000	124,731
2	5,001	10,000	15,570
4	10,001	15,000	50,974
3	15,001	20,000	54,248
2	35,001	40,000	76,303
1	105,001	110,000	105,907
1	265,001	270,000	265,553
1	270,001	275,000	272,374
1	430,001	435,000	432,131
2	450,001	455,000	903,015
1	835,001	840,000	837,470
1	2,440,001	2,445,000	2,442,599
2	3,585,001	3,590,000	7,175,729
1	5,110,001	5,115,000	5,113,615
842			**17,971,372**

CATEGORIES OF SHAREHOLDERS
AS AT 30-06-2014

Sr. No.	Categories of Shareholders		Physical	CDC	Total
1	**Directors, Chief Executive and Their Spouses and MInor Children**				
	Mr. Imran Aslam	- Chief Executive/Director	-	3,587,865	3,587,865
	Mian Parvez Aslam	- Director	-	5,113,615	5,113,615
	Mr. Irfan Aslam	- Director	-	3,587,864	3,587,864
	Mr. Naveed Sheikh	- Director	650	-	650
	Syed Raza Ali Bokhari	- Director	650	-	650
	Mr. Humayun Bakht	- Director	650	-	650
	Mrs. Nazish Imran	- Director	650	-	650
	Mrs. Sara Irfan	- Spouse	650	-	650
	Mrs. Fakhra Parvez	- Spouse	-	837,470	837,470
			3,250	**13,126,814**	13,130,064
2	**Executives**		-	-	-
3	**Associated Companies, Undertakings & Related Parties**				
	Sargodha Jute Mills Limited		-	14,990	14,990
	Total:		-	**14,990**	**14,990**
	Related Parties				
	Mrs. Saima Hassan		-	**451,508**	**451,508**
	Sadaf Parvez		-	**451,507**	**451,507**
	Total:		-	**903,015**	**903,015**
4	**Public Sector, Companies and Corporations**				
	National Investment Trust Limited		410	-	410
	Investment Corpration of Pakistan		8,900	-	8,900
			9,310	-	**9,310**

CATEGORIES OF SHAREHOLDERS
AS AT 30-06-2014

Sr. No.	Categories of Shareholders	Physical	CDC	Total
5	**Mutual Funds**			
	Golden Arrow Selected Stock Fund Limited	122	-	122
6	**Banks, NBFC's, DFI's, Takaful, Pension Funds**	2200	-	2,200
7	**Modarabas**	-	-	-
8	**Insurance Companies**	600	-	600
9	**Other Companies, Corporate Bodies, Trust etc.**	2,615	7,740	10,355
10	**General Public- Local**	872,151	3,028,565	3,900,716
	Grand Total:	**890,248**	**17,081,124**	**17,971,372**
	Shareholders more than 5% shareholding			
	Mian Parvez Aslam	-	5,113,615	5,113,615
	Mian Shahzad Aslam	760,382	1,682,217	2,442,599
	Mr. Imran Aslam	-	3,587,865	3,587,865
	Mr. Irfan Aslam	-	3,587,864	3,587,864
	No trade in the shares of the company carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children except Mian Parvez Aslam son of Mian Muhammad Aslam (late), Director of the Company received 4,038,698 shares gifted by Mr. Sajjad Aslam son of Mian Muhammad Aslam (late).	-	-	-

PROXY FORM

I/We____, being member(s) of **Shahzad Textile Mills Limited** and holder of ___________Shares as per Folio No. __________ CDC Participant ID # ___________________and Sub Account # ________________ do hereby appoint ___________________________________ of __________________________________ or failing him/her ___________________________________ of __________________________________ as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of **Shahzad Textile Mills Limited** scheduled to be held on **Thursday, October 30, 2014 at 11.00 a.m.** at 19-A, Off. Zafar Ali Raod, Gulberg-V, Lahore and at any adjournment thereof.

As witness my/our hand this ______________________day of ____________________________2014

Please affix here Revenue Stamp of Rs.5/-

____
Members' Signature

Notes:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy.
2. Proxies, in order to be effective, must be received at the Company's Registered Office, 19-A, Off. Zafar Ali Road, Gulberg-V, Lahore, not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
3. CDC account holders will further have to follow the under-mentioned guidelines as laid down in circular #1, dated 26th January, 2000 of The Securities and Exchange Commission of Pakistan.

i) In case of individuals, the account holder and/or sub-account holder whose securities and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.

v) In case of corporate entity, the Board's resolution/power of attorney with specimen signatures of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the Company.