Financial Statements | for the year ended June 30, 2015

Saritow Spinning Mills Limited

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. M. Azam Saigol	Chief Executive
Mr. M. Naseem Saigol	
Mr. M. Zeid Yousuf Saigol	
Mr. Muhammad Athar Rafiq	
Mr. Muhammad Omer Farooq	
Mr. Samir Iqbal Saigol	
Mr. Syed Haroon Rashid	NIT Nominee

AUDIT COMMITTEE

Mr. M. Naseem Saigol	Chairman/Member
Mr. Muhammad Omer Farooq	Member
Mr. Muhammad Athar Rafiq	Member

HR & REMUNERATION COMMITTEE

Mr. M. Zeid Yousuf Saigol	Chairman/Member
Mr. Samir Iqbal Saigol	Member
Mr. Muhammad Omer Farooq	Member

COMPANY SECRETARY
Mr. Anees-ur-Rehman

CHIEF FINANCIAL OFFICER
Mr. Muhammad Shamil, FCA

AUDITORS
Rahman Sarfraz Rahim Iqbal Rafiq
Chartered Accountants

BANKERS
Bank Alfalah Limited
Faysal Bank Limited
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
NIB Bank LImited
The Bank of Punjab
Summit Bank Limited
Meezan Bank Limited
Habib Metropolitan Bank Limited

SHARES REGISTRAR
M/s. CORPLINK (PVT) LTD.
Wings Arcade, 1-K Commercial, Model Town, Lahore.
Tel: 042-35839182, 35887262, 35916719
Fax: 042-35869037

REGISTERED OFFICE
17-Aziz Avenue, Canal Bank,
Gulberg-V, Lahore.
Tel: 042-35717364-65, 35718274-75
Fax: 042-35715105
E-mail: shares@saigols.com

MILLS
51-KM, Multan Road,
Phool Nagar, District Kasur.

VISION

To accomplish, build up and sustain a good reputation of the project in textile sector locally and globally by marketing high quality of yarn through team work by means of honesty, integrity and commitment.

MISSION

To transform the Company into a modern and dynamic Yarn manufacturing Company and to provide quality products to customers and explore new markets to promote / expand sales of the Company through Good Governance and foster a sound and dynamic team, so as to achieve optimum profitability for the Company for sustainable and equitable growth and prosperity of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 29th Annual General Meeting of Shareholders of **Saritow Spinning Mills Limited** will be held on Saturday, October 31, 2015 at 10:00 A.M. at 17-Aziz Avenue, Canal Bank, Gulberg-V, Lahore the Registered Office of the Company to transact the following business:-

1. To confirm the minutes of the last Extraordinary General Meeting held on March 24, 2015.
2. To receive and adopt the Annual Audited Accounts for the year ended June 30, 2015 alongwith Directors' and Auditors' Reports thereon.
3. To appoint Auditors of the Company to hold office till the conclusion of next Annual General Meeting and to fix their remuneration.
4. Any other business with the permission of the Chair.

By Order of the Board

Company Secretary

Lahore : October 10, 2015

Notes:

1. Share Transfer Books of the Company will remain closed from October 25, 2015 to October 31, 2015 (both days inclusive). Physical transfers/CDS transactions ID's received in order at "Company Registrar office M/s Corplink (Pvt.) Limited", wings arcade, 1-K, Commercial Model Town, Lahore on October 24, 2015 will be treated in time.

2. A member entitled to attend and vote at this Meeting may appoint another Member as his/her proxy. Proxies in order to be effective, must be received at 17-Aziz Avenue, Canal Bank, Gulberg-V, Lahore the Registered Office of the Company not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

3. Members whose shares are deposited with Central Depository System are requested to bring their original National Identity Cards or original Passports along with their Account Numbers in Central Depository System for attending the meeting.

4. Members are requested to notify the Company change in their addresses, if any.

5. SUBMISSION OF COPY OF CNIC/NTN DETAILS (MANDATORY)

Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC number of individuals is mandatorily required to be mentioned on dividend warrants and pursuant to the provisions of Finance Act 2015, the rate of deduction of income tax under section 150 of the Income Tax Ordinance 2001 from dividend payment have been revised as : for filers of Income Tax return 12.5% and Non filers of Income Tax return 17.5%. In case of Joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrars, or if no notification, each joint holder shall be assumed to have an equal number of shares.

<table>
<tr><th rowspan="2">Company Name</th><th rowspan="2">Folio/CDS Account No.</th><th rowspan="2">Total Shares</th><th colspan="2">Principal Shareholder</th><th colspan="2">Joint Shareholder</th></tr>
<tr><th>Name & CNIC No.</th><th>Shareholding Proportion No. Of Shares</th><th>Name & CNIC No.</th><th>Shareholding proportion No. Of Shares</th></tr>
</table>

The CNIC number/NTN details is now mandatory and is required for checking the tax status as per the Active Taxpayers List (ATL) issued by Federal Board of Revenue (FBR) from time to time.

Individuals including all joint holders holding physical share certificates are therefore requested to submit a copy of their valid CNIC to the company or its Registrar if not already provided. For shareholders other than individuals, the checking will be done by matching the NTN number. Therefore the Corporate shareholders having CDC accounts are requested in their own interest to provide a copy of NTN certificate to check their names in the ATL before the book closure date to their respective participants/CDC, whereas corporate shareholders holding physical share certificates should send a copy of their NTN certificate to the Company or its Share Registrar. The Shareholders while sending CNIC or NTN certificates, as the case may be must quote their respective folio numbers.

In case of non-receipt of the copy of a valid CNIC or NTN, the Company would be unable to comply with SRO 831(1)/2012 dated July 05, 2012 of SECP and therefore will be constrained under Section 251(2)(a) of the Companies Ordinance, 1984 to withhold dispatch of dividend warrants of such shareholder. Further, all shareholders are advised to immediately check their status on ATL and may, if required take necessary action for inclusion of their name in the ATL. The company as per the new law, shall apply 17.5% rate of withholding tax if the shareholders name, with relevant details, does not appear on the ATL, available on the FBR website on the first day of book closure and deposit the same in the Government Treasury as this has to be done within the prescribed time.

6. ZAKAT DECLARATIONS (CZ-50)

The Zakat will be deducted from the dividends at source at the rate of 2.5% of the paid-up value of the shares (Rs. 10/- each) under Zakat and Ushr Laws and will be deposited within the prescribed period with the relevant authority, Please submit your Zakat Declarations under Zakat and Ushr Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund) Rules, 1981 CZ-50 Form, in case you want to claim exemption, with your brokers or the Central Depository Company Ltd. (in case the shares are held in Investor Account Services on the CDC) or to our Registrars, M/s Corplink Private Limited, 1-K, Commercial Model Town, Lahore (in case the shares are held in paper certificate form). The shareholders while sending the Zakat Declarations, as the case may be must quote company name and respective folio numbers.

FINANCIAL HIGHLIGHTS - *Six Years at a Glance*

Particulars	2015	2014	2013	2012	2011	2010
Operating Performance *(Rupees in Thousands)*						
Turnover - *Net*	2,496,767	2,523,328	2,188,429	2,010,918	2,038,317	716,581
Gross Profit	167,790	231,337	303,956	215,146	236,774	129,329
Profit/(Loss) before Tax	(27,788)	53,274	157,973	199,804	127,997	64,349
Profit/(Loss) after Tax	(17,499)	42,075	120,511	168,855	87,350	48,147
Financial Position *(Rupees in Thousands)*						
Share Capital	298,406	298,406	298,406	298,406	298,406	132,750
Shareholders' Equity	577,426	631,070	598,772	476,858	305,836	50,756
Operating Fixed Assets	1,432,050	1,446,553	1,074,622	1,006,093	1,033,163	356,894
Total Assets	2,045,964	2,084,799	1,597,520	1,419,166	1,705,884	726,086
Bank Borrowings	615,691	700,960	278,122	305,983	452,666	154,075
Ratio Analysis						
Profitability						
Gross Profit Margin - *% age*	6.72	9.17	13.89	10.70	11.62	18.05
Profit/(Loss) after Tax - *% age*	(0.70)	1.67	5.51	8.40	4.29	6.72
Earning/(Loss) Per Share - *Rupees*	(0.59)	1.41	4.04	5.66	2.93	3.63
Activity						
Sales to Operating Fixed Assets - *Times*	1.74	1.74	2.04	2.00	1.97	2.01
Liquidity						
Current Ratio - *Times*	1.05	1.19	1.37	1.07	0.96	0.79
Break up Value Per Share - *Rupees*	19.35	21.15	20.07	15.98	10.25	3.82

DIRECTORS' REPORT

The Directors of M/s Saritow Spinning Mills Limited are pleased to present Financial Results for the year ended June 30, 2015 along with director report thereon.

Financial High Lights	2015 ('000)	2014 ('000)
Net Sales	2,496.767	2,523.328
Gross Profit	167.790	2,312.337
Pre Tax Profit without Notional Income	1.904	85.054
Pre Tax Profit with Notional Income	(27.788)	53.274
After Tax Profit without Notional Income/(Expense)	12.193	67.912
After Tax Profit with Notional Income/(Expense)	(17.499)	42.075
Gross Profit Ratio to Sales	6.72%	9.17%
After Tax Profit Ratio to Sales without Notional Income/(Expense)	0.49%	2.69%
After Tax Profit Ratio to Sales with Notional Income/(Expense)	(0.70)%	1.67%

Operating Financial Results

During the year under review our Company was able to achieve turnover of Rs 2,496.767 million as compared to Rs 2,523.328 million during last year and was able to earn Gross Profit of 6.72% as compared to 9.17% during the same period last year.

The year under review was not good for Textile Industry in general. It started on negative note with Yarn prices start declining due to slow down in economy of major textile players, exports remain on lower side in spite of GSP Plus status awarded to our Country by Euorpeon Union. Yarn prices were also affected in anticipation of Bumper Crop not only in Pakistan but in all major cotton producing countries. Although Raw Cotton was available in abundance but due to fluctuation in prices of raw material and carry over inventory, our average raw material prices remain on higher side resulted in reduced margins for the period under review. Another factor which contributed to decrease in margins was statutory increase in minimum wages. The year under review was also hit by energy crisis as usual. Power supply from LESCO and Natural Gas supply from SNGPL remain low due to which we were forced to operate our unit on Furnace Oil.

Future Outlook

Yarn prices due to slow down in world economies remain depressed. Raw material prices have gone up considerably since the start of this financial year which is not healthy sign for days to come. Power supply will also remain the top issue for the Textile industry. In spite of reason able decrease in Furnace oil prices electricity tariff has been increased along with per MMBTU rate of natural gas.

Cash Flow Management

Board of directors places great importance for an effective cash flow management so as to ensure smooth running of the business. For this purpose cash inflows and outflows are projected on regular basis and verified periodically. Working capital requirements have been planned to be finance through internal cash generation and short term financing from external sources.

Corporate Social Responsibility (CSR)

Your company gives high priority to its social responsibilities and is committed to the highest standards of corporate behavior. The company's CSR responsibilities are fulfilled through monetary contributions in the areas of healthcare, education, environment protection, water and sanitation, child welfare, infrastructure development and other social welfare activities. Our CSR includes contributions to hospitals and education programs engaged in assisting the under privileged patients students and children's of various walks of life.

Health Safety and Environment

Your company is well aware of the importance of skilled workers and staff therefore the company is strongly committed towards all aspects of safety, health and environment connected with our business.

Statement in Compliance of the Code of Corporate Governance

- The Financial Statements, prepared by the management, present a true and fair state of affairs of the company, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company 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 Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design 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.
- There are no outstanding statutory payments on account of duties, levies and charges.
- Significant deviation from last year in operating results of the Company and reasons thereof have been explained.
- The Key Operating and Financial Data of last six years are attached to the Report.
- There are no significant plans for corporate restructuring and discontinuation of operations except for improvement in the normal business activities to increase the business.
- Four Meetings of the Board of Directors of the Company were held during the year under review. Following was the attendance of the Directors: -

Name of Directors	No. of Meetings Attended
Mr. M. Naseem Saigol	1
Mr. M. Azam Saigol	1
Mr. Samir Iqbal Saigol	2
Mr. M. Zeid Yousuf Saigol	1
Syed Haroon Rashid	4
Mr. M. Omer Farooq	4
Mr. M. Athar Rafiq	3

- Four Meetings of the Audit Committee were held during the year under review. Following was the attendance of the Members:

Name of Members	No. of Meetings Attended
Mr. M. Naseem Saigol	4
Mr. M. Omer Farooq	3
Mr. M. Athar Rafiq	4

- One Meeting of HR & Remuneration Committee was held during the year under review. Following was the attendance of the Members: -

Name of Members	No. of Meetings Attended
Mr. M. Zeid Yousuf Saigol	1
Mr. Samir Iqbal Saigol	1
Mr. M. Omer Farooq	1

During the period under review no Director, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children sell, buy or take any position in the shares of the Company except as mentioned in Categories of Shareholding required under Code of Corporate Governance (CCG).

Pattern of Shareholding

A statement showing pattern of shareholding as on June 30, 2015 is annexed.

Acknowledgment

The Directors of your company take this opportunity to thank the entire stakeholders for their continued support. Your directors also placed on record their appreciation for the contribution made by the employees at all levels.

For and on behalf of the Board

Lahore : October 10, 2015

CHIEF EXECUTIVE

STATEMENT WITH COMPLIANCE OF CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the code of Corporate Governance contained in regulation No. 37, 43 & 36 of listing regulations of Karachi, Lahore & Islamabad Stock Exchanges respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	**Names**
Independent Directors	Syed Haroon Rashid
Executive Directors	Mr. Samir Iqbal Saigol
	Mr. M. Azam Saigol
Non-Executive Directors	Mr. M. Naseem Saigol
	Mr. M. Zeid Yousuf Saigol
	Mr. Muhammad Athar Rafiq
	Mr. Muhammad Omer Farooq

   The independent directors meet 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 in 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 the payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors during the period.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Two Directors obtained certification in Directors' Training Program during the year from SECP's approved institutions.
10. The Board is in the process of developing the mechanism for annual evaluation of its own performance.
11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
12. The Director's 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.
13. Financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
14. 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.

15. The Company has complied with all the corporate and financial reporting requirements of the CCG.
16. The Board has formed an audit committee. It comprises of 3 members, of whom majority are non executive directors including the chairman of the committee.
17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has formed an HR and remuneration committee. It comprises of 3 members, of whom 2 are none executive directors including the chairman of the committee.
19. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
20. 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 partner 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 ICAP.
21. 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 regards.
22. The 'closed period' prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
23. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
24. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Lahore : October 10, 2015

CHIEF EXECUTIVE

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ('the Code') prepared by the Board of Directors of **Saritow Spinning Mills Limited** for the year ended June 30, 2015 to comply with the requirements of Listing Regulation No 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these are stated in Statement of Compliance:

Reference	**Description**
Paragraph 10	The Board is in the process of developing the mechanism for annual evaluation of its own performance

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Engagement Partner: ***ZUBAIR IRFAN MALIK***

Date: ***OCTOBER 10, 2015***
Place: ***LAHORE***

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SARITOW SPINNING MILLS LIMITED** ("the Company") as at June 30, 2015 and the related profit and loss account, statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion-

   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

   ii. the expenditure incurred during the year was for the purpose of the Company's business; and

   iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the loss, other comprehensive income, its cash flows and changes in equity for the year then ended; and

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

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Engagement Partner: *ZUBAIR IRFAN MALIK*

Date: *OCTOBER 10, 2015*
Place: *LAHORE*

BALANCE SHEET
as at June 30, 2015

	Note	2015	2014
		Rupees	*Rupees*
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
35,000,000 (2014: 35,000,000) ordinary shares of Rs. 10 each		**350,000,000**	350,000,000
Issued, subscribed and paid-up capital	*6*	**298,406,070**	298,406,070
Accumulated profit		**279,019,563**	332,663,678
TOTAL EQUITY		**577,425,633**	631,069,748
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	*7*	**73,152,077**	74,437,334
NON-CURRENT LIABILITIES			
Loan from directors and family members - unsecured, subordinate	*8*	**265,884,966**	199,007,562
Long term finances - *Secured*	*9*	**275,078,475**	341,609,645
Liabilities against assets subject to finance lease - *Secured*	*10*	**28,823,530**	45,294,118
Long term deposits - *Unsecured*	*11*	**8,000,000**	8,000,000
Employees retirement benefits	*12*	**44,661,798**	35,282,172
Deferred taxation	*13*	**210,115,055**	230,277,783
		832,563,824	859,471,280
CURRENT LIABILITIES			
Trade and other payables	*14*	**232,070,683**	186,951,817
Short term borrowings - *Secured*	*15*	**191,431,131**	247,611,611
Accrued interest/mark-up		**18,961,997**	18,813,326
Current portion of non-current liabilities	*16*	**120,358,400**	66,443,983
		562,822,211	519,820,737
TOTAL LIABILITIES		**1,395,386,035**	1,379,292,017
CONTINGENCIES AND COMMITMENTS	*17*		
		2,045,963,745	2,084,799,099

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore
Date: October 10, 2015

CHIEF EXECUTIVE

	Note	2015	2014
		Rupees	*Rupees*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*18*	**1,432,050,470**	1,446,553,003
Long term deposits - *Unsecured, considered good*	*19*	**20,913,886**	20,913,886
		1,452,964,356	1,467,466,889
CURRENT ASSETS			
Stores, spares and loose tools	*20*	**19,262,902**	20,205,226
Stock in trade	*21*	**403,723,410**	452,773,282
Trade receivables - *Unsecured, considered good*		**69,862,997**	26,968,457
Advances, prepayments and other receivables	*22*	**41,607,045**	56,523,416
Current taxation	*23*	**34,000,037**	27,865,352
Cash and bank balances	*24*	**24,542,998**	32,996,477
		592,999,389	617,332,210
TOTAL ASSETS		**2,045,963,745**	2,084,799,099

The annexed notes 1 to 48 form an integral part of these financial statements.

DIRECTOR

PROFIT AND LOSS ACCOUNT
for the year ended June 30, 2015

	Note	**2015**	2014
		Rupees	*Rupees*
Turnover - ***net***	*25*	**2,496,766,630**	2,523,328,289
Cost of sales	*26*	**(2,328,976,578)**	(2,291,990,863)
Gross profit		**167,790,052**	231,337,426
Selling and distribution expenses	*27*	**(6,816,795)**	(5,907,838)
Administrative and general expenses	*28*	**(50,414,862)**	(51,874,428)
		(57,231,657)	(57,782,266)
Net other expenses	*29*	**(11,323,906)**	(9,389,545)
Operating profit		**99,234,489**	164,165,615
Finance cost	*30*	**(97,177,568)**	(80,416,242)
Other charges	*31*	**(153,100)**	(4,637,874)
		(97,330,668)	(85,054,116)
Notional interest expense	*8.2*	**(29,691,928)**	(25,837,042)
(Loss)/profit before taxation		**(27,788,107)**	53,274,457
Taxation	*32*	**10,289,495**	(11,199,374)
(Loss)/profit after taxation		**(17,498,612)**	42,075,083
(Loss)/earnings per share - ***basic and diluted***			
before notional interest	*33*	**0.41**	2.28
after notional interest	*33*	**(0.59)**	1.41

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore
Date: October 10, 2015

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended June 30, 2015

	Note	2015	2014
		Rupees	*Rupees*
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified to profit or loss			
Incremental depreciation	*7*	**1,962,116**	2,078,014
Remeasurements of defined benefit obligation	*12.4*	**(1,356,092)**	(3,571,058)
Taxation relating to remeasurements of defined benefit obligation	*13.1*	**433,949**	1,178,449
		1,039,973	(314,595)
Other comprehensive income/(loss)		**1,039,973**	(314,595)
(Loss)/profit for the year		**(17,498,612)**	42,075,083
Total comprehensive (loss)/income		**(16,458,639)**	41,760,488

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore
Date: October 10, 2015

CHIEF EXECUTIVE **DIRECTOR**

CASH FLOW STATEMENT
for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	34	**250,090,821**	168,117,253
Payments for:			
Employees retirement benefits		**(8,390,322)**	(11,395,743)
Interest/markup		**(87,198,217)**	(68,303,516)
Income tax		**(14,897,110)**	(49,492,418)
Net cash generated from operating activities		**139,605,172**	38,925,576
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(72,051,157)**	(441,042,780)
Proceeds from disposal of property, plant and equipment		**8,980,435**	6,670,939
Long term deposits		**-**	(4,924,120)
Net cash used in investing activities		**(63,070,722)**	(439,295,961)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term finances		**(25,600,000)**	(33,434,834)
Long term finances obtained		**8,865,600**	327,618,250
Repayment of liabilities against assets subject to finance lease		**(12,352,941)**	(8,235,294)
Net (decrease)/increase in short term borrowings		**(56,180,480)**	136,888,965
Dividend paid		**(82,954)**	(9,971,314)
Net cash (used in)/generated from financing activities		**(85,350,775)**	412,865,773
Net (decrease)/increase in cash and cash equivalents		**(8,816,325)**	12,495,388
Cash and cash equivalents at the beginning of the year		**32,996,477**	20,643,499
Exchange gain/(loss) on cash and cash equivalents		**362,846**	(142,410)
Cash and cash equivalents at the end of the year	35	**24,542,998**	32,996,477

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore
Date: October 10, 2015

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY
for the year ended June 30, 2015

	Note	Issued subscribed and paid-up capital	Accumulated profit	Total equity
		Rupees	*Rupees*	*Rupees*
Balance as at July 01, 2013		298,406,070	300,365,776	598,771,846
Comprehensive income				
Profit after taxation		-	42,075,083	42,075,083
Other comprehensive loss		-	(314,595)	(314,595)
Total comprehensive income		-	41,760,488	41,760,488
Transaction with owners				
Final dividend @ 10% i.e. Rs. 1.0 per ordinary share		-	(9,462,586)	(9,462,586)
Balance as at June 30, 2014		298,406,070	332,663,678	631,069,748
Balance as at July 01, 2014		**298,406,070**	**332,663,678**	**631,069,748**
Comprehensive income				
Loss after taxation		**-**	**(17,498,612)**	**(17,498,612)**
Other comprehensive income		**-**	**1,039,973**	**1,039,973**
Total comprehensive loss		**-**	**(16,458,639)**	**(16,458,639)**
Unamortized notional interest derecognized	*8.2*	**-**	**(37,185,476)**	**(37,185,476)**
Transaction with owners		**-**	**-**	**-**
Balance as at June 30, 2015		**298,406,070**	**279,019,563**	**577,425,633**

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore
Date: October 10, 2015

CHIEF EXECUTIVE **DIRECTOR**

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS
for the year ended June 30, 2015

1 REPORTING ENTITY

Saritow Spinning Mills Limited ('the Company') is incorporated in Pakistan as a Public Limited Company under the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited. The Company is a spinning unit engaged in the manufacture and sale of yarn. The registered office of the Company is situated at 17-Aziz Avenue, Canal Bank Gulberg-V, Lahore. The manufacturing facility is located at Bhai Pheru, District Kasur in the Province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employees retirement benefits liabilities measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.3.1 *Depreciation method, rates and useful lives of property, plant and equipment*

The Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

2.3.2 *Recoverable amount and impairment*

The management of the Company reviews carrying amounts of its assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.3.3 *Obligation under defined benefit plan*

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent actuaries.

2.3.4 *Taxation*

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

2.3.5 *Provisions*

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.3.6 ***Revaluation of property, plant and equipment***

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

2.4 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.

3.1 The following new/revised standards/interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 – Impairment of Assets)

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and introduce an explicit requirement to disclose the discount rate used in determining impairment or reversals where recoverable amount, based on fair value less costs to sell, is determined using a present value technique.

Offsetting financial assets and financial liabilities (Amendments to IAS 32 – Financial Instruments: Presentation)

The amendments update the application guidance in IAS 32 to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment focuses on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- the application of simultaneous realization and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements

Contributions from employees or third parties (Amendments to IAS 19 – Employee Benefits)

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

Novation of Derivative and Continuation of Hedge Accounting (Amendments to IAS 39 – Financial Instruments: Recognition and Measurement)

The amendments clarify that there is no need to discontinue hedge accounting if a hedge derivative is novated provided certain criteria are met.

Annual Improvements 2010-2012

Annual Improvements 2010-2012 cycle makes changes to the following standards:

IFRS 2 - Share Based Payment: Amends the definition of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

IFRS 3 - Business Combinations: Requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 8 - Operating Segments: Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarifies that reconciliations of segment assets only required if segment assets reported regularly.

IFRS 13 - Fair Value Measurement: Clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is still available.

IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets: Clarifies that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24 - Related Party Disclosures: Clarifies how payment to entities providing management services are to be disclosed.

Annual Improvements 2011-2013

Annual Improvements 2011-2013 cycle makes changes to the following standards:

IFRS 1 - First-time Adoption of International Financial Reporting Standards: Clarifies which versions of IFRSs can be used on initial adoption.

IFRS 3 - Business Combinations: Clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13 - Fair Value Measurement: Clarifies the scope of portfolio exception.

IAS 40 - Investment Property: Clarifies the interrelationship with IFRS 3 - Business Combinations when classifying property as investment property or owner-occupied property.

IFRIC 21 - Levies (2013)

The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of levy is certain.

The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognized progressively if the obligating event occurs over a period of time.
- If an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

3.2 The following new/revised standards/interpretations and amendments are effective in the current year but have been notified for adoption under section 234 of the Companies Ordinance, 1984 for annual periods beginning on or after January 01, 2015.

IFRS 10 - Consolidated Financial Statements (2011)

The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities.

IFRS 11 - Joint Arrangements (2011)

The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers.

IFRS 12 - Disclosure of Interests in Other Entities (2011)

The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 - Fair Value Measurement (2011)

The standard establishes a single framework for measuring fair value where that is required by other standards.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities)

The amendments provide transitional relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

Investment Entities (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statement)

The amendments provide exemption from consolidation of particular subsidiaries by certain entities defined as "Investment Entities" and require additional disclosures where such subsidiaries are excluded from consolidation pursuant to exemption.

4 NEW AND REVISED STANDARDS/INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
Equity method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)	January 01, 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 – Joint Arrangements)	January 01, 2016
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	January 01, 2016
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets)	January 01, 2016

	Effective date (annual periods beginning on or after)
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 28 - Accounting for Investments in Associates and Joint Ventures)	January 01, 2016
Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture)	January 01, 2016
Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)	January 01, 2016
Annual Improvements 2012-2014	July 01, 2016
IFRS 14 – Regulatory Deferral Accounts (2014)	January 01, 2017
IFRS 15 – Revenue from Contracts with Customers (2014)	January 01, 2017
IFRS 9 – Financial Instruments: Classification and Measurement (2014)	January 01, 2018

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

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

5.1 Property, plant and equipment

5.1.1 Operating fixed assets

Operating fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is stated at revalued amount, and buildings on freehold land and plant and machinery which are carried at revalued amounts less accumulated depreciation. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

`

Major renewals and improvements to operating fixed assets are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 18.1 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

5.1.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

5.2 Surplus / deficit arising on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is carried on balance sheet after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously carried on balance sheet, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit every year, through statement of other comprehensive income.

5.3 Stores, spares and loose tools

These are generally held for internal use and are valued at cost. Cost is determined on the basis of weighted average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil. Spare parts held exclusively for capitalization are classified as property, plant and equipment.

5.4 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

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

5.5 Employee benefits

5.5.1 Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

5.5.2 Post-employment benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss with the exception of remeasurements which are recognized in other comprehensive income. The amount recognized on balance sheet represents the present value of defined benefit obligation. The details of the scheme are referred to in note 11 to the financial statements.

5.6 Financial instruments

5.6.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

5.6.2 Classification

The Company classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities at initial recognition.

5.6.2.1 Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets.

5.6.2.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are either designated as such on initial recognition or are classified as held for trading. Financial assets are designated as financial assets at fair value through profit or loss if the Company manages such assets and evaluates their performance based on their fair value in accordance with the Company's risk management and investment strategy. Financial assets are classified as held for trading when these are acquired principally for the purpose of selling and repurchasing in the near term, or when these are part of a portfolio of identified financial instruments that are managed together and for which there is a recent actual pattern of profit taking, or where these are derivatives, excluding derivatives that are financial guarantee contracts or that are designated and effective hedging instruments. Financial assets in this category are presented as current assets.

5.6.2.3 Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

5.6.3 Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

5.6.4 De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

5.6.5 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.7 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

5.8 Loans and borrowings

Loans and borrowings, other than those convertible into ordinary shares of the Company, are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

5.9 Finance leases

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'operating fixed assets'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for operating fixed assets. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and 'loans and receivables' respectively, however, since they fall outside the scope of measurement requirements of IAS 39 'Financial Instruments - Recognition and Measurement', these are measured in accordance with the requirements of IAS 17 'Leases'. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Deposits against finance leases, subsequent to initial recognition are carried at cost.

5.10 Operating leases

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight line basis over the lease term.

5.11 Ijarah transactions

Ujrah payments under an ijarah are recognized as an expense in profit or loss on straight line basis unless another systematic basis are representative of the time pattern of user's benefit.

5.12 Trade and other payables

5.12.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

5.12.2 Non-financial liabilities

These, both on initial recognition and subsequently, are measured at cost.

5.13 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

5.14 Trade and other receivables

5.14.1 Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

5.14.2 Non-financial assets

These, both on initial recognition and subsequently, are measured at cost.

5.15 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer. Transfer of risks and rewards vary depending on the individual terms of the contract of sale. Transfer usually occurs on dispatch of goods to customers.

5.16 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of profit or loss and other comprehensive income'.

5.17 Borrowing costs

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

5.18 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

5.18.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

5.18.2 Deferred taxation

Deferred tax is accounted for using the' balance sheet approach' providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by The Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

5.19 Earnings per share ('EPS')

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 calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

5.20 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. These are classified as 'loans and receivables' and are carried at cost.

5.21 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

5.22 Impairment

5.22.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset’s carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

5.22.2 Non-financial assets

The carrying amount of the Company’s non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determining the recoverable amount. An impairment loss is reversed only to that extent that the asset’s carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

5.23 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company’s financial statements in the year in which the dividends are approved by the Company’s shareholders.

	Note	2015	2014
		Rupees	*Rupees*

6 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 10 each			
13,275,000 (2014: 13,275,000) ordinary shares issued for cash		**132,750,000**	132,750,000
16,565,607 (2014: 16,565,607) ordinary shares issued as consideration of merger		**165,656,070**	165,656,070
		298,406,070	298,406,070

7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

As at beginning of the year		**74,437,334**	76,515,348
Surplus recognized during the year		**-**	-
Incremental depreciation transferred to accumulated profits			
Incremental depreciation for the year		**(2,885,464)**	(3,196,944)
Deferred taxation		**923,348**	1,118,930
		(1,962,116)	(2,078,014)
Deferred tax adjustment attributable to changes in tax rates		**676,859**	-
As at end of the year		**73,152,077**	74,437,334

8 LOAN FROM DIRECTORS AND FAMILY MEMBERS - UNSECURED, SUBORDINATE

Face value of loan	*8.1*	**265,884,966**	265,884,966
Unamortized notional interest	*8.2*	**-**	(66,877,404)
Liability component		**265,884,966**	199,007,562

8.1 This loan has been obtained from directors and their family members of the Company and is interest free. The loan is subordinate to all long term finances (see note 9) and short term borrowings of the Company (see note 15).

On June 30, 2015, the agreement between the lenders and the Company has been revised, whereby, the date before which no repayment shall be demanded and no repayments shall be made by the Company to the lenders has been extended from July 31, 2016 to March 31, 2020, being the earliest date on which the underlying borrowings, to which this loan is subordinated, are expected to be completely repaid. Further, as per the terms of revised agreement, the loan carries interest at one year KIBOR plus 2.5% per annum payable on maturity. The lenders on their sole discretion may waive full or partial payment of interest on this loan.

The amortized cost of this loan has been re-detremined based on new terms and the remaining unamortized notional interest has been transferred to retained earnings.

	Note	2015	2014
		Rupees	*Rupees*

8.2 Unamortized notional interest

As at beginning of the year		**66,877,404**	92,714,446
Amortized during the year		**(29,691,928)**	(25,837,042)
Derecognized during the year		**(37,185,476)**	-
As at end of the year		**-**	66,877,404

9 LONG TERM FINANCES - SECURED

These represent long term finances utilized under interest/markup arrangements from banking companies			
Term Finance - I	*9.1*	**38,364,790**	63,964,790
Term Finance - II	*9.2*	**336,483,850**	327,618,250
		374,848,640	391,583,040
Current maturity presented under current liabilities	*16*	**(99,770,165)**	(49,973,395)
		275,078,475	341,609,645

9.1 The finance has been obtained from National Bank of Pakistan to finance capital expenditure and is secured by charge over operating fixed assets of the Company, subordination of loan from directors and their family members and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 2.5% per annum (2014: six months KIBOR plus 2.5% per annum) payable quarterly. The finance is repayable in twenty equal quarterly installments with the first installment due in October 2010.

9.2 The finance has been obtained from NIB Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company, subordination of loan from directors and their family members and personal guarantees of the Company's Directors. The finance carries mark-up at three months KIBOR plus 2.5% per annum (2014 : three months KIBOR plus 2.5% per annum) payable quarterly. The finance is repayable in twenty equal quarterly installments with first installment due in July 2015.

9.3 For mortgages and charges on assets as security for liabilities, refer to note 40 to the financial statements.

	Note	**2015**	2014
		Rupees	*Rupees*
10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments	*10.1 & 10.2*	**49,411,765**	61,764,706
Current portion presented under current liabilities	*10.1 & 10.2*	**(20,588,235)**	(16,470,588)
		28,823,530	45,294,118

10.1 These represent machinery acquired under finance lease arrangements. The leases are priced at rate three months KIBOR plus 2.25% per annum (2014: three months KIBOR plus 2.25% per annum). Lease rentals are payable quarterly over a tenor of 5 years. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of lease terms and intends to exercise the option.

10.2 The amount of future payments under the finance lease arrangements and the period in which these payments will become due are as follows:

	2015	2014
	Rupees	*Rupees*
Not later than one year	**24,309,291**	22,098,920
Later than one year but not later than five years	**31,262,221**	53,767,908
Total future minimum lease payments	**55,571,512**	75,866,828
Finance charge allocated to future periods	**(6,159,747)**	(14,102,122)
Present value of future minimum lease payments	**49,411,765**	61,764,706
Not later than one year	**(20,588,235)**	(16,470,588)
Later than one year but not later than five years	**28,823,530**	45,294,118

11 LONG TERM DEPOSITS - UNSECURED

These represent interest free security deposits from yarn dealers and are repayable on cancellation or withdrawal of dealership. These are being utilized by the Company in accordance with the terms of dealership agreements. These are classified as 'financial liabilities at amortized cost' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, since the date of repayment cannot be reasonably ascertained, these deposits have been are carried at cost as their amortized cost is impracticable to determine.

12 EMPLOYEES RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme, a defined benefit plan, for all its permanent employees who have completed one year of service. Under the scheme, the Company pays an amount equal to thirty days gross salary for each year of service. For the purpose of calculating the number of year of service, six or more months in excess of completed years of service are included as a complete year, whereas period of less than six months in excess of completed years of service are ignored.

The amount recognized on balance sheet represents present value of defined benefit obligation.

		Note	2015	2014
			Rupees	*Rupees*
12.1	**Movement in present value of defined benefit obligation**			
	As at beginning of the year		**35,282,172**	30,000,125
	Charged to profit or loss for the year	*12.2*	**16,413,856**	13,106,732
	Benefits paid during the year		**(8,390,322)**	(11,395,743)
	Remeasurements recognized in other comprehensive income	*12.4*	**1,356,092**	3,571,058
	As at end of the year		**44,661,798**	35,282,172
12.2	**Charge to profit or loss**			
	Current service cost		**12,683,415**	9,506,717
	Interest cost		**3,730,441**	3,600,015
			16,413,856	13,106,732
12.3	**The charge to profit or loss has been allocated as follows**			
	Cost of sales	*26.2*	**13,061,364**	10,280,403
	Selling and distribution expenses	*27.1*	**160,654**	112,960
	Administrative and general expenses	*28.1*	**3,191,838**	2,713,369
			16,413,856	13,106,732
12.4	**Remeasurements recognized in other comprehensive income**			
	Actuarial (gain)/loss arising from changes in:			
	Demographic assumptions		**-**	(51,933)
	Financial assumptions		**-**	-
	Experience adjustments		**1,356,092**	3,622,991
			1,356,092	3,571,058

12.5 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries. The principal assumptions used in determining present value of defined benefit obligation are:

	2015	2014
Discount rate	**9%**	12%
Expected rates of increase in salary	**8%**	11%
Expected average remaining working lives	**12 years**	12 years

12.6 Sensitivity analysis

An analysis of sensitivity for discount rate and expected rate of increase in salary used to determine the present value of defined benefit obligation as at the reporting date showing how the defined benefit obligation would have been affected by changes in relevant actuarial assumption that were reasonably possible at that date is as follows:

	2015		2014	
	Change in actuarial assumption	**Defined benefit obligation**	Change in actuarial assumption	Defined benefit obligation
		Rupees		*Rupees*
Discount rate	+ 1%	40,269,812	+ 1%	31,789,213
	- 1%	49,879,904	- 1%	39,406,807
Expected rate of increase in salary	+ 1%	49,879,904	+ 1%	39,406,807
	- 1%	40,194,518	- 1%	31,730,789

A change in expected remaining working lives of employees is not expected to have a material impact on the present value of defined benefit obligation. Accordingly, the sensitivity analysis for the same has not been carried out.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of defined benefit obligation as at the reporting date has been calculated using projected unit credit method, which is the same as that applied in calculating the defined benefit obligation to be recognized in these financial statements.

12.7 Risk factors

The defined benefit plan exposes the Company to the following actuarial risks:

Interest risk: The discount rate used in determination of present value of defined benefit obligation has been determined by reference to market yield at the reporting date on Pakistan Investment Bonds since there is no deep market in long term corporate bonds in Pakistan. An increase in market yield resulting in a higher discount rate will decrease in the defined benefit liability.

Longevity risk: The present value of defined benefit obligation is calculated by reference to the best estimate of the expected remaining working lives of the employees. An increase in the expected remaining working lives will increase the defined benefit obligation. However, the increase is not expected to be material.

Salary risk: The present value of defined benefit obligation is calculated by reference to future salaries of employees. An increase in salary of employees will increase the defined benefit obligation.

	Note	**2015**	2014
		Rupees	*Rupees*
13 DEFERRED TAXATION			
Deferred tax liability on taxable temporary differences	*13.1*	**251,339,528**	249,694,941
Deferred tax asset on deductible temporary differences	*13.1*	**(41,224,473)**	(19,417,158)
		210,115,055	230,277,783

13.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2015			
	As at July 01, 2014	**Recognized in profit or loss**	**Recognized in equity**	**As at June 30, 2015**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Deferred tax liabilities				
Operating fixed assets - owned	**249,694,941**	**2,321,446**	**(676,859)**	**251,339,528**
Deferred tax assets				
Employees retirement benefits	**(11,643,117)**	**(2,214,709)**	**(433,949)**	**(14,291,775)**
Assets subject to finance lease	**(3,285,750)**	**7,510,628**	**-**	**4,224,878**
Unused tax losses and credits	**(4,488,291)**	**(26,669,285)**	**-**	**(31,157,576)**
	(19,417,158)	**(21,373,366)**	**(433,949)**	**(41,224,473)**
	230,277,783	**(19,051,920)**	**(1,110,808)**	**210,115,055**

	2014			
	As at July 01, 2013	Recognized in profit or loss	Recognized in equity	As at June 30, 2014
	Rupees	*Rupees*	*Rupees*	*Rupees*
Deferred tax liabilities				
Operating fixed assets - owned	240,955,956	8,738,985	-	249,694,941
Deferred tax assets				
Employees retirement benefits	(10,289,757)	(174,911)	(1,178,449)	(11,643,117)
Assets subject to finance lease	(7,616,104)	4,330,354	-	(3,285,750)
Unused tax losses and credits	-	(4,488,291)	-	(4,488,291)
	(17,905,861)	(332,848)	(1,178,449)	(19,417,158)
	223,050,095	8,406,137	(1,178,449)	230,277,783

13.2 Deferred tax has been calculated at 32% (2014: 33%) of the timing differences as at the reporting date. Deferred tax has been calculated at 32% (2014: 33%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

	Note	2015	2014
		Rupees	*Rupees*
14 TRADE AND OTHER PAYABLES			
Trade creditors - *Unsecured*		**91,693,964**	67,978,116
Accrued liabilities		**113,630,207**	64,195,933
Advances from customers - *Unsecured*		**1,308,006**	38,383,130
Bills payable		**16,361,946**	-
Workers' Profit Participation Fund	*14.1*	**102,246**	4,182,958
Workers' Welfare Fund	*14.2*	**38,854**	454,916
Unclaimed dividend		**485,351**	568,305
Deductions against vehicle scheme	*14.3*	**3,875,737**	3,273,420
Other payables - *Unsecured*	*14.4*	**4,574,372**	7,915,039
		232,070,683	186,951,817

14.1 Workers' Profit Participation Fund

	Note	2015	2014
As at beginning of the year		**4,182,958**	9,213,915
Interest on funds utilized by the Company	*14.1.1*	**336,003**	821,979
Charged to profit or loss for the year	*31*	**102,246**	4,182,958
Paid during the year		**(4,518,961)**	(10,035,894)
As at end of the year		**102,246**	4,182,958

14.1.1 Interest is charged at 10.94% (2014: 12.67%) per annum.

14.2 Workers' Welfare Fund

	Note	2015	2014
As at beginning of the year		**454,916**	5,546,736
Charged to profit or loss for the year	*31*	**38,854**	454,916
Paid/adjusted during the year		**(454,916)**	(5,546,736)
As at end of the year		**38,854**	454,916

14.3 These represent deductions from employees' salaries on account of vehicle scheme whereby the Company and employees share a portion of the cost of vehicle. The vehicles are registered in the name of employee or leasing company in case of leased vehicles. The cost of vehicles is borne by the Company initially and is recovered from employees on monthly basis.

14.4 These include withholding tax payable amounting to Rs. 4.5 million (2014: Rs. 7.9 million).

	Note	2015	2014
		Rupees	*Rupees*
15 SHORT TERM BORROWINGS - SECURED			
These represent short term finances utilized under interest/mark-up arrangements from banking companies			
Running finances	*15.1*	**135,935,237**	185,231,685
Term loans	*15.1*	**55,495,894**	62,379,926
		191,431,131	247,611,611

15.1 These facilities have been obtained from various banking companies for working capital requirements and are secured by charge over current assets and operating fixed assets of the Company, pledge of stock, subordination of loan from directors and their family members and personal guarantees of the Company's Directors.

These finances carry markup at rates ranging from one to three months KIBOR plus 2% to 2.5% per annum (2014: one to three months KIBOR plus 2.25% to 2.5% per annum), payable quarterly, except for term loans for which interest/markup is payable with principal on maturity.

The aggregate available short term funded facilities amounts to Rs. 695 million (2014: Rs. 695 million) out of which Rs. 504 million (2014: Rs. 447 million) remained unavailed as at the reporting date.

15.2 For mortgages and charges on assets as security for liabilities, refer to note 40 to the financial statements.

	Note	2015	2014
		Rupees	Rupees
16 CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Long term finances	9	**99,770,165**	49,973,395
Liabilities against assets subject to finance lease	10	**20,588,235**	16,470,588
		120,358,400	66,443,983

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

	2015	2014
17.1.1 Guarantees issued by banks on behalf of the Company	**80,980,000**	80,980,000

17.1.2 Contingencies related to tax matters are referred to note 32 to the financial statements.

	2015	2014
	Rupees	Rupees
17.2 Commitments		
17.2.1 Commitments under irrevocable letters of credit for:		
- purchase of raw material	**57,539,801**	65,491,817
- purchase of stores, spare and loose tools	**9,114,726**	19,269,982
	66,654,527	84,761,799

17.2.2 Commitments under operating leases

The Company has rented office premises under operating lease arrangements. Lease agreement covers a period of three years and is renewable/extendable on mutual consent. Commitments for payments in future periods under the lease agreement are as follows:

	2015	2014
	Rupees	Rupees
- payments not later than one year	**3,401,222**	3,149,280
- payments later than one year	-	-
	3,401,222	3,149,280

17.2.3 Commitments under ijarah financing

The aggregate amount of ujrah payments for ijarah financing and the period in which these payments will become due are as follows:

	Note	2015	2014
		Rupees	Rupees
- payments not later than one year		**6,182,628**	6,310,600
- payments later than one year but not later than five years		**1,030,438**	7,272,378
		7,213,066	13,582,978
18 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	18.1	**1,390,430,013**	1,182,067,729
Capital work in progress	18.2	**41,620,457**	264,485,274
		1,432,050,470	1,446,553,003

18.1 PROPERTY, PLANT AND EQUIPMENT

	2015										
	COST / REVALUED AMOUNTS						DEPRECIATION				Net book
	As at July 01, 2014 Rupees	Additions Rupees	Disposals Rupees	Transfer Rupees	As at June 30, 2015 Rupees	Rate %	As at July 01, 2014 Rupees	For the year Rupees	Adjustment Rupees	As at June 30, 2015 Rupees	value as at June 30, 2015 Rupees
Assets owned by the Company											
Freehold land	**98,650,000**	**-**	**-**	**-**	**98,650,000**	**-**	**-**	**-**	**-**	**-**	**98,650,000**
Buildings on freehold land	**270,547,810**	**-**	**-**	**7,485,686**	**278,033,496**	**5**	**137,976,502**	**6,659,756**	**-**	**144,636,258**	**133,397,238**
Plant and machinery	**1,477,576,692**	**-**	**(56,344,699)**	**276,696,571**	**1,697,928,564**	**5**	**616,802,924**	**51,076,358**	**(37,494,971)**	**630,384,311**	**1,067,544,253**
Services and other equipment	**2,976,737**	**-**	**-**	**-**	**2,976,737**	**10**	**1,958,697**	**101,804**	**-**	**2,060,501**	**916,236**
Office equipment	**8,666,607**	**-**	**-**	**-**	**8,666,607**	**10**	**6,607,118**	**205,949**	**-**	**6,813,067**	**1,853,540**
Furniture and fixtures	**7,627,523**	**-**	**-**	**-**	**7,627,523**	**10**	**6,163,502**	**146,402**	**-**	**6,309,904**	**1,317,619**
Scooters and cycles	**49,355**	**-**	**-**	**-**	**49,355**	**20**	**48,261**	**219**	**-**	**48,480**	**875**
Arms and ammunitions	**102,920**	**-**	**-**	**-**	**102,920**	**10**	**64,696**	**3,822**	**-**	**68,518**	**34,402**
Vehicles	**33,334,781**	**10,733,717**	**(3,726,893)**	**-**	**40,341,605**	**20**	**13,753,007**	**4,396,692**	**(1,909,434)**	**16,240,265**	**24,101,340**
	1,899,532,425	**10,733,717**	**(60,071,592)**	**284,182,257**	**2,134,376,807**		**783,374,707**	**62,591,002**	**(39,404,405)**	**806,561,304**	**1,327,815,503**
Assets subject to finance lease											
Plant and machinery	**70,000,000**	**-**	**-**	**-**	**70,000,000**	**5**	**4,089,989**	**3,295,501**	**-**	**7,385,490**	**62,614,510**
	1,969,532,425	**10,733,717**	**(60,071,592)**	**284,182,257**	**2,204,376,807**		**787,464,696**	**65,886,503**	**(39,404,405)**	**813,946,794**	**1,390,430,013**

	2014										
	COST / REVALUED AMOUNTS						DEPRECIATION				Net book
	As at July 01, 2013 Rupees	Additions Rupees	Disposals Rupees	Transfer Rupees	As at June 30, 2014 Rupees	Rate %	As at July 01, 2013 Rupees	For the year Rupees	Adjustment Rupees	June 30, 2014 Rupees	value as at June 30, 2014 Rupees
Assets owned by the Company											
Freehold land	98,650,000	-	-	-	98,650,000	-	-	-	-	-	98,650,000
Buildings on freehold land	270,547,810	-	-	-	270,547,810	5	130,999,065	6,977,437	-	137,976,502	132,571,308
Plant and machinery	1,348,761,240	-	(35,893,129)	164,708,581	1,477,576,692	5	602,522,544	38,481,476	(24,201,096)	616,802,924	860,773,768
Services and other equipment	2,976,737	-	-	-	2,976,737	10	1,845,581	113,116	-	1,958,697	1,018,040
Office equipment	8,666,607	-	-	-	8,666,607	10	6,378,286	228,832	-	6,607,118	2,059,489
Furniture and fixtures	7,603,523	24,000	-	-	7,627,523	10	6,002,611	160,891	-	6,163,502	1,464,021
Scooters and cycles	49,355	-	-	-	49,355	20	47,988	273	-	48,261	1,094
Arms and ammunitions	102,920	-	-	-	102,920	10	60,449	4,247	-	64,696	38,224
Vehicles	30,910,558	11,824,925	(9,400,702)	-	33,334,781	20	15,168,976	3,758,692	(5,174,661)	13,753,007	19,581,774
	1,768,268,750	11,848,925	(45,293,831)	164,708,581	1,899,532,425		763,025,500	49,724,964	(29,375,757)	783,374,707	1,116,157,718
Assets subject to finance lease											
Plant and machinery	70,000,000	-	-	-	70,000,000	5	621,041	3,468,948	-	4,089,989	65,910,011
	1,838,268,750	11,848,925	(45,293,831)	164,708,581	1,969,532,425		763,646,541	53,193,912	(29,375,757)	787,464,696	1,182,067,729

18.1.1 Disposal of property, plant and equipment

	2015						
	Cost/revalued amount *Rupees*	**Accumulated depreciation** *Rupees*	**Net book value** *Rupees*	**Disposal proceeds** *Rupees*	**Gain/(loss) on disposal** *Rupees*	**Mode of disposal**	**Particulars of buyer**
Plant and Machinery							
Murata Auto Coner	**23,928,754**	**16,222,555**	**7,706,199**	**1,400,000**	**(6,306,199)**	**Negotiation**	**Samira Industries (Private) Limited**
Murata Auto Coner	**13,947,781**	**9,017,251**	**4,930,530**	**700,000**	**(4,230,530)**	**Negotiation**	**D.S. Industries Limited**
Toyoda Draw Frames	**17,391,528**	**11,914,772**	**5,476,756**	**3,600,000**	**(1,876,756)**	**Negotiation**	**Sapphire Textile Mills Limited**
Blow Room Line Machine	**1,076,636**	**340,393**	**736,243**	**1,400,000**	**663,757**	**Negotiation**	**Moro Textile Mills Limited**
	56,344,699	**37,494,971**	**18,849,728**	**7,100,000**	**(11,749,728)**		
Vehicles - owned							
Honda Civic	**1,616,853**	**1,095,873**	**520,980**	**520,980**	**-**	**Book value**	**Company employee**
Suzuki Cultus	**1,095,740**	**258,716**	**837,024**	**900,000**	**62,976**	**Negotiation**	**Mrs. Anees-ur-Rehman**
Suzuki Cultus	**1,014,300**	**554,845**	**459,455**	**459,455**	**-**	**Book value**	**Company employee**
	3,726,893	**1,909,434**	**1,817,459**	**1,880,435**	**62,976**		
	60,071,592	**39,404,405**	**20,667,187**	**8,980,435**	**(11,686,752)**		

	2014						
	Cost/revalued amount *Rupees*	Accumulated depreciation *Rupees*	Net book value *Rupees*	Disposal proceeds *Rupees*	Gain/(loss) on disposal *Rupees*	Mode of disposal	Particulars of buyer
Plant and Machinery							
Murata Auto Coner	11,964,376	8,061,400	3,902,976	700,000	(3,202,976)	Negotiation	D.S. Textiles Limited
Murata Auto Coner	11,964,376	8,061,400	3,902,976	700,000	(3,202,976)	Negotiation	Samira Fabrics (Private) Limited
Murata Auto Coner	11,964,377	8,078,296	3,886,081	700,000	(3,186,081)	Negotiation	Samira Fabrics (Private) Limited
	35,893,129	24,201,096	11,692,033	2,100,000	(9,592,033)		
Vehicles - owned							
Toyota Hilux	4,475,000	1,432,000	3,043,000	3,136,000	93,000	Negotiation	Rao Inam ur Rehman, Lahore
Honda Accord	2,621,279	2,163,177	458,102	710,000	251,898	Negotiation	Maqsood Ahmed, Lahore
Suzuki Cultus	829,420	569,903	259,517	259,517	-	Book value	Company employee
Suzuki Cultus	850,240	584,209	266,031	266,031	-	Book value	Company employee
Suzuki Alto	624,763	425,372	199,391	199,391	-	Book value	Company employee
	9,400,702	5,174,661	4,226,041	4,570,939	344,898		
	45,293,831	**29,375,757**	**15,918,074**	**6,670,939**	**(9,247,135)**		

		Note	2015	2014
			Rupees	*Rupees*
18.1.2	The depreciation charge for the year has been allocated as follows:			
	Cost of sales	*26*	**61,133,419**	49,040,977
	Administrative and selling expenses	*28*	**4,753,084**	4,152,935
			65,886,503	53,193,912

18.1.3 Most recent valuation of freehold land was carried out by an independent valuer, Star Tech Consultants Lahore, on April 07, 2010 and was incorporated in the financial statements for the year ended June 30, 2010. Last valuation of buildings on freehold land and plant and machinery was carried out by an independent valuer, Star Tech Consultants Lahore, on July 01, 2010 and was incorporated in the financial statements for the year ended June 30, 2011. Had there been no revaluation, the cost, accumulated depreciation and net book value of revalued items would have been as follows:

	2015		
	Cost	**Accumulated depreciation**	**Net book value**
	Rupees	***Rupees***	***Rupees***
Freehold land	**59,445,942**	**-**	**59,445,942**
Buildings on freehold land	**194,862,655**	**93,624,283**	**101,238,372**
Plant and machinery	**1,666,413,522**	**558,919,680**	**1,107,493,842**

	2014		
	Cost	Accumulated depreciation	Net book value
	Rupees	*Rupees*	*Rupees*
Freehold land	59,445,942	-	59,445,942
Buildings on freehold land	187,376,969	88,657,101	98,719,868
Plant and machinery	1,446,061,650	543,235,682	902,825,968

The basis of revaluation used by the valuer are as follows:

Land

Revalued amount of land has been determined by reference to local market values of land taking into account prevailing fair market prices under the position and circumstances present on the date of revaluation and current market scenario for properties of similar nature in the immediate neighbourhood and adjoining areas.

Building

Revalued amount of building has been determined by reference to present depreciated replacement values after taking into consideration covered area and type of construction, age of civil and ancillary structures, physical condition and level of preventive maintenance carried out by the Company.

Plant and machinery

Revalued amount of plant and machinery has been determined by reference to present depreciated replacement values after taking into consideration present physical condition, remaining useful economic lives, technological obsolescence and level of preventive maintenance carried out by the Company.

18.2 Capital work in progress

	2015			
	As at July 01, 2014	**Additions**	**Transfers**	**As at June 30, 2015**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Building	**31,601,048**	**17,505,095**	**(7,485,686)**	**41,620,457**
Plant and machinery	**232,884,226**	**43,812,345**	**(276,696,571)**	**-**
	264,485,274	**61,317,440**	**(284,182,257)**	**41,620,457**

	2014			
	As at July 01, 2013	Additions	Transfers	As at June 30, 2014
	Rupees	*Rupees*	*Rupees*	*Rupees*
Building	-	31,601,048	-	31,601,048
Plant and machinery	-	397,592,807	(164,708,581)	232,884,226
	-	429,193,855	(164,708,581)	264,485,274

		Note	2015	2014
			Rupees	*Rupees*
19	**LONG TERM DEPOSITS**			
	Financial institutions		**7,839,976**	7,839,976
	Others	*19.1*	**13,073,910**	13,073,910
			20,913,886	20,913,886

19.1 These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

		Note	2015	2014
			Rupees	*Rupees*
20	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		**13,906,668**	11,133,072
	Spares		**5,346,801**	9,062,544
	Loose tools		**9,433**	9,610
			19,262,902	20,205,226

20.1 There are no spare parts exclusively held for capitalization as at the reporting date.

		Note	2015	2014
21	**STOCK IN TRADE**			
	Raw material	*21.1*	**274,831,220**	313,792,526
	Work in process		**27,347,422**	36,739,040
	Finished goods	*21.2*	**101,544,768**	102,241,716
			403,723,410	452,773,282

21.1 These include stock in transit valued at Rs. 11,145,764.74 (2014: Rs.10,035,643).

21.2 Stock of finished goods include stock of waste valued at net realizable value of Rs. 3,332,985 (2014: Rs. 1,336,281).

21.3 Details of stock pledged as security are referred to in note 40 to the financial statements.

		Note	2015	2014
			Rupees	*Rupees*
22	**ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**			
	Advances to suppliers - *unsecured, considered good*		**302,622**	3,049,357
	Advances to employees - *secured*	*22.1*	**6,180,470**	7,520,799
	Prepayments		**1,993,409**	1,836,998
	Letters of credit		**3,840,785**	4,202,284
	Security deposits		**40,670**	40,670
	Sales tax refundable		**29,249,089**	39,873,308
			41,607,045	56,523,416

22.1 These represent advances to employees against post employment benefits in accordance with the Company policy. No advances have been given to any of the directors or executives of the Company.

	Note	2015 Rupees	2014 Rupees
23 CURRENT TAX ASSET			
Advance income tax		**34,000,037**	27,865,352
Provision for taxation		**-**	-
		34,000,037	27,865,352
24 CASH AND BANK BALANCES			
Cash in hand		**445,995**	516,451
Cash at banks			
current accounts in local currency		**14,120,128**	20,943,962
current accounts in foreign currency		**9,976,875**	11,536,064
		24,097,003	32,480,026
		24,542,998	32,996,477
25 TURNOVER - NET			
Yarn		**2,526,062,848**	2,538,014,688
Waste		**31,155,833**	48,856,348
		2,557,218,681	2,586,871,036
Sales tax		**(60,452,051)**	(63,542,747)
		2,496,766,630	2,523,328,289
26 COST OF SALES			
Raw material consumed	*26.1*	**1,493,218,938**	1,573,896,554
Power and fuel		**419,074,066**	416,030,690
Stores, spares and loose tools consumed		**70,040,972**	59,703,858
Salaries, wages and benefits	*26.2*	**253,233,517**	216,647,755
Entertainment		**726,382**	668,853
Insurance		**3,123,202**	3,237,412
Repair and maintenance		**16,012,170**	13,594,533
Traveling and conveyance		**166,038**	134,891
Vehicle running and maintenance		**1,605,407**	2,077,048
Depreciation	*18.1.2*	**61,133,419**	49,040,977
Others		**553,901**	390,761
Manufacturing cost		**2,318,888,012**	2,335,423,332
Work in process			
As at beginning of the year		**36,739,040**	27,865,678
As at end of the year		**(27,347,422)**	(36,739,040)
		9,391,618	(8,873,362)
Cost of goods manufactured		**2,328,279,630**	2,326,549,970
Finished goods			
As at beginning of the year		**102,241,716**	67,682,609
As at end of the year		**(101,544,768)**	(102,241,716)
		696,948	(34,559,107)
		2,328,976,578	2,291,990,863

26.1 Raw material consumed

As at beginning of the year		**313,792,526**	274,129,938
Purchased during the year		**1,454,257,632**	1,613,559,142
As at end of the year		**(274,831,220)**	(313,792,526)
		1,493,218,938	1,573,896,554

26.2 These include charge in respect of employees retirement benefits amounting to Rs. 13,061,364 (2014: Rs. 10,280,403).

	Note	2015	2014
		Rupees	Rupees
27 SELLING AND DISTRIBUTION EXPENSES			
Salaries and benefits	27.1	**1,878,354**	1,837,260
Commission		**4,641,797**	3,863,742
Vehicle running and maintenance		**152,668**	123,668
Others		**143,976**	83,168
		6,816,795	5,907,838

27.1 These include charge in respect of employees retirement benefits amounting to Rs. 160,654 (2014: Rs. 112,960).

	Note	2015	2014
		Rupees	Rupees
28 ADMINISTRATIVE AND GENERAL EXPENSES			
Directors' meeting fee		**30,000**	20,000
Salaries and benefits	28.1	**27,130,425**	29,815,840
Rent, rates and utilities		**3,052,080**	2,908,545
Printing and stationery		**647,022**	575,157
Communication		**1,468,983**	1,650,851
Repair and maintenance		**496,979**	869,136
Vehicles running and maintenance		**1,725,394**	1,548,552
Fee and subscription		**1,099,047**	859,659
Traveling and conveyance		**5,166,279**	4,762,956
Legal and professional charges		**762,000**	962,265
Auditors' remuneration	28.2	**675,000**	675,000
Entertainment		**423,595**	410,421
Insurance		**1,036,808**	1,070,308
Depreciation	18.1.2	**4,753,084**	4,152,935
Others		**1,948,166**	1,592,803
		50,414,862	51,874,428

28.1 These include charge in respect of employees retirement benefits amounting to Rs. 3,191,838 (2014: Rs. 2,713,369).

	2015	2014
	Rupees	Rupees
28.2 Auditor's remuneration		
Annual statutory audit	**500,000**	500,000
Half yearly review	**100,000**	100,000
Review report under Code of Corporate Governance	**50,000**	50,000
Out of pocket expenses	**25,000**	25,000
	675,000	675,000
29 NET OTHER EXPENSES		
Gain/(loss) on financial instruments		
Foreign exchange gain/(loss)	**362,846**	(142,410)
Other expense		
Loss on sale of property, plant and equipment	**(11,686,752)**	(9,247,135)
	(11,323,906)	(9,389,545)

	Note	2015	2014
		Rupees	*Rupees*
30 FINANCE COST			
Interest / mark-up on:			
long term finances		**46,498,130**	8,494,978
liabilities against assets subject to finance lease		**6,604,394**	8,111,332
short term borrowings		**34,244,364**	54,157,232
		87,346,888	70,763,542
Ijara rentals paid		**6,249,279**	5,426,271
Interest on workers' profit participation fund		**336,003**	821,979
Bank charges and commission		**3,245,398**	3,404,450
		97,177,568	80,416,242
31 OTHER CHARGES			
Workers' Profit Participation Fund	*14.1*	**102,246**	4,182,958
Workers' Welfare Fund	*14.2*	**38,854**	454,916
Donations	*31.1*	**12,000**	-
		153,100	4,637,874

31.1 None of the directors or their spouses had any interest in donations made by the Company.

	Note	2015	2014
		Rupees	*Rupees*
32 TAXATION			
Current taxation			
for current year	*32.1*	**-**	-
for prior year		**8,762,425**	2,793,237
		8,762,425	2,793,237
Deferred taxation	*13.1*		
for current year		**(12,759,916)**	21,151,857
adjustment attributable to changes in tax rates		**(6,292,004)**	(12,745,720)
		(19,051,920)	8,406,137
		(10,289,495)	11,199,374

32.1 Provision for taxation has been made under section 113 (2014: section 113) of the Income Tax Ordinance, 2001 ("the Ordinance"). There is no relationship between tax expense and accounting profit. Accordingly, no numerical reconciliation has been presented. Due to availability of tax credits in access of provision, the provision for current tax amounting to Rs. 24.968 million (2014: 25.233 million) has been reduced to nil.

32.2 Assessments for the tax years up to 2014 have either been finalized or are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filed by the Company.

	Unit	2015	2014
33 (LOSS)/EARNINGS PER SHARE - BASIC AND DILUTED			
(Loss)/profit attributable to ordinary shareholders	*Rupees*	**(17,498,612)**	42,075,083
Notional interest expense	*Rupees*	**29,691,928**	25,837,042
Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**29,840,607**	29,840,607
(Loss)/earnings per share - *Basic*			
before notional interest	*Rupees*	**0.41**	2.28
after notional interest	*Rupees*	**(0.59)**	1.41

There is no diluting effect on the basic (loss)/earnings per share of the Company.

	Note	2015	2014
		Rupees	*Rupees*

34 CASH GENERATED FROM OPERATIONS

(Loss)/profit before taxation		**(27,788,107)**	53,274,457
Adjustments for non-cash and other items			
Interest/markup on borrowings		**87,346,888**	70,763,542
Notional interest expense		**29,691,928**	25,837,042
Loss on disposal of operating fixed assets		**11,686,752**	9,247,135
Unrealized foreign exchange (gain)/loss		**(362,846)**	142,410
Provision for employees retirement benefits		**16,413,856**	13,106,732
Depreciation		**65,886,503**	53,193,912
		210,663,081	172,290,773
Operating profit before changes in working capital		**182,874,974**	225,565,230
Changes in working capital			
Stores, spares and loose tools		**942,324**	(745,286)
Stock in trade		**49,049,872**	(83,095,057)
Trade receivables		**(42,894,540)**	(4,711,646)
Advances, prepayments and other receivables		**14,916,371**	18,346,072
Trade and other payables		**45,201,820**	12,757,940
		67,215,847	(57,447,977)
Cash generated from operations		**250,090,821**	168,117,253

35 CASH AND CASH EQUIVALENTS

Cash and bank balances	*24*	**24,542,998**	32,996,477
		24,542,998	32,996,477

36 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise directors and their family members and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company. Transactions with directors and their family members are limited provision of interest free loans to the Company.

Details of transactions and balances with related parties is as follows:

		2015	2014
		Rupees	*Rupees*
36.1 Transactions with related parties			
Nature of relationship	**Nature of transactions**		
Key management personnel	Short-term employee benefits	**6,630,000**	6,615,024
	Post employment benefits	**550,000**	550,000
36.2 Balances with related parties			
Nature of relationship	**Nature of balance**		
Directors and their family members	Interest free loan	**265,884,966**	265,884,966
Key management personnel	Short-term employee benefits payable	**596,476**	551,252
	Post employment benefits payable	**1,774,425**	1,224,425

37 FINANCIAL INSTRUMENTS

37.1 Financial instruments by class and category

37.1.1 Financial assets

	Note	2015 Rupees	2014 Rupees
Loans and receivables			
Long term deposits	*19*	**20,913,886**	20,913,886
Trade receivables		**69,862,997**	26,968,457
Security deposits	*22*	**40,670**	40,670
Cash and bank balances	*24*	**24,542,998**	32,996,477
		115,360,551	80,919,490

37.1.2 Financial liabilities

	Note	2015 Rupees	2014 Rupees
Financial liabilities at amortized cost			
Loan from directors and family members	*8*	**265,884,966**	199,007,562
Long term finances	*9*	**374,848,640**	391,583,040
Liabilities against assets subject to finance lease - Secured	*10*	**49,411,765**	61,764,706
Long term deposits	*11*	**8,000,000**	8,000,000
Short term borrowings	*15*	**191,431,131**	247,611,611
Accrued interest/mark-up		**18,961,997**	18,813,326
Trade creditors	*14*	**91,693,964**	67,978,116
Accrued liabilities	*14*	**113,630,207**	64,195,933
Unclaimed dividend	*14*	**485,351**	568,305
		1,114,348,021	1,059,522,599

37.2 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or liability be settled between knowledgeable willing parties in an arm's length transaction. As at the reporting date, fair values of all financial instruments are considered to approximate their carrying amounts. Further, there are no fair value estimation uncertainties.

37.2.1 Methods of determining fair values

Fair values of financial instruments for which prices are available from the active market are measured by reference to those market prices. Fair values of financial assets and liabilities with no active market are determined in accordance with generally accepted pricing models based on discounted cash flow analysis based on inputs from other than observable market.

37.2.2 Discount/interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

38 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses and assets and liabilities of the Company.

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company’s exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

The Company’s exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

38.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

	Note	2015	2014
		Rupees	Rupees

38.1.1 Maximum exposure to credit risk

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

	Note	2015 Rupees	2014 Rupees
Loans and receivables			
Long term deposits	*19*	**20,913,886**	20,913,886
Trade debts		**69,862,997**	26,968,457
Security deposits	*22*	**40,670**	40,670
Cash at banks	*24*	**24,097,003**	32,480,026
		114,914,556	80,403,039

38.1.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2015	2014
	Rupees	*Rupees*
Customers	**69,862,997**	26,968,457
Banking companies and financial institutions	**31,977,649**	40,360,672
Utility companies and regulatory authorities	**13,073,910**	13,073,910
	114,914,556	80,403,039

38.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

38.1.3(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to cash deposits and security deposits. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company.

38.1.3(b) Counterparties without external credit ratings

These include customers which are counter parties to trade debts and utility companies and regulatory authorities which are counter parties to security deposits. The analysis of ages of trade debts as at the reporting date is as follows:

	2015		2014	
	Gross carrying amount	**Accumulated Impairment**	Gross carrying amount	Accumulated Impairment
	Rupees	***Rupees***	*Rupees*	*Rupees*
Neither past due nor impaired	**69,862,997**	-	26,968,457	-
Past due	-	-	-	-
	69,862,997	-	26,968,457	-

There is no significant concentration of credit risk. The Company's customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected.

The deposits placed with utility companies and regulatory authorities do not carry any significant credit risk.

38.1.4 Collateral held

The Company does not hold any collateral to secure its financial assets.

38.1.5 Credit risk management

The Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit.

38.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

38.2.1 Exposure to liquidity risk

The followings is the analysis of contractual maturities of financial liabilities, including estimated interest payments.

	2015				
	Carrying amount *Rupees*	**Contractual cash flows** *Rupees*	**One year or less** *Rupees*	**One to five years** *Rupees*	**More than five years** *Rupees*
Long term finances	**374,848,640**	**528,144,190**	**199,216,079**	**328,928,111**	-
Liabilities against assets subject to finance lease	**49,411,765**	**55,571,512**	**24,309,291**	**31,262,221**	-
Long term deposits	**8,000,000**	**8,000,000**	-	**8,000,000**	-
Short term borrowings	**191,431,131**	**194,230,861**	**194,230,861**	-	-
Accrued interest/mark-up	**18,961,997**	**18,961,997**	**18,961,997**	-	-
Trade creditors	**91,693,964**	**91,693,964**	**91,693,964**	-	-
Accrued liabilities	**113,630,207**	**113,630,207**	**113,630,207**	-	-
Unclaimed dividend	**485,351**	**485,351**	**485,351**	-	-
	848,463,055	**1,010,718,082**	**642,527,750**	**368,190,332**	-

	2014				
	Carrying amount *Rupees*	Contractual cash flows *Rupees*	One year or less *Rupees*	One to five years *Rupees*	More than five years *Rupees*
Long term finances	391,583,040	523,491,919	114,062,374	409,429,545	-
Liabilities against assets subject to finance lease	61,764,706	75,866,828	22,098,920	53,767,908	
Long term deposits	8,000,000	8,000,000	-	8,000,000	-
Short term borrowings	247,611,611	248,600,763	248,600,763	-	-
Accrued interest/mark-up	18,813,326	18,813,326	18,813,326	-	-
Trade creditors	67,978,116	67,978,116	67,978,116	-	-
Accrued liabilities	64,195,933	64,195,933	64,195,933	-	-
Unclaimed dividend	568,305	568,305	568,305	-	-
	860,515,037	1,007,515,190	536,317,737	471,197,453	-

38.2.2 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also maintains various lines of credit with banking companies. Further, the Company has continued support of its sponsors and in respect of any temporary liquidity shortfalls.

38.3 Market risk

38.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency.

38.3.1(a) Exposure to currency risk

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

	2015	2014
	Rupees	*Rupees*
Financial assets		
Cash and bank balances	**9,976,875**	11,536,064
Financial liabilities	**-**	-
Net exposure	**9,976,875**	11,536,064

38.3.1(b) Exchange rates applied during the year

All foreign currency balances are denominated in United States Dollars (US $). Exchange rates applied during the year are as follows:

	2015	2014
	Rupees	*Rupees*
Financial assets	**101.50**	98.55
Financial liabilities	**101.70**	98.75

38.3.1(c) Sensitivity analysis

A ten percent appreciation in Pak Rupee against the US $ would have decreased profit for the year by Rs. 0.99 million (2014: Rs. 1.15 million) . A ten percent depreciation in Pak Rupee would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

38.3.1(d) Currency risk management

The Company manages its exposure to currency risk through continuous monitoring of expected/forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly basis, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities/payments to assets/receipts and using source inputs in foreign currency.

38.3.2 Interest rate risk

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

38.3.2(a) Interest/mark-up bearing financial instruments

The effective interest/mark-up rates for interest/mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest/mark-up bearing financial instruments as at the reporting date are as follows:

	2015	2014
	Rupees	*Rupees*
Fixed rate instruments	**-**	-
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**615,691,536**	700,959,357

38.3.2(b) **Cash flow sensitivity analysis for variable rate instruments**

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 6.16 million (2014: Rs. 7.01 million). A decrease of 100 basis points would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

38.3.2(c) **Interest rate risk management**

The Company manages interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

38.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Company is not exposed to price risk since the fair values of the Company's financial instruments are not based on market prices.

39 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Any temporary shortfall is met through interest free loans from sponsors. The Board of Directors monitors the return on capital and seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances including current maturity. Total capital employed includes total equity (as shown in the balance sheet plus surplus on revaluation of property, plant and equipment and loan from sponsors) plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

	Unit	**2015**	2014
Total debt	*Rupees*	**424,260,405**	453,347,746
Total equity	*Rupees*	**577,425,633**	631,069,748
		1,001,686,038	1,084,417,494
Gearing	*% age*	**42.35%**	41.81%

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any other externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance and subordination of loan from sponsors (See note 8).

	2015	2014
	Rupees	***Rupees***
40 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY		
Mortgages and charges		
Charge over current assets	**534,000,000**	593,160,000
Charge over operating fixed assets	**1,102,000,000**	1,300,173,000
Pledge		
Raw material	**191,374,992**	231,357,930
Finished goods	**75,466,314**	45,354,533

In addition to the above, Saritow Spinning Mills Limited ("SSML") has given undertaking to various banking companies to effect that the Company, pursuant to the merger of Azam Textile Mills Limited ("ATML") into SSML will be liable in respect of all finance facilities availed by ATML in the same manner as ATML was originally liable to the extent of Rs. 720 million.

41 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives of the Company on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	2015		
	Chief Executive	**Directors**	**Executives**
	Rupees	***Rupees***	***Rupees***
Managerial remuneration	**-**	**4,340,004**	**8,398,395**
Allowances and perquisites	**-**	**2,259,996**	**4,199,205**
Meeting fee	**-**	**30,000**	**-**
Post employment benefits	**-**	**550,000**	**1,224,425**
	-	**7,180,000**	**13,822,025**
Number of persons	**-**	**2**	**8**

	2014		
	Chief Executive	Directors	Executives
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	-	4,340,004	8,271,396
Allowances and perquisites	-	2,260,020	4,135,680
Meeting fee	-	15,000	-
Post employment benefits	-	550,000	1,033,923
	-	7,165,024	13,440,999
Number of persons	-	2	10

42 SEGMENT INFORMATION

42.1 The Company is a single reportable segment.

42.2 All non-current assets of the Company are situated in Pakistan.

42.3 All sales of the Company have originated from Pakistan.

42.4 There are nil (2014: three) significant external customers to whom sales in excess of 10% of the Company's total sales amounting to Rs. nil (2014:1,041 million) were made during the year.

43 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	**2015**	2014
Number of spindles installed	*No.*	**51,840**	51,840
Plant capacity on the basis of utilization converted into 80s count	*Kgs*	**3,054,796**	3,054,796
Actual production converted into 80s count	*Kgs*	**2,487,163**	2,362,211

It is difficult to precisely compare production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist etc. It would also vary according to the pattern of production adopted in a particular year. Further, power shortage in the country has also resulted in lower capacity utilization.

44 NUMBER OF EMPLOYEES

Total number of employees of the Company as at the reporting date are 1231 (2014: 1,114). Average number of persons employed by the Company during the year are 1,182 (2014: 1,112).

45 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period which my require adjustment of and/or disclosure in these financial statements

46 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 10, 2015 by the Board of Directors of the Company.

48 GENERAL

48.1 Figures have been rounded off to the nearest rupee.

48.2 Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.

Lahore
Date: October 10, 2015

CHIEF EXECUTIVE **DIRECTOR**

FORM 34

THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)
PATTERN OF SHAREHOLDING

1. Incorporation Number **15779**

2. Name of the Company **SARITOW SPINNING MILLS LIMITED**

3. Pattern of holding of the shares held by the shareholders as at **30-06-2015**

	------Shareholding------		
4. No. of Shareholders	**From**	**To**	**Total Shares Held**
175	1	100	4,809
283	101	500	88,994
258	501	1,000	214,809
353	1,001	5,000	968,716
105	5,001	10,000	842,999
35	10,001	15,000	430,831
25	15,001	20,000	455,550
14	20,001	25,000	329,100
9	25,001	30,000	253,581
8	30,001	35,000	265,321
5	35,001	40,000	196,500
6	40,001	45,000	260,500
6	45,001	50,000	292,000
1	50,001	55,000	52,000
4	55,001	60,000	238,000
5	60,001	65,000	315,593
3	65,001	70,000	207,000
1	70,001	75,000	75,000
1	80,001	85,000	84,000
1	90,001	95,000	92,500
2	95,001	100,000	200,000
2	100,001	105,000	204,670
2	115,001	120,000	238,500
1	120,001	125,000	125,000
1	130,001	135,000	130,136
1	145,001	150,000	149,745
1	175,001	180,000	180,000
1	205,001	210,000	210,000
1	295,001	300,000	300,000
1	640,001	645,000	640,500
1	930,001	935,000	931,549
1	1,420,001	1,425,000	1,423,435
1	2,175,001	2,180,000	2,179,462
1	2,495,001	2,500,000	2,497,500
1	2,500,001	2,505,000	2,502,500
1	4,120,001	4,125,000	4,121,657
1	8,135,001	8,140,000	8,138,150
1318			**29,840,607**

SARITOW SPINNING MILLS LIMITED
Catagories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2015

Sr.No.	Name	No. of Shares Held	Percentage
	Associated Companies, Undertakings and Related Parties:	-	-
	Mutual Funds:		
1	PRUDENTIAL STOCK FUND LTD (CDC)	5,000	0.0168
2	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	1,423,435	4.7701
	Directors and their Spouse and Minor Chidren:		
1	MR. M. NASEEM SAIGOL (CDC)	8,138,150	27.2721
2	MR. M. AZAM SAIGOL (CDC)	931,549	3.1217
3	MR. MUHAMMAD ATHAR RAFIQ	1,123	0.0038
4	MR. MUHAMMAD OMER FAROOQ	2,881	0.0097
5	MR. SAMIR IQBAL SAIGOL	1,123	0.0038
6	MR. MUHAMMAD ZEID YOUSUF SAIGOL	2,503,123	8.3883
7	MRS. AMBER HAROON SAIGOL W/O M. AZAM SAIGOL (CDC)	4,121,657	13.8122
8	MRS. SEHYR SAIGOL W/O M. NASEEM SAIGOL (CDC)	2,179,462	7.3037
	Executives:	-	-
	Public Sector Companies & Corporations:	-	-
	Banks, Development Finance Institutions, Non Banking Finance Institution, Insurance Companies, Modarabas and Pension Funds:	273,351	0.9160
	Shareholders holding five percent or more voting intrest in the listed company		
1	MR. M. NASEEM SAIGOL (CDC)	8,138,150	27.2721
2	MRS. AMBER HAROON SAIGOL (CDC)	4,121,657	13.8122
3	MRS. SEHYR SAIGOL (CDC)	2,179,462	7.3037
4	MR. MUHAMMAD ZEID YOUSUF SAIGOL	2,503,123	8.3883

All trades in the shares of the listed company, carried out by its Directors, CEO, CFO, Company Secretary, Their spouses and minor children:

S. No.	NAME	SALE	PURCHASE
1	MR. MUHAMMAD ZEID YOUSUF SAIGOL (CDC)	-	2,438,000

Categories of Shareholders	No. of Shareholders	Share held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	8	17,879,068	59.9152
Associated Companies, undertakings and related party	-	-	-
NIT and ICP	2	41,304	0.1384
Banks Development Financial Institutions Non Banking Financial Institution	8	31,334	0.1050
Insurance Companies	2	108,784	0.3646
Modarabas and Mutual Funds	5	1,431,532	4.7973
General Public	1268	10,147,941	34.0072
Others (to be specified)			
Pension Funds	1	130,136	0.4361
Other Companies	1	4,566	0.0153
Joint Stock Companies	16	37,512	0.1257
Foreign Companies	7	28,430	0.0953
	1318	29,840,607	100.0000

FORM OF PROXY

Shares Held | Ledger Folio/CDC Ac No.

I/We ....

Of ....

Appoint ....

Of ....

(or failing him) ....

Of ....

Being another member of the Company as my / our proxy to attend and vote for me / us on my / our behalf, at the 29th Annual General Meeting of the Company to be held on Saturday, October 31, 2015 at 10.00 A.M. and at every adjournment thereof.

As witness my / our hand (s) this .... Day of October, 2015

Signed by the said

Witnesses:

REVENUE STAMP

(1) Name ....

C.N.I.C. No. ....

Address ....

(2) Name ....

C.N.I.C. No. ....

Address ....

Notes:

1. A member entitled to attend and vote at this meeting may appoint another member as Proxy, Proxies in order to be effective, must be received at 17-Aziz Avenue, Canal Bank, Gulberg V, Lahore. the Registered Office of the Company not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.