

AL-ABID

SILK MILLS LIMITED

46th ANNUAL REPORT
2014

46th ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

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AL-ABID SILK MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. S.M. Jawed Azam Mr. Naseem A. Sattar Mr. Azim Ahmed Mr. Qamar Mashkooor Mr. Muhammad Sajid Hafeez Mst. Adia Naseem Mrs. Sadaf Nadeem Syed Raza Abbas Jaffari	Chairman Chief Executive Officer Executive Director Independent Non-Executive Director Independent Non-Executive Director Non-Executive Director Non-Executive Director Nominee Director (N.I.T.)
SECRETARY	Mr. Nasim Ahmed	
AUDIT COMMITTEE	Mr. Qamar Mashkooor Mr. Muhammad Sajid Hafeez Mr. S.M. Jawed Azam	Chairman Member Member
HUMAN RESOURCE AND REMUNERATION COMMITTEE	Mr. Muhammad Sajid Hafeez Mr. Naseem A. Sattar Mr. Qamar Mashkooor	Chairman Member Member
AUDITORS	Muniff Ziauddin & Co., Chartered Accountants	
REGISTRARS	(a) Adam Patel & Company 34/2-F, Block-5, Clifton, Karachi. (b) Jwaffs Registrar Services (Pvt) Ltd. 505, 5th Floor, Kashif Centre, Near Hotel Mehran, Main Shahrah-e-Faisal, Karachi.	
BANKERS	Allied Bank Limited Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited JS Bank Limited Meezan Bank Limited National Bank of Pakistan Pak Oman Investment Company Limited Pak Kuwait Investment Company (Private) Limited PAIR Investment Company Limited Standard Chartered Bank (Pakistan) Limited Summit Bank Limited The Bank of Punjab United Bank Limited	
REGISTERED OFFICE	A-39, S.I.T.E., Manghopir Road, Karachi.	
MILLS	A-39, A-51 / B, A-34 / A, D-14 / C-1, A-29 / B, S.I.T.E., Karachi.	

AL-ABID SILK MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 46th Annual General meeting of the Shareholders of the Company will be held at the Auditorium of the Institute of Chartered Accountants of Pakistan, G-31/8 Kehkashan, Clifton, Karachi, on Monday, October 27, 2014 at 06:00 p.m. to transact the following business:

1. To confirm the Minutes of the last Annual General Meeting of the Company held on 31st October, 2013.
2. To receive, consider and adopt the annual audited accounts of the Company together with the Directors' and Auditors' Report thereon for the year ended June 30, 2014.
3. To appoint statutory Auditors for the year 2014-2015 and fix their remuneration. The present auditors M/s. Muniff Ziauddin & Company, Chartered Accountants, have offered themselves for re-appointment as Auditors of the Company.
4. To consider any other business with the permission of the Chair.

BY ORDER OF THE BOARD

(NASIM AHMED)
Company Secretary

Karachi: September 29, 2014

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 18, 2014 to October 27, 2014 (both days inclusive).
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. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time of meeting.
3. Members are requested to promptly notify the Company of any change in their address.

CDC Account Holders will further have to follow the under mentioned guidelines as laid down in circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

- i) In case of individuals, the account holder or sub-account holder and/or the persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or, original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' 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

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account 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 CNIC or the passport of the 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 of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

AL-ABID SILK MILLS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors presents the 46th Annual Report and the Audited Financial Statement of the Company for the year ended June 30, 2014.

Textile sector plays vital role in the Pakistan's economy. It is at present facing multiple challenges both internally and externally. Ever increasing production cost, and deteriorating Law and order conditions are causing a major hurdle in growth. High energy cost and prolonged power shortage further aggravated the hurdles.

During the financial year under review, the company registered total sales of Rs. 489.195 million as against Rs. 2.757 billion registered during the last financial year. The company has been through most difficult period of the history from the start of last financial year. In order to keep afloat the factory, the company has started tool manufacturing for local customers who do not have their own processing facilities but did not achieve the optimum level of production owing to financial constraints. The capacity of the plant remained underutilized due to aforesaid reasons resultantly fixed expenses of the company were not absorbed. As a result, the company incurred the loss of Rs.344.743 million as against the loss of Rs.1.589 billion incurred during the last financial year.

Cost cutting measures and internal restructuring:

Bearing in mind the current level of production and turnover, the management has also undertaken adequate steps towards the reduction of fixed cost and expenses which are at the various stages of implementation. Such steps include, but not limited to, rightsizing the men hour, resource conservation, close monitoring of other fixed cost etc., thus improving the efficiency. The management is certain to generate sufficient savings as a consequence of adapting all such measures.

The management is also confident that eventually with all such effective measures adopted, it will succeed in all its endeavors enabling the company to steer out from the present financial crises and to continue as a going concern.

FUTURE OUTLOOK:

Business conditions are likely to remain difficult and uncertain for processing units, like ours, in time to come. Despite having multiple challenges being faced in textile industry, the company is making its sincere endeavor to triumph over the acute financial crises by optimum utilization of plant capacity, rationalize production volume and cost reductions measures, the management has also equipped the company with highly technical and professional engineers and executives to enhance its production related cost cutting, energy savings.

DIVIDEND

Considering the current state of affairs, the cash flow of the company does not allow any dividend payout. Therefore, the Board of Directors does not recommend dividend for the year ended June 30, 2014.

AL-ABID SILK MILLS LIMITED

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors declare that:

- The financial statements prepared by the management of Al-Abid Silk Mills Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of Al-Abid Silk Mills Limited have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of Financial Statements.
- The Board is responsible for the Company's system of internal control and reviewing its effectiveness. The Board considers that the Company's system of internal control is sound and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for last six years in summarized form is also enclosed in the annual report.

NUMBER OF BOARD MEETINGS HELD DURING THE YEAR AND ATTENDANCE OF EACH DIRECTOR

During the year four meetings of the Board of Directors were held. The attendance of the Directors at board meetings were as follows:

Name of Director	Meeting Eligibility	Meeting Attended
Mr. S.M. Jawed Azam	4	4
Mr. Naseem A. Sattar	4	3
Mr. Azim Ahmed	4	3
Mr. Qamar Mashkooor	4	4
Mr. Muhammad Sajid Hafeez	4	4
Syed Raza Abbas Jafferri	4	3
Mst. Adia Naseem	4	3
Mrs. Sadaf Nadeem	4	3

AUDIT COMMITTEE:

Size and Composition:

For the financial year ended June 30, 2014, the audit committee comprised the following three directors, all are Non-Executive Directors:

- | | | |
|----|---------------------------|----------|
| 1. | Mr. Qamar Mashkooor | Chairman |
| 2. | Mr. S.M.Jawed Azam | Member |
| 3. | Mr. Muhammad Sajid Hafeez | Member |

INTERNAL AUDIT FUNCTION:

The Board Audit Committee is assisted by the Internal Audit Function in maintaining a sound system of internal controls and best practices.

The Internal Audit Function reviews internal controls in all key activities of the company. It acts as a service to the business by assisting with continuous improvement of controls and procedures. Actions are agreed in response to its recommendation and these are followed up to ensure that satisfactory controls are maintained.

Quarterly reviews are also conducted between internal audit management and senior management of the business and major functions to assess their current control status to identify and address any areas of concern.

The Board is responsible for effectiveness of the company's system of internal control. The internal control systems are designed to meet company's requirement to avoid the risk to which it may be exposed.

There is no restriction placed upon the scope of the internal audit function. The members of the internal audit function are authorized to have full, free and unrestricted access to all departments, their personnel, records and information (in whatever form) and physical property. Documentation and information provided are subject to the appropriate levels of security and confidentiality.

AUDITORS:

M/s Muniff Ziauddin & Co., Chartered Accountants have retired and being eligible offered themselves for reappointment. As required by the Code of Corporate Governance and based on the recommendation of the Audit Committee the board of Directors has recommended the appointment of the M/s. Muniff Ziauddin & Co., Chartered Accountants for the year ending June 30, 2015.

PATTERN OF SHAREHOLDING:

The Pattern of Shareholding and additional information regarding pattern of shareholding is attached to the financial statements included in this report.

LOSS PER SHARE:

Based on the net loss for the current year, the basic loss per share is Rs. 42.35 (2013: Rs.136.71)

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ACKNOWLEDGMENT

Towards the end, your Directors appreciate the services rendered by its workers, staff and executives of the company and look forward to their continued hard work with full dedication. We also acknowledge with thanks the cooperation extended by our banks, creditors and financial institutions. At the same time we thank all our well wishers and valued shareholders for their reposing confidence in us.

Thanking to all of you.

For and on behalf of the Board of Directors

September 29, 2014

(NASEEM A. SATTAR)
Chief Executive Officer

AL-ABID SILK MILLS LIMITED

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE For the year ended June 30, 2014.

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in the listing regulation of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At presents the board includes:

Category	Name
Independent Directors	Mr. Qamar Mashkooor
	Mr. Muhammad Sajid Hafeez
Executive Directors	Mr. Naseem A. Sattar
	Mr. Azim Ahmed
Non-Executive Directors	Mr. S.M. Jawed Azam
	Syed Raza Abbas Jaffari
	Mst. Adia Naseem
	Mrs. Sadaf Nadeem

The independent directors meets the criteria of independence under clause i (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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy has occurred during the period under review.
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.

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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.
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. Two Executive Directors and one Non-Executive Director are exempted from Directors' Training Program. Apart from that, board will also arrange training programs for its directors.
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 members and all of them 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 are non-executive directors and the chairman of the committee is non-executive director.
18. The board has set up an effective internal audit function.

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19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board of Directors

Karachi: September 29, 2014

Naseem A. Sattar
Chief Executive Officer

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Al-Abid Silk Mills Limited (the Company)** for the year ended June 30, 2014, to comply with Listing Regulation No. 35 of Karachi and Lahore Stock Exchanges where the company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code 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 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 Director's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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 highlight below instances of non-compliance with the requirements of the Code as reflected in the note reference where these are stated in the Statement of Compliance:

Note reference	Description
---------------------------	--------------------

- | | |
|----|---|
| 9. | The Board has not made arrangements to carry out orientation courses on the Code of Corporate Governance for its directors. Furthermore, the directors (excluding exempted directors) have not acquired the mandatory certification of directors training program from the Institute specified by the SECP. |
|----|---|

Karachi: September 29, 2014

MUNIFF ZIAUDDIN & CO.
CHARTERED ACCOUNTS
(Salim Sadruddin)

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Al-Abid Silk Mills Limited** as at June 30, 2014 and the related profit and loss account, 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 except for the matters described in paragraphs (i) to (vi) below 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.

Except for the matters described in paragraphs (i) to (vi) below, 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:

- i. during the year ended June 30, 2014 the company sustained after tax loss of Rs. 568 million (2013: 1,834 million) and its accumulated loss stood at Rs. 5,893 million which has eroded its equity to an adverse balance of Rs. 5,386 million before surplus on revaluation of fixed assets of Rs. 3,370 million and, as of that date Company's current liabilities exceeded its current assets by Rs. 5,952 million. These events indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements have been prepared on a going concern basis but, in our opinion, management's use of the going concern assumption in the financial statements is inappropriate.
- ii. as mentioned in note 1.1(iii) to the financial statements, the restructuring of financial facilities is under process with various banks and financial institutions. However, as disclosed in the same note, certain lenders have gone into litigation for repayment of liabilities and sale of the company's hypothecated/mortgaged properties.
- ii. We have not received bank confirmations from the banks and financial institutions for short term loans amounting to Rs. 5,035 million as mentioned in note 15 to the financial statements. Moreover, we have also not received direct confirmation from various leasing companies amounting to Rs. 60 million.
- iv. as mentioned in note 1.1(iii) to the financial statements, the Company has not recorded markup on finances obtained from banks amounting to Rs. 721 million on the plea of restructuring negotiation/litigation with the respective banks. Had the provision of mark-up been made in the financial statements, the loss for the current period would have been higher by Rs. 721 million and accumulated loss and mark-up payable would have been higher by Rs. 721 and shareholders equity would have been lower by the same amount.
- v. the recoverable amount of surplus on revaluation of fixed assets as shown in note 6 of the financial statements is dependent upon continued operation of the company.

AL-ABID SILK MILLS LIMITED

- vi. The interest free long term loan from director amounting to Rs. 446 million (2013: Rs. 305 million) is being shown at historical cost in contravention with the requirements of IAS-39 which require the same to be recorded at fair value or amortised cost as appropriate with an impact on income through profit and loss account.
- (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:
1. except for the effects of the matters referred to in paragraphs (i) to (vi) 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 as stated in note 3.19 with which we concur;
 2. the expenditure incurred during the year was for the purpose of the Company's business; and
 3. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) Due to the significance of the matters referred to in paragraphs (i) to (vi) above, 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, cash flow statement and statement of changes in equity together with the notes forming part thereof do not conform with approved accounting standards as application in Pakistan and, do not give the information required by the Companies Ordinance, 1984, in the manner so required and do not give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the loss, its changes in equity and cash flows for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi: September 29, 2014

MUNIFF ZIAUDDIN & CO.
CHARTERED ACCOUNTS
(Salim Sadruddin)

AL-ABID SILK MILLS LIMITED

BALANCE SHEET AS AT

		June 2014	June 2013	July 1, 2012
Note		(Rupees)		
		----- Restated -----		
EQUITY & LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorised capital		200,000,000	200,000,000	200,000,000
20,000,000 Ordinary Shares of Rs. 10/- each		<u>134,095,500</u>	<u>134,095,500</u>	<u>134,095,500</u>
Issued, subscribed and paid-up capital	5			
Reserves				
Capital reserve		372,834,000	372,834,000	372,834,000
Accumulated loss		(5,892,800,377)	(5,549,079,853)	(3,959,269,070)
		<u>(5,519,966,377)</u>	<u>(5,176,245,853)</u>	<u>(3,586,435,070)</u>
Shareholder's equity		<u>(5,385,870,877)</u>	<u>(5,042,150,353)</u>	<u>(3,452,339,570)</u>
Surplus on revaluation of fixed assets	6	3,369,922,225	3,594,197,081	4,322,049,990
LIABILITIES				
NON- CURRENT LIABILITIES				
Loan from director - unsecured	7	445,768,754	305,455,867	150,000,000
Long term loan from banks	8	-	-	5,497,697
Liabilities against assets subject to finance lease	9	-	16,612,334	37,371,128
Deferred Taxation	10	399,993,045	483,376,776	-
Retirement benefits	11	22,384,770	22,159,922	40,517,520
		<u>868,146,569</u>	<u>827,604,899</u>	<u>233,386,345</u>
CURRENT LIABILITIES AND PROVISIONS				
Trade and other payables	12	1,014,878,695	1,071,878,543	2,377,216,020
Accrued markup	13	240,815,938	240,815,938	251,155,976
Current maturity of long term loans				
- and Lease Liability	14	73,072,920	59,966,536	50,330,019
Short term finances	15	5,034,787,523	5,065,814,155	5,157,323,419
		<u>6,363,555,076</u>	<u>6,438,475,172</u>	<u>7,836,025,434</u>
CONTINGENCIES AND COMMITMENTS	16	<u>5,215,752,993</u>	<u>5,818,126,799</u>	<u>8,939,122,199</u>

The annexed notes 1 to 41 form an integral part of these financial statements.

Naseem A. Sattar
Chief Executive Officer

AL-ABID SILK MILLS LIMITED

JUNE 30, 2014

	Note	June 2014	June 2013 (Rupees)	July 1, 2012 Restated
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	17	4,801,771,325	5,261,929,398	5,803,979,302
Long term security deposit		1,946,645	1,946,645	1,946,645
CURRENT ASSETS				
Stores and spares	18	89,886,713	95,839,301	148,078,304
Stock in trade	19	30,997,375	106,861,274	2,427,947,404
Trade debts	20	33,643,479	58,635,820	125,640,071
Loans and advances	21	12,392,083	16,144,595	21,074,499
Trade deposits and prepayments	22	7,811,810	7,811,810	15,288,691
Other receivables	23	170,493,463	192,380,429	270,784,874
Tax refunds due from government	24	58,471,592	66,704,777	79,093,357
Cash and bank balances	25	8,338,508	9,872,750	45,289,052
		412,035,023	554,250,756	3,133,196,252
		5,215,752,993	5,818,126,799	8,939,122,199

Azim Ahmed
Director

AL-ABID SILK MILLS LIMITED

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

	Note	2014 Rupees	2013 Rupees
Sales and services	26	489,195,884	2,757,307,842
Cost of sales	27	1,020,101,610	4,476,714,415
Gross loss		(530,905,726)	(1,719,406,573)
Operating expenses			
Distribution cost	28	17,064,839	79,216,286
Administrative expenses	29	107,026,689	189,824,135
		124,091,528	269,040,421
		(654,997,254)	(1,988,446,994)
Other income	30	4,125,778	314,695,708
Loss from operations		(650,871,476)	(1,673,751,286)
Finance cost	31	162,672	136,631,603
Loss before taxation		(651,034,148)	(1,810,382,889)
Taxation - net	32	(83,098,210)	22,838,773
Loss after taxation		(567,935,938)	(1,833,221,662)
Loss per share - basic and diluted	33	(42.35)	(136.71)

The annexed notes 1 to 41 form an integral part of these financial statements.

Naseem A. Sattar
Chief Executive Officer

Azim Ahmed
Director

AL-ABID SILK MILLS LIMITED

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

	2014 Rupees	2013 Rupees Restated
Loss after taxation	(567,935,938)	(1,833,221,662)
Items that will never be classified to profit or loss		
Remeasurements of defined benefit liability	(90,064)	(1,065,254)
Recognition tax	30,622	-
Total other comprehensive income	(59,442)	(1,065,254)
Total comprehensive loss for the year	<u>(567,995,380)</u>	<u>(1,834,286,916)</u>
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	223,251,827	244,476,133
Total Comprehensive Loss	<u>(344,743,553)</u>	<u>(1,589,810,783)</u>

The annexed notes 1 to 41 form an integral part of these financial statements.

Naseem A. Sattar
Chief Executive Officer

Azim Ahmed
Director

AL-ABID SILK MILLS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	2014 Rupees	2013 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(651,034,148)	(1,810,382,889)
Adjustments for:		
Depreciation	467,265,988	521,471,978
Provision for gratuity	13,444,623	11,602,422
Gain on disposal of property, plant and equipment	(3,538,108)	(15,941,523)
	477,172,503	517,132,877
Decrease / (Increase) in current assets:		
Stores and spares	5,952,588	52,239,003
Stock in trade	75,863,899	2,321,086,130
Trade debtors	24,992,341	67,004,251
Loan and advances	3,752,512	4,929,904
Trade deposits and prepayments	-	7,476,881
Other receivables	21,886,966	78,404,445
Tax refunds due from government	10,604,367	11,328,247
	143,052,673	2,542,468,861
(Decrease) / Increase in current liabilities:		
Trade and other payable	(56,999,848)	(1,305,337,477)
Accrued mark-up	-	(10,340,038)
Short term finance	(31,026,632)	(91,509,264)
	(88,026,480)	(1,407,186,779)
Cash used in generated from operations	(118,835,452)	(157,967,930)
Taxes paid	(2,626,081)	(21,778,439)
Staff gratuity paid	(13,309,839)	(31,025,274)
Net cash outflow from operations	(134,771,372)	(210,771,643)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(12,150,736)	(13,940,201)
Proceeds from disposal of fixed assets	8,580,929	50,459,649
Net cash (used in) / generated from investing activities	(3,569,807)	36,519,448
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds of loan from director	140,312,887	155,455,867
Payments of obligation under finance lease	(3,505,950)	(16,619,974)
Net cash inflow from financing activities	136,806,937	138,835,893
Net decrease in cash and cash equivalents	(1,534,242)	(35,416,302)
Cash and cash equivalents at the beginning of the year	9,872,750	45,289,052
Cash and cash equivalents at the end of the year	8,338,508	9,872,750

The annexed notes 1 to 41 form an integral part of these financial statements.

Naseem A. Sattar
Chief Executive Officer

Azim Ahmed
Director

AL-ABID SILK MILLS LIMITED

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

	Share Capital	Capital Reserve	Accumulated Loss	Total
	----- Rupees -----			
Balance as at June 30, 2012	134,095,500	372,834,000	(3,971,777,236)	(3,464,847,736)
Effect of change in accounting policy due to application of IAS 19 (Revised) Note 3.1	-	-	12,508,166	12,508,166
Balance as at June 30, 2012 - as restated	134,095,500	372,834,000	(3,959,269,070)	(3,452,339,570)
Total comprehensive loss for the year ended June 30 , 2013			(1,834,286,916)	(1,834,286,916)
Surplus on revaluation of fixed assets realised during the period on account of incremental depreciation			244,476,133	244,476,133
Balance as at June 30, 2013 - as restated	134,095,500	372,834,000	(5,549,079,853)	(5,042,150,353)
Total comprehensive loss for the year ended June 30 , 2014			(567,995,380)	(567,995,380)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax			223,251,827	223,251,827
Transfer from surplus on revaluation due to disposal of fixed assets			1,023,029	1,023,029
Balance as at June 30, 2014	134,095,500	372,834,000	(5,892,800,377)	(5,385,870,877)

The annexed notes 1 to 41 form an integral part of these financial statements.

Naseem A. Sattar
Chief Executive Officer

Azim Ahmed
Director

AL-ABID SILK MILLS LIMITED

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

1 LEGAL STATUS AND OPERATIONS

Al-Abid Silk Mills Limited (the Company) was incorporated as a private limited company in the year 1968, later on it was converted into public limited company as on December 24, 1987 under Companies Ordinance, 1984. Currently, the shares of the Company are listed on Karachi and Lahore Stock Exchanges. The registered office is located at A-39, S.I.T.E., Manghopir Road, Karachi. The Company is principally engaged in manufacturing and processing of various kinds of fabrics and export of printed and dyed cloth, bed sets and other textile made-ups. The manufacturing facilities of the Company are located at Karachi.

1.1 GOING CONCERN ASSUMPTIONS

The constant losses of the company have resulted in negative equity of Rs. 5.386 billion whereas the reported current liabilities (since partly under litigation) have exceeded to current assets of the company by Rs. 5.951 billion. The management of company has been making their best and maximum possible efforts to come out from the current prevailing crisis. In this connection, the company has undertaken various steps and their outcome and status are being described below:

In order to turn around the current state of affairs of the company, the management has devised detailed strategy as described below:

(i) Capturing local market share

The company was engaged in export business for last several years and was dealing with the international customers of good repute. There was nominal business in the local market merely for selling of rejected and leftover goods under the range of 5%. Considering current standstill position of export business, company has started local fabric processing business in order to cover maximum possible fixed costs but still production volume is not upto the mark level. Since the management has fully concentrated its attention for getting maximum business, it seems that the company may succeed to achieve optimum level of production by the end of year 2015.

(ii) Reduction in fixed costs

Reluctantly, the management has to retrench most of their men power strength considering current level of business. Furthermore, various steps have also been taken for resource conservations, effective utilization of natural resources and raw materials which are being successfully implemented. Accordingly, partial outcomes of these steps have been arrived at whereas its full impact will be screened during the finalization of upcoming quarterly and half yearly financial statements.

(iii) Rescheduling of credit facilities with the banks

The management has already requested all of the banks and DFIs collectively and individually, to reschedule its credit facilities for a longer period coupled with fresh additional working capital facility. Most unfortunately, banks' response time is quite slow due to following up their internal procedures and systems. However, various banks and DFI have already filed civil recovery suits in Honorable High Court and Banking Court for recovery of their lent fund. We have already filed leave to defend in the court against all such legal suits. The management is confident and believes that in ultimate analysis an amicably out of the court settlement will be reached and approval of rescheduling with other banks including fresh financing which is essential requirement for resumption of export business will be finalized. Furthermore, the company has not accrued the markup of Rs. 721 million as matter is under negotiations with the banks and DFIs.

In view of the above, the management of the company is confident to turn it around and to continue as a going concern. Accordingly, these financial statements do not include any adjustment relating to the realization of its assets and liquidation of any liabilities that might be necessary should the company be unable to continue as a going concern.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and 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 and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified by the provisions of and directives issued under the Ordinance. Wherever the requirements of the Ordinance or directives issued by the SECP differ from the requirements of the approved accounting standards, the Ordinance and the said directives have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for stores, spares and loose tools and stock-in-trade which are carried at lower of cost and net realizable value, and fixed assets which are carried at revalued amount and certain staff retirement benefits which are carried at present value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional currency of the Company. All the financial information presented in Pak Rupee has been rounded off to the nearest rupee.

2.4 New standards, interpretations and amendments to published approved accounting standards:

Initial application of standards, amendments or an interpretation to existing standards

The following new and revised Standards and Interpretations have also been adopted in these financial statements.

IAS 19 Employee Benefits - Amended standard resulting from the Post Employment Benefits and Termination Benefits projects, effective from accounting period beginning on or after January 1, 2013.

The following standards, amendments and interpretations are effective

IAS 1 Presentation of financial statements- Clarification of requirements for comparative information.

IAS 16 Property, Plant and Equipment- Classification of servicing equipment.

IAS 32 Financial Instruments: Presentation - Tax effects of distribution to holder of equity instrument, and transaction costs of an equity transactions.

IFRIC 20 Stripping cost in the Production Phase of a Surface Mine.

Adoptions of new and revised standards and interpretations

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

Standard, interpretation and amendments		Effective date (accounting periods beginning on or
IFRS 2	Share Based Payment [Amendments]	July 1, 2014
IFRS 3	Business Combination [Amendments]	July 1, 2014
IAS 19	Employee Benefit (Amendment to clarify requirement relating to contribution)	July 1, 2014
IAS 32	Financial Instruments: Recognition and Measurement (Amendment)	January 1, 2014
IAS 36	Impairment of Assets - (Amendment)	January 1, 2014
IAS 39	Financial Instruments. Ammendment provides guidance relating to discontinuation of hedge accounting	January 1, 2014
IFRIC 21	Levies. Provides guidance to recognize liability to pay levies.	January 1, 2014

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The above standards, amendments and interpretations are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures.

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

Standard, interpretation and amendments		Effective date (accounting periods beginning on or
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interest in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Operating fixed assets

- (i) Operating fixed assets of Leasehold land, Building on Leasehold land, Plant, Machinery & equipments, Furniture & Fixture, Office equipment, Electric, gas & Other Installation and Leased Plant, Machinery & equipments are stated at revalued amount. Vehicle are stated at cost less accumulated depreciation and impairment losses, if any.
- (ii) Residual values and useful lives are reviewed, at each balance sheet date, and adjusted if impact on depreciation is significant.
- (iii) The Company assesses at each balance sheet date whether there is any indication that operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in income currently.
- (iv) Depreciation is charged to income on the reducing balance basis. Depreciation is charged at rates stated in note 17.1.
- (v) Depreciation on additions is charged from the month the assets are available for use while in the case of disposals, depreciation is charged one month prior up to the month in which the assets are disposed off.
- (vi) The depreciation method and useful lives of items of fixed assets are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.
- (vii) Normal repairs and maintenance are charged to expenses as and when incurred. Major renewals and replacements are capitalised and are depreciated over the remaining useful life of the related assets.
- (viii) Gains or losses on disposal or retirement of fixed assets are determined as the difference between the sales proceeds and the carrying amount of asset and are included in the profit and loss account.
- (ix) Capital work in progress is stated at cost. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

3.2 Operating fixed assets held under finance lease and related depreciation

The Company accounts for operating fixed assets held under finance lease by recording the asset and the related liability. Operating fixed assets on finance lease are capitalised at the commencement of the lease term at the lower of the fair value of leased assets and the present value of minimum lease payments, each determined at the inception of the lease. Each lease payment is allocated between its present value and finance cost so as to achieve a constant rate on the finance lease obligation. The finance cost is charged to profit and loss account and is included under finance charges. Depreciation is charged to income applying the reducing balance method at rates stated in note 17.1.

The Company assesses at each balance sheet date whether there is any indication that the leased operating fixed assets may be impaired. If such an indication exists, the carrying amounts of the related assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is charged to income currently.

3.3 Surplus on Revaluation of Fixed Assets

Any revaluation surplus is credited to the surplus on revaluation of fixed assets, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value.

3.4 Stores and Spare Parts

Stores, spare parts and loose tools are stated at the lower of cost and net realizable value. The cost of inventory is based on weighted average cost less provision for obsolescence, if any. Items in transit are stated at cost comprising invoice value plus other charges thereon accumulated up to the balance sheet date.

3.5 Stock-in-trade

- (i) These are valued at lower of cost and net realizable value.
- (ii) Cost in relation to raw materials in hand, packing materials and other components has been calculated on a weighted average basis and represents invoice values plus other charges paid thereon.
- (iii) Cost in relation to work in process and finished goods represents direct cost of materials, wages and appropriate manufacturing overheads.
- (iv) Raw materials held in custom bonded warehouse and stock-in-transit are valued at cost comprising of invoice value plus other charges accumulated up to the balance sheet date.
- (v) Net realizable value represents the estimated selling price in the ordinary course of business less all estimated costs necessary to completion and to be incurred in marketing, selling and distribution.

3.6 Trade debts and other receivables

Trade and other receivables are carried at cost less provisions for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

3.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of term deposits, cash and bank balances.

3.8 Revenue Recognition

- (i) Revenue from sale is recognised when significant risk and rewards of ownership are transferred to the buyer.
- (ii) Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.
- (iii) Income from processing services is recorded when earned.

3.9 Borrowing Cost

Borrowing costs incurred on long term finances directly attributable for the construction/acquisition of qualifying assets are capitalised up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

3.10 Foreign Currency Translation

Transactions in foreign currencies are translated into Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the balance sheet date. All arising exchange gains and losses are recognised in the profit and loss account.

3.11 Provisions

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

3.12 Dividend

Dividend is recognised as liability in the period in which it is approved by the shareholders.

3.13 Financial assets and liabilities

Consistent with prior years, all financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provision of the instrument. Financial assets are derecognised when the rights to the cash flows from the financial assets expire or where the Company transfers the financial assets and the transfer qualifies for derecognition. Financial liabilities are derecognised when the obligation specified in the contract is discharged.

3.14 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is set-off and the net amount is reported in the balance sheet if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.15 Interest / Mark-up bearing loans and borrowings

Interest / mark-up bearing loans and borrowings are recorded at the proceeds received. Finance charges are accounted for on accrual basis.

3.16 Impairment

The carrying amount of the Company's assets is reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset or group of assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account.

3.17 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.18 Derivative financial instruments and hedging activities

The Company designates derivative financial instruments fair value hedge. Fair value hedge represents hedges of the fair value of recognized assets or liabilities or a firm commitment. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The carrying value of the hedged item is adjusted accordingly. When a derivative financial instrument is not designated in a qualifying hedge relationship, it is accounted for as held for trading and accordingly is categorized as 'financial asset at fair value through profit or loss'.

3.19 Retirement benefits

The Company operates an un-funded gratuity scheme covering all employees (excluding managerial staff). Provision is made annually based on management estimates which are adjusted periodically to agree with actuarial estimates. As per latest actuarial valuation carried out as at June 30, 2014, the value of scheme's liabilities are Rs. 22.40 million (2013: Rs. 33.60 million). The Projected Unit Credit Method of Valuation was used to generate actuarial values. The annual provision during the year are charged to income currently.

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All actuarial gains and losses are recognised in 'other comprehensive income' as they occur. Previously actuarial gains / losses exceeding 10 percent of the higher of the present value of the defined benefit obligation and fair value of plan assets at the beginning of the year, were amortised over the expected average working lives of the employees participating in the plan.

Changes in accounting policies

The Company has applied IAS 19 - Employee benefits (revised in June 2011) which is applicable for annual periods beginning on or after January 1, 2013. In accordance with the transitional provisions as set out in IAS 19, the Company has applied the revised standard retrospectively and consequently the earliest period presented in the condensed interim statement of changes in equity and the annual balance sheet have been restated.

The revised standard requires past service cost to be recognised immediately in the profit or loss and replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. Further, a new term "remeasurements" has been introduced which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires to recognise all remeasurement gain or loss / actuarial gain or loss in the other comprehensive income immediately as they occur.

The impacts of retrospective application of IAS 19 (Revised) are as follows:

	June 30, 2013 Rupees	July 1, 2012 Rupees
Effect on balance sheet		
Accumulated loss		
As previously reported	(5,560,522,765)	(3,971,777,236)
Effect of changes in accounting policy		
- For the year 2012	12,508,166	12,508,166
- For the year 2013	(1,065,254)	-
As restated	<u>(5,549,079,853)</u>	<u>(3,959,269,070)</u>
Staff Gratuity		
As previously reported	33,602,834	53,025,686
Effect of changes in accounting policy		
- For the year 2012	(12,508,166)	(12,508,166)
- For the year 2013	1,065,254	-
As restated	<u>22,159,922</u>	<u>40,517,520</u>
	For the year ended June 30, 2013	Prior to July 1, 2012
Effect on Other Comprehensive Income		
Remeasurement of defined benefit liability - losses	(1,065,254)	12,508,166
Recognition of tax	-	-
	<u>(1,065,254)</u>	<u>12,508,166</u>

The Company follows a consistent practice to conduct actuarial valuations regularly. Hence, the impact on this and comparative condensed interim financial information are not quantifiable and are also considered immaterial.

3.20 Taxation

Income tax expense represents the sum of current tax payable, adjustments, if any, to provision for tax made in previous years arising from assessments framed during the year for such years. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(i) Current and prior year

Provision for current year's taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under the presumptive tax regime in respect of imports & export and minimum tax.

(ii) Deferred

Deferred tax is provided using the balance sheet liability method on all temporary differences arising from differences between tax bases of assets and liabilities and their carrying amount for financial statements reporting purpose.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit shall be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

3.21 Obligation under finance lease

Total outstanding obligation under the lease arrangement less finance cost attributable to future periods is presented as liability. Finance cost under the lease arrangement is distributed over the lease term so as to produce a constant periodic rate of finance cost on the balance of principal liability outstanding at the end of each period.

3.22 Borrowings

These are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months subsequent to the balance sheet date.

3.23 Segment Reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment, however certain information about Company's products as required by the approved accounting standards, are presented in note 39 to these financial statements.

3.24 Related Party Transactions

All related party transactions are carried out on an arm's length basis using Comparable Uncontrolled Price method.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

4.1 Property, Plant and Equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value use in the calculation of depreciation. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

4.2 Income tax

In making the estimate for income taxes payable by the Company, the management looks at the applicable law and decisions of appellate authorities on certain issues in the past.

4.3 Stores, Spare Parts and Stock in Trade

The Company reviews the net realizable value of stores, spare parts, loose tools and stock in trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

4.4 Retirement benefits

The present value of these obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact the carrying amount of these obligations. The present value of these obligations and the underlying assumptions are disclosed in note 11.

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5 SHARE CAPITAL			2014	2013
Jun 2014	Jun 2013		Rupees	Rupees
(Number of shares)		Authorised Capital		
<u>20,000,000</u>	<u>20,000,000</u>	Ordinary shares of Rs. 10 each	<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid up capital				
8,713,900	8,713,900	Ordinary shares of Rs. 10 each fully paid-up in cash	87,139,000	87,139,000
4,695,650	4,695,650	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	46,956,500	46,956,500
<u>13,409,550</u>	<u>13,409,550</u>		<u>134,095,500</u>	<u>134,095,500</u>

6 SURPLUS ON REVALUATION OF FIXED ASSETS

Balance at beginning of the year	3,594,197,081	4,322,049,990
Less: Incremental depreciation on revalued assets for the year - net of tax	(223,251,827)	(244,476,133)
Less: Deferred tax relating to revaluation surplus	-	(483,376,776)
Less: Revaluation surplus related to disposal assets	(1,023,029)	-
	<u>3,369,922,225</u>	<u>3,594,197,081</u>

6.1 During the financial year ended June 30, 2012 the Company revalued its Leasehold land, Building on Leasehold land, Plant, Machinery & equipments, Furniture & Fixture, Office equipment, Electric, gas & Other Installation and Leased Plant, Machinery & equipments on June 30, 2012. The valuation has been determined by the independent valuer M/s. Anjum Adil & Associates on the basis of prevailing market rates which has resulted an increase in revaluation reserve by Rs. 3,807,350,520. The earlier valuation of Leasehold land was carried out by the same independent valuer on August 31, 2010 and August 31, 2007 on the basis of prevailing market rates at that time.

7 LOAN FROM DIRECTOR - Unsecured

	2014	2013
	Rupees	Rupees
Balance at beginning of the year	305,455,867	150,000,000
Received during the year	140,312,887	155,455,867
	<u>445,768,754</u>	<u>305,455,867</u>

7.1 The above is interest free loan from director of the company.

8 LONG TERM BORROWINGS - SECURED (NON-PARTICIPATORY)

Name of Banks	Sale price	Purchase price	Number of installments and date of commencement	Rate of mark-up per annum	2014	2013
					Rupees	Rupees
Pak Oman Investment Company I	86,871,864	107,417,218	22 equal quarterly September 4, 2006 Grace Period 06 Months	7.0% Per Annum	27,011,025	27,011,025
Pak Oman Investment Company II	1,091,413	1,638,507	22 equal quarterly September 4, 2006 Grace Period 01 Year	2.0% over 6 months KIBOR	477,496	477,496
					<u>27,488,521</u>	<u>27,488,521</u>
Less: Transfer to Current maturity				14	<u>27,488,521</u>	<u>27,488,521</u>
					-	-

8.1 These borrowings are denominated in Pak Rupees and are secured against exclusive charge over specific Plant & Machineries of the Company. The effective mark-up rate that prevailed during the year on these facilities ranged from 7% to 12.17 % per annum (2013: 7% to 13.94% per annum). As fully disclosed in note no. 16 the financial institutions have filed suits for the recovery of loan

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		2014 Rupees	2013 Rupees
9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments		45,584,399	49,090,349
Current maturity shown under current liabilities	14	<u>(45,584,399)</u>	<u>(32,478,015)</u>
		-	16,612,334
Minimum lease payments			
Not later than one year		45,584,399	36,497,670
Later than one year and not later than 5 years		-	49,780,663
		<u>45,584,399</u>	<u>86,278,333</u>
Finance charges not yet due		-	(37,187,984)
Present value of finance lease liabilities		<u>45,584,399</u>	<u>49,090,349</u>
Present value of finance lease liabilities			
Not later than one year		45,584,399	32,478,015
Later than one year and not later than 5 year		-	16,612,334
		<u>45,584,399</u>	<u>49,090,349</u>

9.1 Payments under leases include financial charges at the rates ranging between 8% to 16.30% (2013: 8% to 17.78%) per annum. Leases carry purchase options at the end of the lease period. There are no financial restrictions in the lease agreements. As fully disclosed in note No. 16 various financial institutions have filed suit for the recovery of these loan.

10 DEFERRED TAXATION

Debit/(credit) balances arising from:

Surplus on revaluation of fixed assets	-	483,376,776
Accelerated tax depreciation allowance	1,175,056,469	-
Liabilities against assets subject to finance lease	34,051,001	-
Provision for retirement benefits	(346,030)	-
Gratuity recognised in equity	(30,622)	-
Impact of change in tax rate	-	-
tax credit of Unused tax losses	<u>(808,737,773)</u>	-
	<u>399,993,045</u>	<u>483,376,776</u>

10.1 During the period the company's major revenue has been from local sales and services instead of exports and its income is now covered under both FTR and NTR. Hence, the estimate related to the deferred tax has been remeasured during the year to incorporate the effect of unused tax losses, retirement benefits, leased assets and accelerated tax depreciation allowance.

		2014 Rupees	2013 Rupees Restated
11 RETIREMENT BENEFITS		<u>22,384,770</u>	<u>22,159,922</u>
11.1 The amount recognized in the Balance Sheet			
Present value of Defined Benefit Obligation		1,107,801	22,159,922
Payables to outgoing members		<u>21,276,969</u>	-
Liability at the end of the year		<u>22,384,770</u>	<u>22,159,922</u>
11.2 Movement in net liability recognized in the Balance Sheet			
Liability at beginning of the year		22,159,922	40,517,520
Charge for the year		13,444,623	12,667,676
Remeasurement on obligation		90,064	-
Benefits paid during the year		<u>(13,309,839)</u>	<u>(31,025,274)</u>
Liability at end of the year		<u>22,384,770</u>	<u>22,159,922</u>

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	2014 Rupees	2013 Rupees
11.3 Charge for the period / year		
Current service cost	75,620	7,485,705
Gains and losses arising on plan settlement	12,736,356	-
Interest cost on defined benefit obligation	632,647	5,181,971
Other comprehensive income	90,064	-
	<u>13,534,687</u>	<u>12,667,676</u>
11.4 Movement in present value of Defined Benefit Obligation		
Obligation at the beginning of the year	22,159,922	40,517,520
Current service cost	75,620	7,485,705
Interest cost	632,647	5,181,971
Benefits due but not paid (payables)	(21,276,969)	-
Benefit paid	(13,309,839)	(31,025,274)
Gain and losses arising on plan settlement	12,736,356	-
Remeasurements:		
Experience adjustment	90,064	-
Obligation at the end of the year	<u>1,107,801</u>	<u>22,159,922</u>
11.5 Principal actuarial assumptions used the valuation:		
Discount rate (per annum)	13%	13%
Future salary increase (per annum)	12%	12%
Remaining Retirement age (years)	8 Yrs	8 Yrs
Mortality Rates	SLIC 2001-2005	N/A
Withdrawal Rates	Age Based	N/A
Retirement Assumption	60 years	60 years
11.6 Year end sensitivity analysis (- 100/+ 100 bps) on defined benefit obligation		
Discount Rate + 100 bps	1,030,204	N/A
Discount Rate - 100 bps	1,193,418	N/A
Salary increase + 100 bps	1,193,418	N/A
Salary increase - 100 bps	1,028,877	N/A
12 TRADE AND OTHER PAYABLES		
Trade creditors	694,392,773	721,298,595
Other creditors	239,177,231	239,366,154
Accrued liabilities	49,225,933	55,628,541
Workers' profit participation fund	16,695,060	16,695,060
Advance from customers	4,958,833	27,223,535
Unclaimed dividend	108,310	108,310
Other liabilities	10,320,555	11,558,348
	<u>1,014,878,695</u>	<u>1,071,878,543</u>
13 ACCRUED MARKUP		
Export refinance loan & US Dollar loan	122,852,442	122,852,442
Liabilities against assets subject to finance lease	3,437,436	3,437,436
Long term loan	170,807	170,807
Short term loan	114,355,253	114,355,253
	<u>240,815,938</u>	<u>240,815,938</u>
14 CURRENT MATURITY OF LONG-TERM LOANS AND LEASE LIABILITY		
Long term Loans - Pak Oman Investment Company I & II	27,488,521	27,488,521
Liabilities against assets subject to finance lease	45,584,399	32,478,015
	<u>73,072,920</u>	<u>59,966,536</u>
15 SHORT TERM FINANCES		
From banks and financial institutions - Secured	<u>5,034,787,523</u>	<u>5,065,814,155</u>
15.1	The facilities consist of various types of short term finances from different banks and non-banking financial institutions. The facilities are secured against hypothecation charge on stocks, mortgage on factory property of Plot No. A-51/B, A-29/B, D-14/C-1 and A-34/A with building and machinery installed thereon and charge on book debts and receivables of the company. As fully disclosed in note No. 16 various banks have filed suit for the recovery of these loans.	

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	2014 Rupees	2013 Rupees
16 CONTINGENCIES AND COMMITMENTS		
16.1 Contingencies		
Bank guarantee	<u>79,834,000</u>	<u>79,834,000</u>

16.1.1 The bank guarantees have been issued in favor of various government agencies.

16.1.2 The Sales Tax department has filed an appeal in the Honorable High Court of Sind on 23rd August, 2000 against the Order of the learned Appellate Tribunal Customs and Sales Tax for recovery of Additional Tax and Surcharge amounting to Rs. 3.449 million for the year 1992-93. No provision for this amount has been made in these accounts as the management of the Company is of the view that the decision of the Learned Appellate Tribunal Customs and Sales Tax given in favor of the Company will be successfully defended in the Honorable High Court.

16.1.3 In respect of liabilities towards banks / DFIs as disclosed in the note 8,9,14 and 15 to the financial statements, several of the banks and a DFI have since filed civil suits in Honorable High Court of Sind and Banking Court for recovery of their liabilities. The aggregate value of such civil suits amounts to Rs. 3.54 billion and USD 28,653/-. The management has accordingly filed leave to defend through their approved lawyers. The management is confident and believes that in ultimate analysis an amicable out of the court settlement will be reached.

16.2 Commitments:

There are no commitments as at year end. (2013: Nil).

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17 PROPERTY, PLANT AND EQUIPMENT

Operating Fixed Assets
Capital Work in Progress - DDFC Boiler

	Jun 2014 Rupees	Jun 2013 Rupees
	4,784,971,325	5,245,129,398
	16,800,000	16,800,000
	4,801,771,325	5,261,929,398

Note

17.1

17.1 Operating Fixed Assets

Particulars	Year 2014							Total
	Lease hold Land 10%	Building on Lease hold land 10%	Plant, Machinery & equipments 10%	Furniture & Fixture 10%	Office equipment 10%	Electric, gas & Other Installations 10%	Vehicles 20%	
Rate	Rupees							
Owned Assets								
Value / Cost as on Jul 01, 2013	606,379,400	1,076,211,650	3,526,393,177	135,011,047	42,060,400	193,704,563	36,191,838	5,615,952,075
Addition during the period	-	-	5,680,736	-	-	4,950,000	1,520,000	12,150,736
Deletion during the period	-	-	(2,317,255)	-	-	-	(9,423,850)	(11,741,105)
Transfer during the period	-	-	-	-	-	-	2,836,000	2,836,000
Cost as on June 30, 2014	606,379,400	1,076,211,650	3,529,756,658	135,011,047	42,060,400	198,654,563	31,123,988	5,619,197,706
Depreciation as on Jul 01, 2013	-	107,621,165	352,235,330	13,501,104	4,204,373	19,370,456	21,800,161	518,732,589
Charge for the period	-	96,859,049	317,649,793	12,150,993	3,785,603	17,819,661	3,088,940	451,354,039
Deletion during the period	-	-	(231,725)	-	-	-	-	(6,698,284)
Transfer during the period	-	-	-	-	-	-	1,183,170	1,183,170
Depreciation as on June 30, 2014	-	204,480,214	669,653,398	25,652,097	7,989,976	37,190,117	19,605,712	964,571,514
WDV as on June 30, 2014	606,379,400	871,731,436	2,860,103,260	109,358,950	34,070,424	161,464,446	11,518,276	4,654,626,192
Leased Assets								
Value / Cost as on Jul 01, 2013	-	-	148,216,300	-	-	-	35,083,637	183,299,937
Addition during the period	-	-	-	-	-	-	-	-
Deletion during the period	-	-	-	-	-	-	-	-
Transfer during the period	-	-	-	-	-	-	-	-
Cost as on June 30, 2014	-	-	148,216,300	-	-	-	(2,836,000)	180,463,937
Depreciation as on Jul 01, 2013	-	-	14,821,630	-	-	-	-	35,390,025
Charge for the period	-	-	13,339,467	-	-	-	-	15,911,949
Deletion during the period	-	-	-	-	-	-	-	-
Transfer during the period	-	-	-	-	-	-	-	-
Depreciation as on June 30, 2014	-	-	28,161,097	-	-	-	(1,183,170)	50,118,804
WDV as on June 30, 2014	-	-	120,055,203	-	-	-	10,289,930	130,345,133
Total WDV as on June 30, 2014	606,379,400	871,731,436	2,980,158,463	109,358,950	34,070,424	161,464,446	21,808,206	4,784,971,325

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Particulars	Year 2013							Total
	Lease hold Land	Building on Leasehold land	Plant, Machinery & equipments	Furniture & Fixture	Office equipment	Electric, gas & Other Installation	Vehicles	
	10%	10%	10%	10%	10%	10%	20%	
Owned Assets	Rupees							
Value / Cost as on Jul 01, 2012	606,379,400	1,076,211,650	3,514,746,300	149,674,900	41,960,400	193,005,700	89,834,709	5,671,813,059
Addition during the period	-	-	12,591,338	-	100,000	698,863	550,000	13,940,201
Deletion during the period	-	-	(944,461)	(14,663,853)	-	-	(54,192,871)	(69,801,185)
Transfer during the period	-	-	-	-	-	-	-	-
Cost as on June 30, 2013	606,379,400	1,076,211,650	3,526,393,177	135,011,047	42,060,400	193,704,563	36,191,838	5,615,952,075
Depreciation as on Jul 01, 2012	-	-	-	-	-	-	-	-
Charge for the period	-	107,621,165	352,282,553	14,025,818	4,204,373	19,370,456	53,549,408	53,549,408
Deletion during the period	-	-	(47,223)	(524,714)	-	-	(36,797,947)	(37,369,884)
Transfer during the period	-	-	-	-	-	-	-	-
Depreciation as on June 30, 2013	-	107,621,165	352,235,330	13,501,104	4,204,373	19,370,456	21,800,161	518,732,589
WDV as on June 30, 2013	606,379,400	968,590,485	3,174,157,847	121,509,943	37,856,027	174,334,107	14,391,677	5,097,219,486
Leased Assets	Rupees							
Value / Cost as on Jul 01, 2012	-	-	148,216,300	-	-	-	38,314,527	186,530,827
Addition during the period	-	-	-	-	-	-	-	-
Deletion during the period	-	-	-	-	-	-	(3,230,890)	(3,230,890)
Transfer during the period	-	-	-	-	-	-	-	-
Cost as on June 30, 2013	-	-	148,216,300	-	-	-	35,083,637	183,299,937
Depreciation as on Jul 01, 2012	-	-	-	-	-	-	17,615,177	17,615,177
Charge for the period	-	-	14,821,630	-	-	-	4,097,283	18,918,913
Deletion during the period	-	-	-	-	-	-	(1,144,065)	(1,144,065)
Transfer during the period	-	-	-	-	-	-	-	-
Depreciation as on June 30, 2013	-	-	14,821,630	-	-	-	20,568,395	35,390,025
WDV as on June 30, 2013	-	-	133,394,670	-	-	-	14,515,242	147,909,912
Total WDV as on June 30, 2013	606,379,400	968,590,485	3,307,552,517	121,509,943	37,856,027	174,334,107	28,906,919	5,245,129,398

17.2 Allocation of Depreciation
 Manufacturing overheads
 Admin expenses

	June 2013	June 2014
	Rupees	Rupees
Note 27.2	500,479,233	451,475,239
Note 29	20,992,745	15,790,749
	<u>521,471,978</u>	<u>467,265,988</u>

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17.3 Had there been no revaluation, related figures of property, plant and equipments would have been as follow:

	Jun 2014	Jun 2013
	Rupees	Rupees
Owned Assets:		
Lease hold Land	45,500,514	45,500,514
Building on Leasehold land	166,836,074	190,522,674
Plant, Machinery & equipments	796,058,291	903,555,520
Furniture & Fixture	3,773,116	43,093,709
Office equipment	11,486,589	13,117,354
Electric, gas & Other Installation	49,379,161	51,178,094
Leased Assets:		
Plant, Machinery & equipments	50,975,698	58,212,988
	1,124,009,443	1,305,180,853

17.3 Disposal of Fixed Assets

Particulars	Cost	Accumulated Depreciation	Written down value	Sales Proceeds	Gain / (Loss)	Mode of Disposal	Description
	Rupees						
Vehicles							
HONDA CITY AVQ-270	1,480,000	610,155	869,845	1,480,000	610,155	NEGOTIATION	ORIX LEASING
HONDA CITY ARX-597	1,455,890	946,026	509,864	1,090,000	580,136	NEGOTIATION	M. FARAZ AHMED
HONDA CITY AUP - 358	1,473,060	779,085	693,975	810,183	116,208	NEGOTIATION	MR. KASHIF HANIF
ISSUZU TRUCK JU-4207	1,425,000	1,027,773	397,227	1,530,000	1,132,773	NEGOTIATION	MR. SANALLAH
MASTER TRUCK JU-3935	810,000	603,562	206,438	870,000	663,562	NEGOTIATION	MR. SANALLAH
MASTER TRUCK JX-9371	1,114,000	1,062,964	51,036	1,200,000	1,148,964	NEGOTIATION	MR. SANALLAH
SUZUKI PICKUP KM-8579	312,000	278,848	33,152	301,786	268,634	NEGOTIATION	MR. NAVEED RAUF
SUZUKI ALTO AQQ - 3 8 4	497,400	352,884	144,516	198,960	54,444	NEGOTIATION	MR. IMRAN PATEL
HONDA MOTOR CYCLE KCT-7426	81,500	77,766	3,734	25,000	21,266	NEGOTIATION	MR. AQEEL AKHTAR
HONDA MOTOR CYCLE KBH-6848	56,500	48,864	7,636	15,000	7,364	NEGOTIATION	MR. AQEEL AKHTAR
HONDA MOTOR CYCLE KCC-1684	61,200	60,281	919	18,000	17,081	NEGOTIATION	MR. AQEEL AKHTAR
HONDA MOTOR CYCLE KAL-2480	43,000	42,865	135	12,000	11,865	NEGOTIATION	MR. AQEEL AKHTAR
HONDA MOTOR CYCLE KCB-2142	39,500	39,420	80	12,000	11,920	NEGOTIATION	MR. AQEEL AKHTAR
HONDA MOTOR CYCLE KCB-4823	39,500	39,420	80	12,000	11,920	NEGOTIATION	MR. AQEEL AKHTAR
HONDA MOTOR CYCLE KAR-2841	39,500	39,345	155	12,000	11,845	NEGOTIATION	MR. AQEEL AKHTAR
HONDA MOTOR CYCLE KDA-3010	56,000	55,327	673	17,000	16,327	NEGOTIATION	MR. AQEEL AKHTAR
HONDA MOTOR CYCLE KCT-8364	72,000	68,701	3,299	25,000	21,701	NEGOTIATION	MR. AQEEL AKHTAR
HONDA MOTOR CYCLE KCX-2571	45,000	44,654	346	13,000	12,654	NEGOTIATION	MR. AQEEL AKHTAR
HONDA MOTOR CYCLE KCT-9065	72,000	67,877	4,123	25,000	20,877	NEGOTIATION	MR. AQEEL AKHTAR
JAILING MOTOR CYCLE KBA-2961	69,000	62,054	6,946	21,000	14,054	NEGOTIATION	MR. AQEEL AKHTAR
JAILING MOTOR CYCLE KBB-8348	69,000	61,540	7,460	21,000	13,540	NEGOTIATION	MR. AQEEL AKHTAR
SHOGUN MOTOR CYCLE KAV-5499	72,000	66,932	5,068	20,000	14,932	NEGOTIATION	MR. AQEEL AKHTAR
HABIB MOTOR CYCLE KDV-6398	40,800	30,216	10,584	12,000	1,416	NEGOTIATION	MR. AQEEL AKHTAR
MACHINERY							
DIESEL GENERATOR	2,317,255	231,725	2,085,530	840,000	(1,245,530)	NEGOTIATION	PERVEZ BROTHERS
	11,741,105	6,698,284	5,042,821	8,580,929	3,538,108		

AL-ABID SILK MILLS LIMITED

18	STORES AND SPARES	Note	2014 Rupees	2013 Rupees
	Stores		5,865,488	7,384,167
	Spares		84,021,225	88,455,134
			<u>89,886,713</u>	<u>95,839,301</u>
	Stores and spares do not include any major spare parts which may be categorized under the Property, Plant and Equipment.			
19	STOCK IN TRADE			
	Raw materials			
	In hand		23,618,879	36,579,167
	Bonded warehouse		-	2,223,815
			<u>23,618,879</u>	<u>38,802,982</u>
	Work-in-process		7,378,496	50,658,612
	Finished goods		-	17,399,680
			<u>30,997,375</u>	<u>106,861,274</u>
20	TRADE DEBTS			
	Considered good			
	Secured	20.1	-	1,699,660
	Unsecured		33,643,479	56,936,160
			<u>33,643,479</u>	<u>58,635,820</u>
20.1	These were secured against letters of credit issued by the customers in favor of the Company.			
21	LOANS AND ADVANCES			
	Advances-considered good			
	Loans to staff and workers		939,316	471,003
	Against import expenses		-	1,317,152
	Advances to suppliers, contractors and others - unsecured		11,452,767	14,356,440
			<u>12,392,083</u>	<u>16,144,595</u>
22	TRADE DEPOSITS AND PREPAYMENTS			
	Trade deposits - unsecured and considered good		7,811,810	7,811,810
			<u>7,811,810</u>	<u>7,811,810</u>
23	OTHER RECEIVABLES			
	Duty drawback		166,168,299	188,055,265
	Research and development support		4,325,164	4,325,164
			<u>170,493,463</u>	<u>192,380,429</u>
24	TAX REFUNDS DUE FROM GOVERNMENT			
	Sales tax		50,461,197	61,065,564
	Income tax		8,010,395	5,639,213
			<u>58,471,592</u>	<u>66,704,777</u>
25	CASH AND BANK BALANCES			
	Cash in hand		54,301	56,569
	Cash at Banks			
	- Current account		4,450,151	5,687,483
	- Term deposit		3,834,056	4,128,698
			<u>8,284,207</u>	<u>9,816,181</u>
			<u>8,338,508</u>	<u>9,872,750</u>

AL-ABID SILK MILLS LIMITED

26 SALES AND SERVICES	Note	2014 Rupees	2013 Rupees
Sales			
Export sales		24,870,432	1,795,813,920
Local sales		13,965,470	321,161,544
		38,835,902	2,116,975,464
Services			
Cloth Processing - Printing and dyeing		450,359,982	640,332,378
		489,195,884	2,757,307,842
27 COST OF SALES			
Cost of materials consumed	27.1	165,334,680	1,263,741,948
Salaries and wages		124,435,938	191,113,502
Manufacturing overhead	27.2	669,886,967	1,064,455,046
		959,657,585	2,519,310,496
Work - in- process			
Opening stock		50,658,612	1,462,226,907
Closing stock		(7,378,496)	(50,658,612)
		43,280,116	1,411,568,295
Cost of goods manufactured			
		1,002,937,701	3,930,878,791
Finished goods			
Opening stock		17,399,680	580,539,260
Closing stock		-	(17,399,680)
		17,399,680	563,139,580
		1,020,337,381	4,494,018,371
Less : Duty drawback		235,771	17,303,956
		1,020,101,610	4,476,714,415
27.1 Cost of Materials Consumed			
Dyes and chemicals		142,334,685	315,760,182
Production stores and packing material		9,527,313	173,487,354
Grey cloth		453,919	694,963,500
Wadding materials		-	2,945,253
Flock materials		13,018,763	76,585,659
		165,334,680	1,263,741,948
27.2 Manufacturing Overhead			
Insurance premium		-	22,654,122
Repairs and maintenance		43,709,790	94,012,350
Rent, rates and taxes		1,220,137	17,387,424
Heat, light and power		140,438,595	254,261,732
Water consumption charges		26,324,885	51,743,056
Service charges		2,123,134	74,802,191
Checking, mending and rolling charges		1,620,712	4,685,370
Coolie, cartage and freight		2,974,475	44,429,568
Depreciation	17.2	451,475,239	500,479,233
		669,886,967	1,064,455,046

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	Note	2014 Rupees	2013 Rupees
28 DISTRIBUTION COST			
Salaries and benefits		5,457,314	20,896,589
Packing and forwarding		6,679,888	25,392,888
Commission and brokerage		3,163,499	17,397,650
Samples, lab testings and other charges		199,020	3,388,944
Traveling		1,192,106	2,339,337
Publicity		-	2,405,820
Postage, courier and stamps		19,840	2,609,883
Entertainment		290,615	313,953
Export development tax		62,557	4,471,222
		17,064,839	79,216,286
29 ADMINISTRATIVE EXPENSES			
Directors' remuneration		8,350,000	15,900,000
Salaries and benefits		32,336,383	64,890,841
Staff welfare		5,350,719	7,691,601
Heat, light and power		15,604,288	28,251,304
Car maintenance		4,620,590	8,121,899
Conveyance		69,459	253,433
Entertainment		784,798	2,464,240
Printing and stationery		1,208,581	2,263,863
Communication		2,501,124	5,435,268
Legal and professional		16,980,965	21,991,661
Auditors' remuneration	29.1	765,000	850,000
Advertisement		145,978	415,650
Subscription and fees		1,031,257	1,807,096
Insurance premium		209,556	4,781,606
Service contracts		200,002	844,985
Repairs and maintenance		889,310	2,511,535
Miscellaneous		187,930	356,409
Depreciation	17.2	15,790,749	20,992,745
		107,026,689	189,824,135
29.1 Auditors' remuneration			
Audit fee		600,000	600,000
Fee for half yearly review		135,000	125,000
Fee for tax services		-	100,000
Out of pocket expenses		30,000	25,000
		765,000	850,000

AL-ABID SILK MILLS LIMITED

		2014 Rupees	2013 Rupees
30	OTHER INCOME		
	Income from financial assets / liabilities		
	Profit on PLS deposits	17,670	145,968
	Income from non-financial assets / liabilities		
	Sales of scrap	570,000	4,415,058
	Waiver of trade liabilities	-	294,193,159
	Gain on disposal of property, plant and equipment	3,538,108	15,941,523
		4,125,778	314,695,708
31	FINANCE COST		
	Bank charges, mark-up and commission	162,672	104,176,103
	Mark-up on short term running finance	-	25,400,097
	Lease finance charges	-	5,333,491
	Interest on W.P.P.F	-	1,721,912
		162,672	136,631,603
32	TAXATION		
	Current	32.1 254,899	22,838,773
	Deferred Tax	32.2 (83,353,109)	-
		(83,098,210)	22,838,773
32.1	Provision for current income tax represents final tax on export sales under section 169 and minimum tax on local sales under section 113 of income tax ordinance 2001. It is impractical to prepare the tax charge reconciliation for the year as income is subject to minimum tax.		
32.2	Deferred tax accounting apply to the Company because its income is covered under FTR and NTR both due to local sales and services.		
33	EARNINGS PER SHARE - BASIC & DILUTED		
33.1	Basic earnings per share		
	Loss after taxation	Rupees	(567,935,938) (1,833,221,662)
	Weighted average number of shares	Number	13,409,550 13,409,550
	Basic loss per share	Rupees	(42.35) (136.71)
33.2	Diluted earnings per share		
	There is no dilution effect on the basic earnings per share of the company.		

AL-ABID SILK MILLS LIMITED

34 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related companies and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2014 Rupees	2013 Rupees
Al-Abid Exports (Private) Limited (Associated Company)		
Processing services rendered & Goods Sold	1,979,341	11,670,562
Rent & Electricity Expense	-	10,050,615
Outstanding balance - payable	(19,974,226)	(21,953,567)

The outstanding balance as at the balance sheet date is secured and the settlement terms are against the payments/receipts through normal banking channels for the transactions during the period.

35 REMUNERATION OF DIRECTORS & EXECUTIVES

	CHIEF EXECUTIVE		DIRECTOR		EXECUTIVES	
	2014	2013	2014	2013	2014	2013
	Rupees					
Basic	4,242,424	6,363,636	818,182	3,272,727	7,383,768	26,251,415
House rent	1,909,091	2,863,636	368,182	1,472,727	3,322,725	7,117,562
Other allowances and perquisites	848,485	1,272,728	163,636	654,546	1,540,707	3,163,364
	7,000,000	10,500,000	1,350,000	5,400,000	12,247,200	36,532,341
Number of persons	1	1	1	1	8	18

35.1 The Chief Executive and Directors have been provided with free use of the company maintained cars, residential telephones for business and personal use and foreign air traveling for self and dependents once in a year. Certain executives have also been provided with free use of Company maintained car.

35.2 Aggregate amount charged in the accounts for Board Meeting fee to non - executive Directors is Rs.42,000 (2013: Rs.54,000).

35.3 In view for bad financial condition of the company directors have decided not to claim their some part of remuneration for the year ended June 30, 2014. (Mr. Naseem A. Sattar March 2014 to June 2014 Rs. 3,500,000) and (Mr. Azim Ahmed October 2013 to June 2014 Rs. 4,050,000).

35.4 Outstanding salaries payable to Chief Executive and Director was Rs. 3,500,000 and 1,800,000 (2013: Rs. 2,625,000 and 1,350,000) respectively at the end of the year.

36 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issues new shares and other measures commensurate to the circumstances. The Board of Directors also monitors the level of dividends to ordinary shareholders.

37 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by a treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

AL-ABID SILK MILLS LIMITED

37.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The Company's exposure to foreign currency risk at the reporting date is as follows:

	2014		2013	
	Rupees	US Dollar	Rupees	US Dollar
Trade debts	-	-	1,699,660	17,203
Short term borrowing	-	-	-	-
Accrued Mark Up on borrowing	-	-	-	-
Net exposure	-	-	1,699,660	17,203

The following significant exchange rates have been applied:

	Average Rate		Reporting date rate	
	2014	2013	2014	2013
	------(Rupees)-----			
Rs. against 1 US Dollar	102.53	94.91	98.75 / 98.35	98.8 / 98.6

Sensitivity Analysis

10% strengthening / weakening of Pak rupees against the following currencies at the reporting date would have increased / (decreased) profit before tax for the year by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect on profit before tax

	2014 Rupees	2013 Rupees
US Dollar	-	169,966

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable interest rates expose the Company to cash flow interest rate risk and borrowings issued at fixed interest rates gives rise to fair value interest rate risk. Significant interest rate risk exposures are primarily managed by a suitable mix of borrowings at fixed and variable interest rates.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2014 Rupees	2013 Rupees
Financial assets		
Term Deposit Receipts	3,834,056	4,128,698
Financial liabilities		
Long term Loans	27,488,521	27,488,521
Liabilities against assets subject to finance lease	45,584,399	49,090,349
Short term finances	5,034,787,523	5,065,814,155
	5,107,860,443	5,142,393,025

AL-ABID SILK MILLS LIMITED

Sensitivity analysis

A change of 1% in interest rates at the reporting date would have increased/ decreased profit before tax for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2014	2013
	Rupees	Rupees
Effect on Profit before tax	51,251,267	12,196,463

37.2 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. Credit risk arises from deposits with banks, trade deposits, trade debts, loans and advances, other receivables and interest receivable on deposits with banks.

Significant part of the sales of the Company occurs against letter of credit, therefore, trade debts mainly arise from exports. The Company believes that it is not exposed to any specific credit risk in respect of trade debts.

The credit risk on liquid funds maintained with banks, as such banks enjoy reasonably high credit rating. Accordingly, management does not expect any counter party to fail in meeting their obligations.

The carrying amounts of financial assets (category-wise) that represent Company's maximum credit exposure as at the reporting date are as follows:

	2014	2013
	Rupees	Rupees
Loans and receivables		
Long term security deposit	1,946,645	1,946,645
Trade debts	33,643,479	58,635,820
Loans and advances	12,392,083	16,144,595
Trade deposits and prepayments	7,811,810	7,811,810
Other receivables	170,493,463	192,380,429
Tax refunds due from government	58,471,592	66,704,777
Cash and bank balances	8,338,508	9,872,750
	293,097,580	353,496,826

The maximum exposure to credit risk for trade debts on geographic basis as at the reporting date is as follows:

	2014	2013
	Rupees	Rupees
United State of America and Canada	-	-
Europe	-	1,699,660
Pakistan	33,643,479	56,936,160
Others	-	-
	33,643,479	58,635,820

AL-ABID SILK MILLS LIMITED

The ageing of trade debts at the reporting date is as follows:

	2014 Rupees	2013 Rupees
Not past due	8,560,502	22,623,159
Past due 0-60 days	20,514,311	18,961,954
Past due 61 and above	4,568,666	17,050,707
	33,643,479	58,635,820

Based on past experience, the Company believes that no impairment is necessary against amounts past due by 61 days and above.

Company's banks balances can be assessed with reference to the following credit ratings of the banks assessed by reputable credit agencies as of June 30, 2014:

	<u>Short-term</u>	<u>Short-term</u>
Local banks	AAA to AA-	A1+ to A1
Foreign banks	F1+ / P1 to F1 / P1	AA- / A1 to A / A2

37.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash, marketable securities and the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Financial Liabilities At Amortized Cost	2014			
	Carrying Amount	Contractual Cash Flows	Less Than 01 Year	More Than 01 Year
	-----Rupees-----			
Long term loan from banks	27,488,521	27,488,521	27,488,521	-
Liabilities against assets -subject to finance lease	45,584,399	45,584,399	45,584,399	-
Trade and other payables	1,014,878,695	1,014,878,695	1,014,878,695	-
Accrued markup	240,815,938	240,815,938	240,815,938	-
Short term finances	5,034,787,523	5,034,787,523	5,034,787,523	-
	6,363,555,076	6,363,555,076	6,363,555,076	-
	-----Rupees-----			
	2013			
Financial Liabilities At Amortized Cost	Carrying Amount	Contractual Cash Flows	Less Than 01 Year	More Than 01 Year
Long term loan from banks	27,488,521	28,958,627	28,958,627	-
Liabilities against assets -subject to finance lease	49,090,349	73,932,708	48,913,639	25,019,069
Trade and other payables	1,071,878,543	1,071,878,543	1,071,878,543	-
Accrued markup	240,815,938	240,815,938	240,815,938	-
Short term finances	5,065,814,155	5,065,814,155	5,065,814,155	-
	6,455,087,506	6,481,399,971	6,456,380,902	25,019,069

AL-ABID SILK MILLS LIMITED

	2014 Number	2013 Number
38 NUMBER OF EMPLOYEES		
Number of employees at the end of the year	<u>371</u>	<u>739</u>
Number of average employees during the year	<u>569</u>	<u>1,009</u>

39 PLANT CAPACITY AND PRODUCTION

The production capacity of the plant can not be determined as it depends upon the process, the quality of the cloth used for printing and dyeing, which may compose of different kinds of fabrics and texture having different construction and weights.

40 DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorized for issue in the Board of Directors' meeting held on September 29, 2014

41 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation.

Naseem A. Sattar
Chief Executive Officer

Azim Ahmed
Director

AL-ABID SILK MILLS LIMITED

AL-ABID SILK MILLS LTD Key Operating and Financial Data

Profit and Loss	2014	2013	2012	2011	2010	2009
	-----Rupees in million-----					
Sales and services	489	2,757	7,556	10,482	10,827	9,101
Gross (loss) / profit	(531)	(1,719)	(3,389)	1,340	1,320	1,312
(Loss) / Profit from Operations	(651)	(1,674)	(3,974)	733	663	573
Profit before taxation	(651)	(1,810)	(4,655)	185	209	137
Profit after taxation	(568)	(1,833)	(4,733)	78	99	45
Balance Sheet						
Property, plant and equipment	4,802	5,262	5,804	2,053	2,199	2,221
Long term security deposit	1.95	1.95	1.95	1.95	1.95	1.89
Net current assets	(5,952)	(5,884)	(4,703)	(96)	(334)	(430)
Total assets employed	<u>(1,148)</u>	<u>(620)</u>	<u>1,103</u>	<u>1,959</u>	<u>1,867</u>	<u>1,793</u>
Represented by:						
Share Capital	134	134	134	134	96	96
Reserves	(5,520)	(5,176)	(3,599)	1,134	960	869
Shareholders' equity	(5,386)	(5,042)	(3,465)	1,268	1,056	965
Surplus on revaluation -of fixed assets	3,370	3,594	4,322	515	555	555
Long term Financing	446	322	193	120	206	232
Deferred liabilities	422	506	53	57	50	41
Total capital employed	<u>(1,148)</u>	<u>(620)</u>	<u>1,103</u>	<u>1,959</u>	<u>1,867</u>	<u>1,793</u>
Cash Flow Statement						
Operating activities	(135)	(211)	27	3	309	348
Investing activities	(4)	37	(99)	(58)	(148)	(98)
Financing activities	137	139	80	28	(133)	(225)
Cash & cash equivalents -at beginning of the year	10	45	37	64	36	11
Cash & cash equivalents -at end of the year	<u>8</u>	<u>10</u>	<u>45</u>	<u>37</u>	<u>64</u>	<u>36</u>
Dividend (%age)	-	-	-	-	7.5%	7.5%
Debt-equity ratio
Debt	0.05	0.09	0.06	0.06	0.11	0.13
Equity	0.95	0.91	0.94	0.94	0.89	0.87

AL-ABID SILK MILLS LIMITED

AL-ABID SILK MILLS LTD. PATTERN OF SHARE HOLDING AS AT JUNE 30, 2014

NUMBER OF SHARE HOLDERS	SHARE HOLDERS		TOTAL SHARES	
492	1	--	100	18,194
127	101	--	500	24,246
16	501	--	1,000	10,934
20	1,001	--	100,000	146,437
12	100,001	--	1,000,000	3,070,029
2	1,000,001	--	3,000,000	2,624,548
1	3,000,001	--	8,000,000	7,515,162
670	TOTAL		13,409,550	

CATEGORIES OF SHAREHOLDERS	Number of Shareholders	Shers Held	Percentage
1. Individuals	654		
Holding more than 10%		1,479,361	11.032
Holding less than 10%		1,008,002	7.517
2. Financial Institutions	8		
National Bank Of Pakistan Trustee - NI(U)T (Loc) Fund		1,145,187	8.540
National Bank of Pakistan		584,313	4.357
Trustee National Bank of Pakista Employees Pension Fund		108,370	0.808
The Bank of Punjab		243,841	1.818
Faysal Bank Limited		146,399	1.092
3. Insurance Company	1		
State Life Insurance Corporation Of Pakistan		236,994	1.767
4. Holding Of Directors	7		
Mr. Naseem A. Sattar		7,515,162	56.043
Mr. Azim Ahmed		479,818	3.578
Mst. Adia Naseem		328,322	2.448
Mrs. Sadaf Nadeem		132,281	0.986
S.M. Jawed Azam		500	0.004
Mr. Qamar Mashkoo		500	0.004
Mr. Muhammad Sajid Hafeez		500	0.004
Total	670	13,409,550	100.000

AL-ABID SILK MILLS LIMITED

PROXY FORM

I/We _____

of _____

being member of AL-ABID SILK MILLS LIMITED, and holding _____ Ordinary Shares as per

Share Register Folio No. _____

hereby appoint _____ Folio No. _____

or failing him _____ Folio No. _____

of _____

as my/our proxy in my/our absence to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on 27th October, 2014 and at any adjournment thereof.

Singed this _____ day of _____ 2014

Revenue
Stamp

(Signature should agree with the specimen signature registered with the Company)

Note: Proxies in order to be effective, must be received by the company not later than 48 hours before the meeting. A proxy should also be a member of the Company.