



ANNUAL REPORT



2015

SHAHZAD TEXTILE MILLS LIMITED

SGS

Certificate SG05/00526

The management system of

Shahzad Textile Mills Limited

Head Office: 19-A, Off Zafar Ali Road, Gulberg - V,
Lahore, Pakistan



has been assessed and certified as meeting the requirements of

ISO 9001:2008

For the following activities

The scope of registration appears on page 2 of this certificate.

Further clarifications regarding the scope of this certificate and the applicability of ISO 9001:2008 requirements may be obtained by consulting the organisation.

This certificate is valid from 30 October 2014 until 15 August 2017
and remains valid subject to satisfactory surveillance audits.
Re certification audit due before 13 August 2017
Issue 3. Certified since 16 August 2005

This is a multi-site certification.
Additional site details are listed on subsequent pages.

Authorised by



8005

SGS Limited, Finsbury Lane, Systems & Services Certification
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Page 1 of 2



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SGS

Shahzad Textile Mills Limited

ISO 9001:2008



Issue 5

Detailed scope

**Manufacturing and Export of 100% Cotton, Blended,
Pure Synthetic, Combed, Carded and Double Yarn**

Further Clarifications regarding the scope of this certificate and the applicability of
ISO 9001:2008 requirements may be obtained by contacting the organization

Additional facilities

Site 01: 34th km, Sheikhupura Road,
Sheikhupura, Pakistan.

Site 02: 7km, Sheikhupura-Faisalabad Road,
Sheikhupura, Pakistan.



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FOR THE YEAR ENDED JUNE 30, 2015**








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COMPANY INFORMATION

Board of Directors

Mian Parvez Aslam	Chairman
Mr. Imran Aslam	Chief Executive
Mr. Irfan Aslam	
Mrs. Nazish Imran	
Mrs. Sara Irfan	
Mr. Naveed Sheikh	
Mr. Humayun Bakht	

Chief Financial Officer

Mr. Humayun Bakht

Company Secretary

Mr. Hassan-ud-Din Ansari

Auditors

Horwath Hussain Chaudhry & Co.
Chartered Accountants

Audit Committee

Mr. Naveed Sheikh	Chairman
Mrs. Nazish Imran	Member
Mrs. Sara Irfan	Member

Human Resource & Remuneration Committee

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

Bankers

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

Share Registrar

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

Registered Office

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

Mills**Units # 1,3 & 4**

34th KM Lahore Sheikhpura Road,
Sheikhpura

Unit # 2

7th KM Sheikhpura Faisalabad
Road, Sheikhpura.

VISION STATEMENT

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

MISSION STATEMENT

1. To install state of the art machinery and to acquire sophisticated process technology to achieve maximum growth in a competitive quality environment.
2. To make strenuous efforts to enhance profitability of the mills ensuring a fair return to the investors, shareholders and employees of the company.
3. To exercise maximum care for improvement of quality of our products by employing a team of highly skilled technicians and professional managers.
4. To strive hard to explore new customers for the sale of our products in export and local markets.
5. To improve customers' satisfaction level by adhering strictly to quality requirements of our customers in local and export markets and by improving communications with customers for receiving prompt feed backs about quality of our products.
6. To attend and prompt resolution of customers' quality complaints by taking timely corrective measures.
7. To improve logistic facilities for our customers dispatch programme and issue all shipments / delivery documents well in time.
8. To make comprehensive arrangements for the training of our workers / technicians.
9. To promote team work, sense of transparency, creativity in our professionals and technical people.

CODE OF CONDUCT

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

1. Conflict of Interest

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

- a. In effecting the purchases for the company and selling its products the directors and the staff members are forbidden from holding any personal interest in any organization supplying goods or services to the company or buying its products.
- b. The staff members should not engage in any outside business while serving the company.
- c. Staff members are not permitted to conduct personal business in company's premises or use company's facilities for the same.
- d. If a staff member has direct or indirect relationship with an outside organization dealing with the company he must disclose the same to the management.

2. Confidentiality

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

3. Kickbacks

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

4. Proper Books of Account

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

5. Relationship with government officials suppliers, agents etc.

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

6. Health and Safety

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

7. Environment

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

8. Alcohol, Drugs

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

9. Coordination among staff members to maintain discipline

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

10. Workplace harassment

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

SIX YEARS FINANCIAL SUMMARY

	2015	2014	2013	2012	2011	2010
	Rupees in Thousand					
Sales	4,211,486	4,997,603	4,977,944	4,172,217	4,513,244	3,116,385
Gross Profit	253,651	398,645	480,705	345,286	389,170	346,644
Profit/(Loss) before taxation	48,567	285,627	258,799	143,224	200,474	164,838
Provision for tax	(12,789)	(67,928)	8,889	(25,830)	(68,359)	(22,447)
Profit/(Loss) after taxation	35,778	217,699	267,688	117,394	132,115	142,391
Total Assets	2,598,113	2,639,987	2,460,816	2,127,009	1,971,948	1,857,692
Current liabilities	578,450	600,823	635,105	536,127	413,192	367,594
	2,019,663	2,039,164	1,825,711	1,590,882	1,558,757	1,490,098
Represented By :						
Equity & Surplus	1,703,304	1,693,873	1,497,869	1,218,474	1,108,167	981,374
Long Term Loans & leases	-	35,224	77,014	125,264	190,162	282,750
Deferred Liabilities	316,359	310,067	250,828	247,144	260,427	225,974
	2,019,663	2,039,164	1,825,711	1,590,882	1,558,757	1,490,098

Statement of Compliance with the Code of Corporate Governance

SHAHZAD TEXTILE MILLS LIMITED
Year Ended 30th June, 2015.

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19 (Code of Corporate Governance) of Karachi Stock Exchange Limited Rule Book and listing regulation No. 35 of Lahore Stock Exchange Limited 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 Code of Corporate Governance (CCG) in the following manner:

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

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

The independent director meets the criteria of independence under clause 5.19.1.(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1.
4. A casual vacancy occurring on the board on 10th October 2014 was filled up by the directors within 90 days as required under CCG.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified in clause 5.19.7 of CCG, Two of Directors of the Company are exempted from the requirement of Directors' training program, one director obtained the certification and rest of the Directors would be trained within due time. However, no director obtained training during the year.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises three (3) members; of whom two (2) are non-executive directors and the chairman of the committee is an Independent director.
16. The meetings of the audit committee were held at least once every quarter prior to the approval of interim and final results of the company and as required by CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three (3) members, of whom two (2) are non-executive directors and the chairman of the committee is an independent director.

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

Lahore
Dated: October 05, 2015



IMRAN ASLAM
Chief Executive Officer

REVIEW REPORT TO THE MEMBERS

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

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

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

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

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

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

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



HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

LAHORE

Dated: October 05, 2015

(Engagement Partner: Muhammad Nasir Muncer)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Seventh Annual General Meeting of the Shareholders of **SHAHZAD TEXTILE MILLS LIMITED** will be held at Company's Registered Office, 19-A, Off. Zafar Ali Road, Gulberg-V, Lahore on Friday, October 30, 2015 at 11:00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2015 together with the Directors' and Auditors' Report thereon.
2. To approve and declare the payment of Final Cash Dividend @ 10.00% i.e. Rs.1.00 per share as recommended by the Board of Directors.
3. To appoint auditors of the Company for the year ending June 30, 2016 and fix their remuneration.
4. To transact any other ordinary business with the permission of the Chair.

By order of the Board

Place: Lahore
Dated: October 05, 2015

(HASSAN-UD-DIN ANSARI)
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 21, 2015 to October 30, 2015 (both days inclusive). Transfers received in order at Company's Independent Share Registrar's Office, Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7- Bank Square, Lahore by the close of business on October 20, 2015, will be treated in time for the entitlement of dividend to the transferees and to attend the meeting.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her.
3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting.
4. Members are requested to submit declaration for zakat on the required format and to advise change in address, if any.
5. Members are requested to send copies of their Computerized National Identity Cards (CNICs) to the Company's Independent Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7- Bank Square, Lahore to enable the Company to comply with the direction of the Securities and Exchange Commission of Pakistan contained in SRO-831(1)/2012, Dated 05 July, 2012 for mentioning of CNIC Number of the Shareholders on the Dividend Warrants to be issued for Final Cash Dividend @ 10.00% announced by the Company.
6. In order to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged where shareholders can get amount of the dividend credited into their respective bank accounts electronically without any delay. In this way, dividends may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the mail, undelivered or delivered to the wrong address, etc. The Securities and Exchange Commission of Pakistan (SECP) through Notice No.8(4)SM/CDC 2008, Dated April 05, 2013 has advised all listed companies to adopt e-dividend mechanism due to the benefits it entails for shareholders. In view of the above, you are hereby encouraged to provide a dividend mandate in favor of e-dividend by providing dividend mandate form duly filled in and signed which can be downloaded from company's website: www.shahzadtex.com

7. Pursuant to the provisions of Finance Act, 2015, deduction of income tax from dividend payments shall be made on the basis of filers and non-filers as follows:

S. No	Nature of Shareholders	Rate of Deduction
1	Filers of Income Tax Return	12.5%
2	Non-Filers of Income Tax Return	17.5%

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

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

Withholding tax on dividend in case of Joint Account Holders

In order to enable the Company to follow the directives of the regulators to determine shareholding in case of Joint account, all shareholders who hold shares with joint shareholders, are requested to provide shareholding proportions of Principal shareholder and Joint Holder(s) in respect of shares held by them to our Share Registrar, in writing. Shareholders who are filers are advised to make sure that their names (and/or the name of their joint holders) are entered into latest Active Tax Payers List (ATL) provided on the website of FBR at the time of AGM on 30th October 2015, otherwise they (and/or joint holders) shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 17.5% instead of 12.5%. In the event of non-receipt of the information by 30-10-2015, each shareholder will be assumed to have equal proportion of shares and the tax will be deducted accordingly.

8. The Company has placed the Audited Financial Statements for the year ended 30th June, 2015 along with Auditors' and Directors' Reports thereon on its website: www.shahzadtext.com
9. CDC Account Holder will further have to follow the under mentioned guidelines as laid down in Circular No.1 of 2000, Dated 26th January, 2000 issued by The Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

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

B. For Appointing Proxies

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

Other information to be disclosed to the members under Regulation #4 (2) of Companies (Investment In Associated Companies or Associated Undertakings) Regulations, 2012

In the Annual General Meeting held on October 30, 2014, the shareholders approved loans and advances to the extent of Rs.100.000 million (Rupees one hundred million only) to Sargodha Jute Mills Limited, an associated company. However, during the year no investments were made as the funds were not required by Sargodha Jute Mills Limited at any time during the year 2014-2015. The facility was provided for a period of one year and, therefore, the resolution stands expired.

Directors' Report

On behalf of directors, it is my great pleasure to present the 37th Annual Report together with the Audited Financial Statements of the Company for the year ended June 30, 2015 along with auditors' report thereon which reflects the affairs of the company.

Financial and operational performance:

The financial results of the Company are summarized below:

	2015 Rupees	2014 Rupees
Profit before taxation and share of associate	12,460,695	242,048,813
Share of net profit of associate	36,106,592	43,578,409
Profit before Taxation	48,567,287	285,627,222
Taxation	(12,789,063)	(67,927,714)
Profit after Taxation	35,778,224	217,699,508

It is apparent from above information that profit is drastically decreased to Rs.35.778/- million if compared to profit of Rs.217.699/- of the last year. Though the amount of Rs.78.823/- million of frozen mark up written off by NIB Bank appreciating the timely payment of our long term loan as per rescheduling agreement was also included in previous year's profit but the prime reason for decrease in profit is unstable rates of the yarn. Sales rates in local as well as international market remained unsatisfactory through out the year under discussion. Company's turnover is also decreased to Rs.4211.487/- millions as compared to Sales of Rs. 4,997.603/- millions in previous financial year.

B.M.R.

After completing expansion plan in Unit No.2 the management has taken up the task to do expansion in Unit No. 3 and has inducted the latest textile machinery valuing Rs.28.206/- Million (Winder Murata QPRO) imported from Japan. This new machine is installed in unit No. 3 and successfully functioning by enhancing the efficiency of existing machinery. The management is fully determined to carry on its expansion plan in the coming year too.

Earning per Share

Earnings per share of the Company for the year ended June 30, 2015 is Rs.1.99 as compared to Rs.12.11 earning per share in the preceding year.

Dividend

The Board of Directors has proposed cash dividend 10 % i.e. Rs.1 per share for the year ended June 30, 2015. The dividend recommended is subject to approval by the shareholders in the Annual General Meeting.

Future Prospects

From the above narrated financial data it may be observed that the profit position is deteriorated as compared with the financial data of the corresponding year. The turnover of the company is also decreased as management timely decided to run only one shift in Unit No. 3 foreseeing heavy losses in future due to non availability of profitable rates of yarn in the local and international market. The insufficiency of power supply was also another reason to run unit under capacity which reduced the turnover for the year.

In the prevalent unfavorable state of affairs any positive change in the future financial position cannot be predicted. However, the management is focusing on exploring new sale's avenues in the international and local market to sell its quality yarn at profitable rates.

ISO 9001-2008 Certification

The company trusts in sustainable quality of yarn to the complete satisfaction of its clients. For this the company has obtained the latest version of ISO 9001-2008 Certification which is renewed every year after an extensive checking and complete verification of its quality management system. This quality certification enhances the trust of new customers and boosts up the confidence of old clients as well.

Related Parties Transactions

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

Code of Conduct for protection against Harassment at Work Place

The company is determined to provide clean environment working atmosphere and ensures that every employee is treated with due respect and dignity. The company is committed to encourage a positive professional work atmosphere that is essential for the professional growth of its staff. Harassment, therefore, has no place at Shahzad Textile Mills Limited. An offender must be ready to confront disciplinary and corrective action, ranging from a warning to termination of job if such situation arises.

Anti Corruption

We have provided corruption free environment to the workers. It includes corruption of all forms including extortion and bribery.

Corporate and Financial Reporting Framework

1. The financial statements are prepared by the management of the Company, presents fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. Proper books of account for 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.
3. International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.
4. The system of internal control is sound in design and has been effectively implemented and monitored.
5. There are no significant doubts upon the company's ability to continue as going concern.
6. Key operating and financial data for last six years is annexed.
7. In accordance with the criteria specified in CCG, Two of Directors of the Company are exempted from the requirement of Directors' training program. The rest of the Directors would be trained within due time. However, no director obtained training during the year.
8. There are no overdue taxes and levies as on June 30, 2015.
9. The form 34 and Pattern of Shareholding as on June 30, 2015 as required by the section 236 of the Companies Ordinance 1984 and Code of Corporate Governance is annexed with this report.
10. The company has adopted practices of Corporate Governance as per listing regulations of stock exchanges.
11. No material change of commitment affecting financial position occurred between June 30, 2015 and date of directors' report.
12. The Company operates an unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under the gratuity scheme after completion of one year continuous service period.

Corporate Social Responsibility

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

Health, safety and Environment:

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

Work-life balance:

In order to promote a healthy life balance we strictly observe 9.00 am to 5.30 pm working timing. This ensures that our employees have ample time after working hours for extra curricular activities with their families and friends.

Business Ethics:

The management is committed to conduct all business activities with Integrity, honesty and in full compliance with the current laws and regulations. A Code of Conduct has been developed and approved by the Board.

Contribution to the National Exchequer:

To meet our social obligation towards the development of the economy of the country, the company has contributed Rs.93.946 million in the year 2014-15 into the Government Exchequer on account of taxes, levies, excise duty, Income Tax and Sales Tax. Moreover, foreign exchange amount of USD\$ 13.152. Million was also earned for the country from yarn export during financial year.

Energy Savings

The Management is paying keen concentration on energy saving. There are many preventive measures adopted by fixing energy conserving devices to save the energy. Awareness is also given to workers for energy saving so that unnecessary consumption of energy could be avoided.

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

During the year ended 30 June 2015, the Board of Directors have revised the remuneration of Chief Executive, Executive Director, Head of Internal Audit and Company Secretary during the year June 30, 2015.

Mr. Imran Aslam	Chief Executive	Rs. 625,000	to	850,000/-
Mr. Humayun Bakht	Executive Director	Rs. 290,000	to	315,000/-
Mr. Abdul Majeed	Head of Internal Audit	Rs. 33,000	to	36,600/-
Mr. Hassan-u-Din Ansari	Company Secretary	Rs. 66,636	to	72,636/-

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

Board of directors Meetings

During the period under review, nineteen (19) meetings of the Board of Directors were held from July 1, 2014 to June 30, 2015. The attendance of the Board members was as follows:

Name of Directors	No. of Meetings Attended
Mian Parvez Aslam	19
Mr.Imran Aslam	17
Mr.Irfan Aslam	16
Mrs.Nazish Imran	13
Mrs. Sara Irfan (Appointed on 10-10-2014)	09
Mr. Naveed Sheikh	18
Syed Raza Ali Bokhari (Resigned on 10-10-2014)	03
Mr. Humayun Bakht	19

Audit Committee

The Board has established an Audit Committee which consists of the following directors:

Mr. Naveed Sheikh	Chairman
Mrs. Nazish Imran	Member
Syed Raza Ali Bokhari (Resigned on 10-10-2014)	Member
Mrs. Sara Irfan (Appointed on 10-10-2014)	Member

The Audit committee efficiently reviews the usefulness of prevailing internal control system and identically point out the loop holes. Committee also recommends corrective measures to improve the implementation of internal control system.

During the period under review five(5) meetings of audit committee of the company were held from July 01, 2014 to June 30, 2015 and attendance of Audit Committee members was as follows:

Name Of Member	No of Meetings Attended
Mr.Naveed Sheikh	Five (5)
Mrs. Nazish Imran	Five (5)
Syed Raza Ali Bokhari (Resigned on 10-10-2014)	One (1)
Mrs Sara Irfan (Appointed on 10-10-2014)	Four (4)

Human Resource and Remuneration (HR & R) Committee

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

Names Of The Members Of The Committee

		No. of Meetings Attended
Mr.Naveed Sheikh	Chairman	one (1)
Mr.Imran Aslam	Member	one (1)
Mrs. Nazish Imran	Member	one (1)

Corporate Governance

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

Appointment of Auditors

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

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

Acknowledgement

The relationship of workers and management continues to be cordial and depicts a will to maintain mutual respect, co-existence and growth on the part of both parties for which we are extremely thankful and appreciate the efforts and dedication of the Company's employees and management.

On behalf of the Board, I appreciate the nonstop support received from suppliers, financial institutions and customers. I also express my gratitude to our valued shareholders for their incessant cooperation.

Lahore
Dated: October 5, 2015

For and on behalf of the Board



Mr. Imran Aslam
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

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

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

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

- a) In our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) In our opinion;
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.



HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

LAHORE

Dated: October 05, 2015

(Engagement Partner: Muhammad Nasir Muncer)

	Note	2015 Rupees	2014 Rupees
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital: 40,000,000 (2014: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital	4	179,713,720	179,713,720
Reserves	5	1,038,875,778	1,013,607,176
		1,218,589,498	1,193,320,896
Surplus on Revaluation of Property, Plant and Equipment	6	484,715,062	500,551,708
Non Current Liabilities			
Liabilities against assets subject to finance lease	7	-	35,224,345
Staff retirement benefits	8	88,831,027	72,795,423
Deferred tax liability	9	227,527,631	237,272,094
		316,358,658	345,291,862
Current Liabilities			
Trade and other payables	10	283,389,160	231,542,501
Accrued mark up on short term borrowings		8,497,367	7,019,300
Short term borrowings	11	208,716,251	278,815,013
Current portion of liabilities against assets subject to finance lease	7	35,149,902	33,469,731
Provision for taxation	12	42,698,034	49,976,031
		578,450,714	600,822,576
Contingencies and Commitments	13	-	-
		<u>2,598,113,932</u>	<u>2,639,987,042</u>

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



CHIEF EXECUTIVE

JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	14	1,630,096,697	1,689,272,566
Long term investment	15	332,297,940	298,199,623
Long term deposits	16	13,970,369	14,021,789
		1,976,365,006	2,001,493,978
Current Assets			
Stores and spares	17	45,860,146	46,014,613
Stock in trade	18	299,115,419	341,087,212
Trade debts	19	60,614,997	48,921,554
Advances, trade deposits, prepayments and other receivables	20	41,843,614	45,247,695
Short term investments	21	1,595,257	795,200
Tax refunds due from the Government	22	90,163,110	77,475,200
Cash and bank balances	23	82,556,383	78,951,590
		621,748,926	638,493,064
		<u>2,598,113,932</u>	<u>2,639,987,042</u>


 DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
Sales	24	4,211,486,571	4,997,603,071
Cost of sales	25	<u>(3,957,835,099)</u>	<u>(4,598,958,046)</u>
Gross Profit		253,651,472	398,645,025
Operating Expenses			
- Selling and distribution costs	26	(47,185,868)	(48,720,010)
- Administrative expenses	27	(129,148,358)	(106,652,720)
		<u>(176,334,226)</u>	<u>(155,372,730)</u>
Operating Profit		77,317,246	243,272,295
Finance cost	28	(64,108,881)	(58,883,571)
Other operating expenses	29	(7,007,950)	(22,844,923)
Other income	30	6,260,280	80,505,012
Share of net profit of associate	15	36,106,592	43,578,409
		<u>(28,749,959)</u>	<u>42,354,927</u>
Profit before Taxation		48,567,287	285,627,222
Taxation	31	(12,789,063)	(67,927,714)
Net Profit for the Year		<u>35,778,224</u>	<u>217,699,508</u>
Earnings per Share - Basic and Diluted	33	1.99	12.11

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



CHIEF EXECUTIVE



DIRECTOR

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2015**

	2015 Rupees	2014 Rupees
Net Profit for the Year	35,778,224	217,699,508
Other Comprehensive Income for the Year		
Items that will not be reclassified to profit and loss		
Experience adjustment on remeasurement of staff retirement benefits of:		
- The Company	(2,779,240)	(30,211)
Related tax impact	604,289	8,832
	(2,174,951)	(21,379)
- Associated Company	(1,565,081)	-
Related tax impact	195,635	-
	(1,369,446)	-
Items that may be reclassified subsequently to profit and loss		
Share in appreciation of investments available for sale of associate	772,875	15,433
Related tax impact	(96,609)	(1,543)
	676,266	13,890
Other comprehensive loss for the year	(2,868,131)	(7,489)
Total Comprehensive Income for the Year	<u>32,910,093</u>	<u>217,692,019</u>

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



CHIEF EXECUTIVE



DIRECTOR

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
CASH GENERATED FROM OPERATIONS	32	286,395,865	364,647,477
Income tax paid		(22,335,722)	(30,684,251)
Gratuity paid		(22,585,253)	(12,628,390)
Finance cost paid		(52,224,002)	(62,794,480)
Workers' (profit) participation fund paid		(13,192,318)	(14,176,084)
Workers' welfare fund paid		(2,985,901)	-
Net Cash generated from Operating Activities		173,072,669	244,364,272
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(46,138,667)	(62,059,969)
Capital work in progress		-	(32,526,601)
Long term deposits		-	(731,460)
Proceeds from disposal of property, plant and equipment		3,213,676	2,850,000
Net Cash used in Investing Activities		(42,924,991)	(92,468,030)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term financing from banking company		-	(20,462,676)
Loan repaid to directors		(20,000,000)	-
Dividends received from associated undertaking		4,060,000	4,060,000
Dividends paid to shareholders		(26,959,949)	(26,849,465)
Repayment of liabilities against assets subject to finance lease		(33,544,174)	(72,705,924)
Short term borrowings (repaid) / acquired - net		(50,098,762)	9,725,227
Net Cash used in Financing Activities		(126,542,885)	(106,232,838)
Net Increase in Cash and Cash Equivalents		3,604,793	45,663,404
Cash and cash equivalents at the beginning of the year		78,951,590	33,288,186
Cash and Cash Equivalents at the End of the Year		82,556,383	78,951,590

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



CHIEF EXECUTIVE



DIRECTOR

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015**

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



CHIEF EXECUTIVE



DIRECTOR

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015**

	Share Capital	Share Premium	Unappropriated Profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2014	179,713,720	5,796,000	1,007,811,176	1,193,320,896
Net profit for the year June 30, 2015	-	-	35,778,224	35,778,224
Other comprehensive income for the year ended June 30, 2015	-	-	(2,868,131)	(2,868,131)
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year (net of deferred tax)	-	-	15,508,221	15,508,221
Surplus realized on disposal of revalued property, plant and equipment (net of deferred tax) transferred to retained earnings	-	-	1,318,906	1,318,906
Share in realized surplus on revaluation of property, plant and equipment of associate (net of deferred tax)	-	-	2,488,440	2,488,440
Final dividend for the year ended June 30, 2014	-	-	(26,957,058)	(26,957,058)
Balance as at June 30, 2015	<u>179,713,720</u>	<u>5,796,000</u>	<u>1,033,079,778</u>	<u>1,218,589,498</u>

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



CHIEF EXECUTIVE



DIRECTOR

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 1**The Company and Its Operations**

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

Note 2**Basis of Preparation****2.1 Statement of compliance**

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except to the extent of following:

Staff retirement benefits	Note 8	Present value
Certain property, plant and equipment	Note 14	Revalued amount
Long term investment	Note 15	Equity method
Investments in quoted companies	Note 21	Fair value

2.3 Functional and presentational currency

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

2.4 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

These estimates and related assumptions are reviewed on an on going basis. Accounting estimates are revised in the period in which such revisions are made. Significant management estimates in these financial statements relate to the useful life and residual values of property, plant and equipment, provisions for doubtful receivables, provisions for defined benefit plans, slow moving and obsolete inventory and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in these financial statements.

Note 2, Basis of Preparation - Contd...

2.4.1 Property, plant and equipment

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

2.4.2 Doubtful receivables

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

2.4.3 Staff retirement benefits

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

2.4.4 Inventories

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

2.4.5 Taxation

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

2.5 Changes in accounting standards, interpretations and pronouncements**2.5.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year**

The following amendments to standards are relevant that became effective during the year. These amendments are not likely to have any impact on the Company's financial statement.

- i) Amendments to IAS 32 – that address inconsistencies in applying the offsetting criteria in IAS 32 (Financial Instruments: Presentation). These amendments clarify the meaning of "currently has a legally enforceable right of set-off" and certain gross settlement systems that may be considered equivalent to net settlement.
- ii) Amendments to IAS - 36 "Impairment of Assets" address the disclosure of information about the recoverable amount of impaired assets, if that amount is based on fair value less costs of disposal, and require the disclosure of additional information about the fair value measurement and discount rates used in present value technique.
- iii) Amendments to IAS 19 "Employee Benefits" that introduce a narrow scope amendment to simplify the requirements for contributions from employees or third parties to a defined benefit plan, when those contributions are applied to a simple contributory plan that is linked to services.

Note 2, Basis of Preparation - Contd...

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

There were certain amendments to the approved accounting standards which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

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

The following standards, amendments and interpretations of approved accounting standards are relevant and will be effective for accounting periods beginning on or after July 01, 2015. These amendments are not likely to have any impact on the Company's financial statements:

- i) Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2018) introducing severe restrictions on the use of revenue-based amortization for intangible assets. This amendment explicitly states that revenue-based methods of depreciation cannot be used for property, plant and equipment. These amendments have no impact on the Company's financial statements as the Company has the policy of depreciating / amortizing its property, plant and equipment and intangible assets based on the assessed useful lives.
- ii) Amendments to IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) aim to improve consistency and reduce complexity by providing a precise definition of fair value. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The adoption of this standard is not likely to have any significant impact on the Company's financial statements.

2.5.4 Standards, interpretations and amendments to approved accounting standards that are neither relevant and nor yet effective

Revision / Improvements / amendments to IFRS and Interpretations	Effective Date (Period beginning on or after)
- IFRS 10 'Consolidated Financial Statements'	January 1, 2016
- IFRS 11 'Joint Arrangements'	January 1, 2016
- IFRS 12 'Disclosure of Interest in Other Entities'	January 1, 2016
- IFRS 14 'Regulatory Deferral Accounts'	January 1, 2016
- IFRS 15 'Revenue from Contracts with Customers'	January 1, 2018
- IAS 27 'Separate Financial Statement'	January 1, 2016
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41]	January 1, 2016
- Investment entities applying the consolidation exception (amendments to IFRS 10, IFRS 12, and IAS-28)	January 1, 2016

Note 3

Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

3.1 Provisions

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

3.2 Staff retirement benefits**Defined benefit plan**

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

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

3.3 Taxation**Current**

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

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amount of assets and liabilities and the tax bases. Deferred tax liabilities are generally recognized for all major taxable temporary differences. Deferred tax assets are recognized for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantially enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3.4 Trade and other payables

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

Note 3, Summary of Significant Accounting Policies - Contd...

3.5 Contingent liabilities

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

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

3.6 Property, plant and equipment**Owned**

Property, plant and equipment are stated at cost / revalued amount less accumulated depreciation and identified impairment loss except freehold land which is stated at revalued amount.

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

Depreciation on property, plant and equipment has been provided for using the reducing balance method at the rates specified in Note 14 and is charged to the profit and loss account. Depreciation on additions is charged from the month in which the asset is available for use up to the month in which the asset is disposed off.

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

Leased

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

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

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

Capital work-in-progress

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

Note 3, Summary of Significant Accounting Policies - Contd...

3.7 Impairment

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

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

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

3.8 Investment In associate

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

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

The share of losses of the associate are recognised to the extent of carrying value/cost of investment. Further losses are recognized only when the Company has made payments on behalf of the associate or has an obligation to make payments on its behalf.

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

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

3.9 Stores, spares and stock in trade

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

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

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

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

Note 3, Summary of Significant Accounting Policies - Contd...

3.10 Trade debts and other receivables

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

3.11 Cash and cash equivalents

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

3.12 Financial instruments**3.12.1 Financial assets**

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

At fair value through profit or loss

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

Loans and receivables

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

Held to maturity

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

Available-for-sale

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

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

Note 3, Summary of Significant Accounting Policies - Contd...

Measurement criteria

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

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

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

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

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

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

3.12.2 Financial liabilities

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

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

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

3.12.3 Offsetting of financial assets and financial liabilities

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

3.13 Foreign currency translation

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

Note 3, Summary of Significant Accounting Policies - Contd...**3.14 Related party transactions**

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

3.15 Revenue recognition

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

3.16 Borrowing costs

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

3.17 Segment reporting

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

3.18 Dividends

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

Note 4

Issued, Subscribed and Paid Up Capital

2015	2014		2015	2014
No. of Shares			Rupees	Rupees
12,240,569	12,240,569	Ordinary shares of Rs. 10 each fully paid in cash	122,405,690	122,405,690
4,418,803	4,418,803	Ordinary shares of Rs. 10 each issued for consideration otherwise than in cash	44,188,030	44,188,030
1,312,000	1,312,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	13,120,000	13,120,000
<u>17,971,372</u>	<u>17,971,372</u>		<u>179,713,720</u>	<u>179,713,720</u>

4.1 Movement in number of shares during the year

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

4.2 Sargodha Jute Mills Limited, an associate, held 14,990 (2014: 14,990) ordinary shares of the Company as at the balance sheet date.

Note 5

Reserves

	Note	2015	2014
Capital		Rupees	Rupees
Share premium reserve	5.1	5,796,000	5,796,000
Revenue			
Unappropriated profit		1,033,079,778	1,007,811,176
		<u>1,038,875,778</u>	<u>1,013,607,176</u>

5.1 This reserve can be utilized by the Company only for the purposes specified in Section 83(2) of the Companies Ordinance, 1984.

Note 6

Surplus on Revaluation of Property, Plant and Equipment

		2015	2014
	Note	Rupees	Rupees
Land - freehold		197,491,920	197,491,920
Buildings on freehold land		44,972,388	48,724,557
Plant and machinery		255,363,690	270,126,952
Power house		2,723,712	2,793,551
	6.1	500,551,708	517,136,980
Deferred tax relating to export	6.2	(1,633,807)	(1,262,139)
Deferred tax due to change in tax rate		2,624,288	2,739,638
Incremental depreciation (net of deferred tax) charged on revalued property, plant and equipment during the year transferred to retained earnings		(15,508,221)	(16,313,829)
Surplus realized on disposal of revalued property, plant and equipment (net of deferred tax) transferred to retained earnings		(1,318,906)	(1,749,142)
		484,715,062	500,551,708

6.1 Latest revaluation of property plant and equipment was carried out as at June 30, 2013, by an approved valuer that has resulted in further revaluation surplus of Rs. 34.935 million.

First revaluation of property plant and equipment was carried out by an independent valuer as at September 30, 1995 resulting in revaluation surplus of Rs. 435.412 million.

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

Note 7

Liabilities Against Assets Subject to Finance Lease

	2015	2014
	Rupees	Rupees
Future gross minimum lease payments and the period in which they will become due are as under:		
2014-15	-	40,006,800
2015-16	36,806,186	37,451,000
Gross minimum lease payments	36,806,186	77,457,800
Financial charges not currently due	(1,656,284)	(8,763,724)
Present value of minimum lease payments	35,149,902	68,694,076
Current portion shown under current liabilities	(35,149,902)	(33,469,731)
	-	35,224,345
Reconciliation between total of minimum lease payments and their present value is as under:		
Gross minimum lease payments:		
- Due not later than one year	36,806,186	40,006,800
- Due later than one year but not later than five years	-	37,451,000
	36,806,186	77,457,800

Note 7, Liabilities Against Assets Subject to Finance Lease - Contd...

	2015 Rupees	2014 Rupees
Present value of minimum lease payments:		
- Due not later than one year	35,149,902	33,469,731
- Due later than one year but not later than five years	-	35,224,345
	<u>35,149,902</u>	<u>68,694,076</u>

This represents finance lease arrangement with a financial institution for plant and machinery. This liability is repayable latest by May 2016 as per the repayment schedule. The Company made an upfront equity contribution of Rs. 70.700 million that has been adjusted against the lease liability. Lease rentals include finance cost @ 3 months KIBOR plus 2% (2014: 3 months KIBOR plus 2%) per annum which is used as discounting factor. The finance lease arrangement is secured against hypothecation over leased assets and personal guarantees of directors of the Company. All taxes, insurance and repairs and maintenance costs are borne by the Company. The Company has the option to purchase the assets upon expiry of the respective lease terms and its intends to purchase these assets.

Note 8

Staff Retirement Benefits

	Note	2015 Rupees	2014 Rupees
Staff retirement benefits - Gratuity	8.2.3	<u>88,831,027</u>	<u>72,795,423</u>

8.1 The Company operates an unfunded gratuity scheme covering its permanent employees subject to completion of minimum prescribed period of service. Actuarial valuation of the scheme is carried out annually by an independent actuary and the latest actuarial valuation has been carried out as at June 30, 2015. Following key information is included in that actuarial report.

8.2 Actuarial assumptions

Discount rate	9.75%	13.25%
Expected rate of salary increase in future years	8.75%	12.25%
Average expected remaining working life of employees	6 Years	5 Years
Expected mortality rate for active members	As per SLIC (2001-2005) Mortality Table with one year setback	
Actuarial valuation method	Projected Unit Credit Method	

8.2.1 Reconciliation of the funded status

Present value of defined benefit obligation		88,831,027	72,795,423
Fair value of plan assets	8.2.7	-	-
		<u>88,831,027</u>	<u>72,795,423</u>

8.2.2 Company's liability

Opening balance		72,795,423	56,724,989
Charge for the year	8.2.4	35,841,617	28,668,613
Remeasurement chargeable to other comprehensive income - experience adjustment		2,779,240	30,211
		<u>111,416,280</u>	<u>85,423,813</u>
Benefits paid to outgoing employees		<u>(22,585,253)</u>	<u>(12,628,390)</u>
		<u>88,831,027</u>	<u>72,795,423</u>

Note 8, Staff Retirement Benefits - Contd...

	2015 Rupees	2014 Rupees
8.2.3 Movement in present value of defined benefit obligation		
Opening balance	72,795,423	56,724,989
Current service cost	27,692,496	23,375,480
Interest cost on defined benefit obligation	8,149,121	5,293,133
Benefits paid to outgoing employees	(22,585,253)	(12,628,390)
Remeasurement chargeable to other comprehensive income - experience adjustment	2,779,240	30,211
	88,831,027	72,795,423
8.2.4 Charge for the year		
Current service cost	27,692,496	23,375,480
Interest cost	8,149,121	5,293,133
	35,841,617	28,668,613
8.2.5 Charge for the year has been allocated as under		
Cost of sales	30,083,465	23,555,743
Administrative expenses	5,758,152	5,112,870
	35,841,617	28,668,613

8.2.6 Year end sensitivity analysis on defined benefit obligation

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	Rupees		
Discount rate	1%	83,519,443	94,871,331
Salary increase	1%	95,100,825	83,213,488

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

	2015 Rupees	2014 Rupees	2013 Rupees	2012 Rupees	2011 Rupees
Present value of defined benefit obligation	88,831,027	72,795,423	56,724,989	38,577,451	29,948,793
Fair value of plan asset	-	-	-	-	-
Net balance sheet liability	88,831,027	72,795,423	56,724,989	38,577,451	29,948,793

Note 9

Deferred Tax Liability - Net

	2015	2014
	Rupees	Rupees
Taxable temporary differences:		
- Share of net profit of associate	33,337,243	23,259,962
- Accelerated tax depreciation	127,113,488	149,180,804
- Surplus on revaluation of property, plant and equipment	76,202,530	86,601,511
- Staff retirement benefits and others	3,530,011	-
	240,183,272	259,042,277
Deductible temporary differences:		
- Staff retirement benefits and others	-	(3,297,061)
- Unused tax credits available	(12,655,641)	(18,473,122)
	(12,655,641)	(21,770,183)
	227,527,631	237,272,094

Note 10

Trade and Other Payables

		2015	2014
	Note	Rupees	Rupees
Creditors for:			
- Goods supplied		22,414,706	23,933,849
- Services		31,900,897	34,326,633
Accrued liabilities	10.1	218,628,240	145,866,462
Advances from customers		1,252,935	7,927,940
Workers' (profit) participation fund	10.2	3,073,265	13,192,318
Workers' welfare fund		1,005,729	3,389,848
Sales tax payable		3,317,288	1,643,275
Unclaimed dividend		416,811	419,702
Unclaimed wages		1,379,289	842,474
		283,389,160	231,542,501

10.1 This included adjustment of Rs. 33.34 million (2014: Nil) on account of fuel price adjustment and Rs. 54.70 million (2014: 27.55 million) on account of gas infrastructure development cess (GIDC) till June 30, 2015.

10.2 Workers' (profit) participation fund

Opening balance	13,192,318	14,176,084
Provision for the year	2,587,846	12,577,077
Interest on funds utilized in the Company's business	485,419	615,241
	16,265,583	27,368,402
Paid during the year	(13,192,318)	(14,176,084)
Closing balance	3,073,265	13,192,318

Note 11

Short Term Borrowings

		2015	2014
	Note	Rupees	Rupees
From banking companies - Secured			
Cash / packing finances	11.1	168,716,251	176,141,374
Overdrawn bank balances		-	42,673,639
From related parties - Unsecured			
Loan from directors	11.2	40,000,000	60,000,000
		<u>208,716,251</u>	<u>278,815,013</u>

11.1 These represent utilized portion of funded and unfunded short term finance facilities of Rs. 2,740 million (2014: Rs. 2,140 million) available from various banks under mark up arrangements. These facilities shall expire on various dates latest by January 31, 2016. Mark up on these facilities is charged from 1 to 6 month KIBOR plus a spread of 1.5% to 2.25% (2014: 1 to 6 month KIBOR plus a spread of 1.5% to 3.25%) payable quarterly. The aggregate short term finances are secured by ranking and hypothecation charge on property, plant and equipment, stocks and receivables of the Company; lien over export and import documents, subordination of sponsor loans and personal guarantee of sponsoring directors of the Company.

11.2 This represents short term loan obtained from directors to meet the working capital requirements of the Company. The loan is unsecured and carries mark up at the rate of 3 month KIBOR (2014: 3 months KIBOR plus 2%), payable quarterly.

Note 12

Provision for Taxation - Net

	2015	2014
	Rupees	Rupees
Opening balance		
Charge for the year:	49,976,031	43,512,223
- Current	42,698,034	49,976,031
- Prior	1,110,010	(3,171,404)
	43,808,044	46,804,627
Payments / adjustments against advance tax, tax credits and refunds	(51,086,041)	(40,340,819)
	<u>42,698,034</u>	<u>49,976,031</u>

12.1 Assessments up to Tax Year 2014 are deemed finalized as income tax returns are filed under the self assessment scheme.

Note 13

Contingencies and Commitments**13.1 Contingencies**

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

	2015	2014
	Rupees in Million	
- Sui Northern Gas Pipeline Limited	36.64	36.64
- Custom Authorities	5.50	20.92
	<u>42.14</u>	<u>57.56</u>

13.1.2 The Company is contingently liable for Rs. 9.448 million (June 2014: Rs. 8.108 million) on account of electricity duty on self generation. However the company has not acknowledged the said duty as debt and case is pending before the Supreme Court of Pakistan.

13.2 Commitments

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

Foreign bills of exchange purchased	168.03	187.68
Letters of credit	87.89	42.01
	<u>255.92</u>	<u>229.69</u>

Note 14
Property, Plant and Equipment

	2014	2015	Note	2014
	Rs	Rs		Rs
Operating fixed assets				
Capital work in progress	14.1	1,630,096,697	14.1	1,680,653,006
				719,560
14-1 Operating fixed assets	14.5	1,630,096,697	14.5	1,680,273,566

14-1 Operating fixed assets

Year ended June 30, 2015

Owned	Cost / Revivified Amounts		Rate	%	Depreciation		Book Value as at
	As at 30-06-2014	Additions / (Disposals)			Total as at 30-06-2015	For the year	
	Rs	Rs	Rs		Rs	Rs	Rs
Land - freehold	262,293,750	-	202,253,750	-	-	-	202,253,750
Buildings on freehold land	195,746,270	2,575,000	199,321,270	5	9,054,677	9,438,274	180,878,349
Plant and machinery	1,044,368,279	28,205,620	1,067,187,596	5	51,477,655	50,514,220	1,015,991,849
		(5,386,323)				(401,826)	965,933,847
Power house	93,535,977	1,779,000	95,315,977	20	18,207,395	15,143,816	61,464,766
Furniture and fixtures	5,867,172	-	5,867,172	10	5,190,794	67,638	605,740
Vehicles	88,574,086	8,637,237	93,364,440	20	23,154,128	13,815,896	59,135,188
		(3,846,883)				(7,750,680)	
Electric installations	38,697,167	4,911,310	43,628,477	10	21,613,311	1,983,568	20,029,568
Computers and equipment	3,483,814	30,500	3,494,414	20	2,428,400	211,803	854,211
Arms and ammunition	410,775	-	410,775	7	260,012	14,253	158,010
	1,673,078,390	46,138,667	1,710,883,971		131,806,182	91,193,608	1,491,006,429
		(9,233,086)				(3,152,598)	
Leased							
Plant and machinery	146,510,808	-	146,413,808	5	-	7,203,540	139,096,268
	-	-	146,413,808			7,203,540	139,096,268
Total as at June 30, 2015	1,673,078,390	46,138,667	1,857,297,479		131,836,182	98,514,398	1,630,096,697
		(9,233,086)				(3,152,598)	

Note 14. Property, Plant and Equipment - Contd. ...

14.2 Operating fixed assets

Year ended June 30, 2014

Description	Cost / Revalued Amounts		Rate %	Depreciation		Book Value as at 30-06-2014
	As at 30-06-2013	Total as at 30-06-2014		Up to 30-06-2013	For the Year	
	Rupees	Rupees		Rupees	Rupees	Rupees
Owned						
Land - freehold	202,293,730	-	-	-	-	202,293,730
Buildings on freehold land	181,093,940	15,652,330	5	9,054,697	9,054,697	187,691,573
Plant and machinery	1,026,183,702	24,809,086	5	51,387,862	51,477,455	932,899,824
		(6,624,509)		(110,407)		
Power house	93,536,977	93,536,977	20	18,707,395	18,707,395	74,829,582
Furniture and fixtures	5,867,172	5,867,172	10	5,115,641	5,190,794	676,378
Vehicles	44,938,324	47,104,052	20	15,504,704	10,026,926	23,164,128
		(3,468,330)		(2,367,502)		
Electric installations	31,576,197	7,120,970	10	20,355,663	1,257,648	21,613,311
Computers and equipment	3,385,414	98,500	20	2,176,312	251,888	2,428,400
Arms and ammunition	410,775	-	7	184,148	15,864	210,763
	1,589,286,251	94,784,978		43,336,668	90,977,433	1,542,142,198
		(10,992,839)		(2,177,909)		
Licensed						
Vehicles	-	146,410,808	5	-	-	146,410,808
	-	146,410,808		-	-	146,410,808
Total as at June 30, 2014	1,589,286,251	241,195,786		43,336,668	90,977,433	1,688,553,006
		(10,992,839)		(2,177,909)		

14.3 Latest revaluation of land, building, plant and machinery and power house was carried out by an independent valuer as at June 30, 2013 as explained in Note 6. Had there been no revaluation, the cost, accumulated depreciation and book values of the revalued assets would have been as follows :

	As on June 30, 2013		Book value
	Cost	Accumulated Depreciation	
	Rupees	Rupees	Rupees
Land - freehold	4,801,830	-	4,801,830
Buildings on freehold land	214,349,726	87,310,015	127,039,711
Plant and machinery	1,497,407,458	638,159,514	659,247,944
Power house	189,154,431	129,889,726	59,264,705
	3,701,751,445	856,359,255	845,352,130

Note 14, Property, Plant and Equipment - Contd. ...

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

	2015	2014
	Rupees	Rupees
Cost of sales	84,404,338	80,607,602
Administrative expenses	14,110,000	10,369,831
	<u>98,514,338</u>	<u>90,977,433</u>

14.5 Detail of items of property, plant and equipment disposed off during the year

Particulars	Cost / Revalued amount Rupees	Accumulated depreciation Rupees	Book value Rupees	Disposal proceeds Rupees	Gain / (Loss) Rupees	Mode of disposal	Particulars of buyer
Assets having book value exceeding Rs. 50,000							
Plant and machinery							
Drawing frames model 1990 - Type DY 2 C	1,922,408	(118,949)	1,803,459	641,026	(1,162,433)	Negotiation	Mr. Habib Ur Rehman Faisalabad
Autowinder Sawlo Esporo Model 1991	3,463,795	(282,877)	3,180,918	940,171	(2,240,747)	Negotiation	Mr. Waqar Ahmad Faisalabad
	<u>5,386,203</u>	<u>(401,826)</u>	<u>4,984,377</u>	<u>1,581,197</u>	<u>(3,403,180)</u>		
Particulars	Cost / Revalued amount Rupees	Accumulated depreciation Rupees	Book value Rupees	Disposal proceeds Rupees	Gain / (Loss) Rupees	Mode of disposal	Particulars of buyer
Vehicles							
Honda Civic	1,885,273	(1,236,618)	648,655	800,000	151,345	Negotiation	Mr. Ahmad Hsalam Lahore
Corolla Xli	1,270,832	(916,870)	353,962	500,000	146,038	Negotiation	Mr. M. Akram Bader Lahore
Hyundai Sheltone	690,778	(597,194)	93,584	300,000	206,416	Negotiation	Mr. M. Irfanad Sargodha
	<u>3,846,883</u>	<u>(2,750,682)</u>	<u>1,096,201</u>	<u>1,600,000</u>	<u>503,799</u>		

Assets having book value below Rs. 50,000

Plant and machinery

Rowing Opener Machine	-	-	-	32,479	32,479	Negotiation	Mr. M. Rafique Sheikhpura
Total 2015	<u>9,233,056</u>	<u>(3,152,568)</u>	<u>6,080,578</u>	<u>3,213,676</u>	<u>(2,866,902)</u>		
Total 2014	<u>10,092,839</u>	<u>2,477,969</u>	<u>7,614,930</u>	<u>2,850,000</u>	<u>(4,764,930)</u>		

Note 14, Property, Plant and Equipment - Contd...

	2015	2014
	Rupees	Rupees
14.6 Capital Work in Progress		
Buildings on freehold land		
Opening balance	719,560	-
Additions during the year	-	719,560
	719,560	719,560
Transferred / adjusted	(719,560)	-
	-	719,560
Plant and machinery		
Opening balance	-	-
Additions during the year	-	18,996,776
	-	18,996,776
Transferred to plant and machinery	-	(18,996,776)
	-	-
Advance for purchase of vehicle		
Opening balance	-	5,928,780
Additions during the year	-	12,810,265
	-	18,739,045
Transferred to vehicles	-	(18,739,045)
	-	-
	-	719,560

Note 15

Long Term Investment

	2015	2014
	Rupees	Rupees
Associates - Unquoted		
Sargodha Jute Mills Limited: 8,120,000 (2014: 8,120,000) fully paid ordinary shares of Rs. 10 each Equity held 36.16% (2014: 36.16%) Cost of investment Rs. 65,600,000 (2014: Rs. 65,600,000)		
- Opening balance	298,199,623	254,453,968
- Share in net profit for the year of associate	36,106,592	43,578,409
- Share in realized surplus on revaluation of property, plant and equipment of associate	2,843,931	4,211,813
- Share in appreciation of investments available for sale of associate	772,875	15,433
- Share in remeasurement of staff retirement benefits liability	(1,565,081)	-
- Less: Dividend received	(4,060,000)	(4,060,000)
	332,297,940	298,199,623

- 15.1 The Company holds 36.16% shareholding in Sargodha Jute Mills Limited and accounts for this investment under equity method as prescribed in IAS 28 (Investments in Associates). Information extracted from audited financial statements of Sargodha Jute Mills Limited is as follows:

	2015	2014
	Rupees in thousand	
Equity	918,663	824,365
Total assets	1,981,987	1,897,434
Revenue	3,085,036	2,767,130
Net profit for the year	99,852	120,516

Note 16
Long Term Deposits

	2015	2014
	Rupees	Rupees
Deposit with LESCO	11,951,410	11,951,410
Others	2,018,959	2,070,379
	<u>13,970,369</u>	<u>14,021,789</u>

Note 17
Stores and Spares

	Note	2015	2014
		Rupees	Rupees
Stores and spares	17.1	<u>45,860,146</u>	<u>46,014,613</u>

17.1 This includes stores in transit amounting to Rs. 1.431 million (2014: Rs. 1.512 million) as at the balance sheet date.

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

Note 18
Stock in Trade

	2015	2014
	Rupees	Rupees
Raw materials	214,384,129	193,583,886
Stock in transit	7,086,705	33,966,606
Work in process	32,366,927	42,583,035
Finished goods	45,277,658	70,973,685
	<u>299,115,419</u>	<u>341,087,212</u>

18.1 Stocks amounting to Rs. 84.209 million (2014: Rs. 91.604 million) approximately are pledged against short term borrowings.

18.2 Inventories recognized as an expense during the year include Rs. Nil (2014: Rs. 26.38 million) in respect of write-down of inventories to net realizable value.

Note 19
Trade Debts

	2015	2014
	Rupees	Rupees
Local debts (Unsecured - considered good)	20,771,498	18,582,125
Foreign debts (Secured - considered good)	39,843,499	30,339,429
Foreign debts (Considered doubtful)	-	6,278,843
	60,614,997	55,200,397
Less : Provision for doubtful debts	-	(6,278,843)
	<u>60,614,997</u>	<u>48,921,554</u>
19.1 Provision for doubtful debts		
Opening balance	6,278,843	6,278,843
Provision made during the year	-	-
	6,278,843	6,278,843
Bad debts written off	(6,278,843)	-
Closing balance	-	6,278,843

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

Note 20

Advances, Trade Deposits, Prepayments and Other Receivables

		2015	2014
	Note	Rupees	Rupees
Advances (Unsecured - considered good):			
- Employees	20.1	781,210	801,836
- Suppliers and others		2,838,272	7,848,320
Income tax deducted at source / Advance tax		25,687,624	30,589,343
Margins with banks against:			
- Letters of credit		324,732	132,510
- Letters of guarantee		5,442,811	3,942,811
Prepayments		1,589,078	1,562,079
Insurance claims receivable	20.2	5,356,810	-
Other receivables		23,077	370,796
		<u>41,843,614</u>	<u>45,247,695</u>

20.1 Amount due from chief executive, directors and executives as at the balance sheet date was Nil (2014: Nil).

20.2 This includes insurance claim lodged for finished goods lost while enroute Karachi dock for intended export.

Note 21

Short Term Investments

		2015	2014
	Note	Rupees	Rupees
At fair value through profit or loss			
Investment in quoted shares	21.1	1,595,257	795,200

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

Note 22

Tax Refunds Due from the Government

	2015	2014
	Rupees	Rupees
Sales tax	26,141,489	12,217,802
Income tax	64,021,621	65,257,398
	<u>90,163,110</u>	<u>77,475,200</u>

Note 23

Cash and Bank Balances

	2015	2014
	Rupees	Rupees
Cash in hand	774,726	619,905
Cash at banks - Current accounts	81,781,657	78,331,685
	<u>82,556,383</u>	<u>78,951,590</u>

Note 24

Sales - Net

		2015	2014
		Rupees	Rupees
Yarn:			
-	Local	2,999,941,685	3,489,435,041
-	Export	1,315,214,895	1,621,088,481
Wastes		31,792,899	41,259,194
		4,346,949,479	5,151,782,716
Less:	Commission to selling agents	(58,316,777)	(70,271,054)
	Sales tax	(77,146,131)	(83,888,591)
		4,211,486,571	4,997,603,071

Note 25

Cost of Sales

		2015	2014
		Rupees	Rupees
	Note		
Raw materials consumed		2,633,175,784	3,404,778,767
Stores and spares consumed		94,094,617	95,898,546
Packing materials consumed		93,522,718	91,695,994
Salaries, wages and other benefits	25.1	418,778,345	376,396,965
Fuel and power		572,206,923	539,769,422
Insurance		12,381,096	13,413,244
Repairs and maintenance		8,583,809	5,416,394
Other manufacturing expenses		9,019,800	8,140,715
Depreciation	14.4	84,404,398	80,607,602
		3,926,167,490	4,616,117,649
Opening work in process		42,583,035	37,056,910
Closing work in process		(32,366,927)	(42,583,035)
		10,216,108	(5,526,125)
Balance c/f		3,936,383,598	4,610,591,524
Balance b/f		3,936,383,598	4,610,591,524
Cost of goods manufactured:			
-	Opening finished goods	70,973,685	59,340,207
-	Finished goods lost in transit - insurance claim	(4,244,526)	-
-	Closing finished goods	(45,277,658)	(70,973,685)
		21,451,501	(11,633,478)
		3,957,835,099	4,598,958,046

25.1 This includes Rs. 30.083 million (2014: Rs. 23.556 million) in respect of staff retirement benefits.

Note 26

Selling and Distribution Costs

		2015	2014
		Rupees	Rupees
Freight and octroi		10,326,819	11,278,370
Export sale expenses		36,859,049	37,441,640
		47,185,868	48,720,010

Note 27

Administrative Expenses

		2015	2014
	Note	Rupees	Rupees
Salaries, wages and other benefits	27.1	69,925,909	52,906,458
Printing and stationery		775,125	1,414,890
Communication		1,402,468	1,330,989
Travelling and conveyance		946,518	1,105,135
Repairs and maintenance		3,058,169	687,896
Vehicles' running and maintenance		7,417,843	7,702,072
Rent, rates and taxes		3,715,479	2,978,488
Insurance		3,708,336	3,508,938
Legal and professional charges		3,339,815	2,462,260
Fees and subscription		4,416,067	6,108,775
Utilities		12,609,837	10,730,770
Entertainment		3,270,981	3,155,652
Advertisement		177,670	288,020
Donations		-	1,530,000
Miscellaneous		274,141	372,546
Depreciation	14.4	14,110,000	10,369,831
		<u>129,148,358</u>	<u>106,652,720</u>

27.1 This includes Rs. 5,758 million (2014: Rs. 5,113 million) in respect of staff retirement benefits.

Note 28

Finance Cost

	2015	2014
	Rupees	Rupees
Interest / mark-up on:		
- Long term financing	-	1,965,231
- Liabilities against assets subject to finance lease	6,291,581	549,938
- Short term borrowings	47,410,488	45,120,257
	<u>53,702,069</u>	<u>47,635,426</u>
Bank charges and commission	8,757,561	9,549,894
Bank guarantee commission	1,163,832	1,083,210
Interest on workers' (profit) participation fund	485,419	615,241
	<u>64,108,881</u>	<u>58,883,571</u>

Note 29

Other Operating Expenses

	2015	2014
	Rupees	Rupees
Auditors' remuneration		
- Statutory audit	750,000	750,000
- Limited scope review	100,000	100,000
- Other attestation services	50,000	50,000
	<u>900,000</u>	<u>900,000</u>
Loss on disposal of property, plant and equipment - Net	2,866,902	4,764,930
Provision for workers' (profit) participation fund	2,587,846	12,577,077
Provision for workers' welfare fund	601,782	1,863,411
Balances written off	51,420	-
Exchange loss	-	2,739,505
	<u>7,007,950</u>	<u>22,844,923</u>

Note 30

Other Income

	2015	2014
	Rupees	Rupees
Income from financial assets		
Gain on revaluation of short term Investments at fair value through profit or loss	800,057	182,841
Exchange gain	551,461	-
Income from non financial assets		
Profit on sale of raw material	4,476,762	1,054,171
Others	432,000	446,000
Others		
NIB Bank freed mark up written back	-	78,823,000
	<u>6,260,280</u>	<u>80,505,012</u>

Note 31

Taxation

	2015	2014
	Rupees	Rupees
Current:		
- Current year	42,698,034	49,976,031
- Prior years		
- Adjustment on account of assessment / return	(2,296,647)	(3,171,404)
- Tax credits utilized	(19,206,165)	(23,110,194)
	<u>(21,502,812)</u>	<u>(26,281,598)</u>
	21,195,222	23,694,433
Deferred	(8,406,159)	44,233,281
	<u>12,789,063</u>	<u>67,927,714</u>

31.1 Reconciliation of tax charge for the year:

	2015	2014
	Rupees	Rupees
Profit before taxation	48,567,287	285,627,222
Tax @ 33% / 34% on profit before taxation	16,027,205	97,113,255
Adjustment relating to prior year tax charge	(2,296,647)	(3,171,404)
Tax credits utilized and unutilized	(31,861,806)	(41,583,316)
Tax effect of exports under final tax regime	8,215,336	(14,853,078)
Tax effect on Income taxed at reduced rate	(11,915,175)	(14,816,659)
Other adjustments	43,026,309	1,005,634
Deferred taxation	(8,406,159)	44,233,281
	<u>12,789,063</u>	<u>67,927,713</u>

Note 32

Cash Generated from Operations

	2015	2014
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	48,567,287	285,627,222
Adjustments for:		
- Depreciation	98,514,398	90,977,433
- Share of net profit of associate	(36,106,592)	(43,578,409)
- Loss on disposal of property, plant and equipment - Net	2,866,902	4,764,930
- Write down of inventories to net realizable value	-	26,384,209
- Surplus on revaluation of short term investments at fair value through profit or loss	(800,057)	(182,841)
- Provision for gratuity related to Income statement	35,841,617	28,668,613
- Exchange (gain) / loss	(551,461)	2,739,505
- Provision for workers' (profit) participation fund	2,587,846	12,577,077
- Provision for workers' welfare fund	801,782	1,863,411
- Interest on workers' (profit) participation fund	485,419	815,241
- Liabilities written back	-	(78,823,000)
- Adjustment of capital work in progress	719,560	-
- Security deposit written off	51,420	-
- Finance cost	53,702,089	47,635,426
	157,912,903	93,641,595
Operating profit before working capital changes	206,480,190	379,268,817
Decrease / (increase) in current assets:		
- Stores and spares	154,467	4,032,787
- Stock in trade	41,971,793	(30,117,921)
- Trade debts	(11,141,982)	48,511,674
- Advances, trade deposits, prepayments and other receivables	(1,497,638)	(2,590,227)
- Tax refunds due from the Government	(13,923,687)	13,040,453
Increase / (decrease) in current liabilities:		
- Trade and other payables	64,352,722	(47,498,106)
	79,915,675	(14,621,340)
Cash generated from operations	286,395,865	364,647,477

Note 33

Earnings per Share - Basic and Diluted

	2015	2014
	Rupees	Rupees
Basic earning per share is based on		
Net profit for the year attributable to ordinary shareholders	Rupees 35,778,224	217,699,508
Weighted average number of ordinary shares outstanding during the year	Number 17,971,372	17,971,372
Earnings per share - Basic	Rupees 1.99	12.11

33.1 Diluted Earnings per Share

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

Note 34

Transactions with Related Parties

The related parties comprise associated companies, staff retirement funds, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. The Company enters into transactions with related parties on the basis of mutually agreed terms. Significant balances and transactions with related parties are as follows:

Transactions during the year			2015	2014
Related party	Relationship	Nature of Transaction	Rupees	Rupees
Sargodha Jute Mills Limited	Associate	Dividends income received	4,060,000	4,060,000
		Rent received from leasehold land	432,000	432,000
		Purchase of materials, goods and services	306,663	196,197
		Sale of materials, goods and services	235,630	302,609
		Dividends paid	22,485	22,485
		Commission paid on corporate guarantee	-	133,634
Director		Loan from director (repaid) / obtained	(20,000,000)	60,000,000
		Mark up charged on loan from director	4,043,540	2,974,684
Balances outstanding as at June 30,				
Director		Short term loan payable	40,000,000	60,000,000
		Accrued markup payable	1,313,332	18,218

34.1 There were no transactions with key management personnel other than undertaken as per terms of their employment that have been disclosed in Note 35.

34.2 Sale and purchase transactions have been carried out on commercial terms and conditions under comparable uncontrolled price method.

Note 35

Chief Executive's, Directors' and Executives' Remuneration

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

	2015			2014		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	9,272,727	3,436,364	21,888,557	6,818,182	3,183,636	21,312,274
Medical	927,273	343,836	3,231,572	881,818	316,364	2,131,226
Bonus	850,000	315,000	1,611,932	625,000	290,000	1,675,000
Staff retirement benefits	850,000	315,000	1,684,849	625,000	290,000	1,632,691
	<u>11,900,000</u>	<u>4,410,000</u>	<u>28,416,910</u>	<u>8,750,000</u>	<u>4,060,000</u>	<u>26,951,191</u>
Number of persons	1	1	22	1	1	21

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

35.2 No meeting fee has been paid during the year.

Note 36

Segment Information

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

	2015	2014
	Percentage	Percentage
36.1 Information about products:		
Yarn	99.27%	99.20%
36.2 Major customers:		
3 customers (2014: 3 customers)	44.05%	34.00%

36.3 Geographical Information:

Company's revenue from external customers and geographical location is given as under:

	2015	2014
	Rupees	Rupees
	in thousand	
Pakistan	3,031,735	3,446,806
Asia	1,009,389	1,142,290
Europe	310,057	478,778
	<u>4,351,181</u>	<u>5,067,874</u>

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

Note 37

Plant Capacity and Production

	2015	2014
	Kilograms	Kilograms
Plant capacity converted into 20/S count based on three shifts per day for 365 days (2014: 365 days)	38,320,778	38,320,778
Actual production converted into 20/S count	33,561,514	33,071,492

Reasons for shortfall

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

Note 38

Financial Risk Management**38.1 Financial risk factors**

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

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

(a) Market risk**(i) Currency risk**

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

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

	2015	2014
	Rupees in thousand	
Trade debts	39,843	36,618
Outstanding commitments against letters of credit	(87,890)	(42,012)
Net exposure	(48,047)	(5,394)

The following significant exchange rates were applied during the year:

Rupees per US Dollar

Average rate during the year reported	100.23	98.78
Reporting date rate	102.55	98.75

Note 38, Financial Risk Management - Contd...

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 1% against the USD with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 0.480 million (2014: Rs. 0.054 million) respectively lower / higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. This sensitivity analysis reflects exposure as at reporting date and is unrepresentative of the exposure during the year.

(i) Price risk

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

	Year	Change in Commodity Prices	Effect on Profit and Loss Account
		%	Rupees in Thousand
Equity instruments	2015	1%	15.95
Equity instruments	2014	1%	7.95

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

(ii) Interest rate risk

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

The Company has no significant long-term interest-bearing asset. The Company's interest rate risk arises from short term borrowings and finance lease arrangements. As the borrowings and lease arrangements are made at variable rates, these expose the Company to cash flow interest rate risk. As at the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was as follows:

Floating rate instruments

Financial liabilities	2015	2014
	Rupees in thousand	
Liabilities against assets subject to finance lease	35,150	68,694
Short term borrowings	208,716	278,815

Cash flow sensitivity analysis for variable rate instruments

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

Note 38, Financial Risk Management - Contd...

	Changes in interest rates	Liabilities against assets subject to finance lease	Short term borrowings	Total effects on Profit and Loss Account
	%	Rupees in thousand		
June 30, 2015	1.00	351.50	2,087.16	2,438.66
June 30, 2014	1.00	686.94	2,788.15	3,475.09

(b) Credit risk

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

	2015	2014
	Rupees in thousand	
Long term deposits	13,970	14,022
Trade debts	60,615	48,922
Trade deposits and other receivables	10,823	4,314
Bank balances	81,782	78,332

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

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

	Rating		Rating Agency	2015	2014
	Short term	Long term			
	Rupees in thousand				
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	16,337	53,208
MCB Bank Limited	A1+	AAA	PACRA	31,199	17,612
Habib Bank Limited	A-1+	AAA	JCR-VIS	40	639
Allied Bank Limited	A1+	AA+	PACRA	16,192	5,519
JS Bank Limited	A1	A+	PACRA	14,239	-
Meezan Bank Limited	A-1+	AA	JCR-VIS	234	-
National Bank of Pakistan	A1+	AAA	PACRA	1,029	891
United Bank Limited	A-1+	AA+	JCR-VIS	2,035	273
Bank Alfalah Limited	A1+	AA	PACRA	477	190
				<u>81,782</u>	<u>78,332</u>

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs. 2,280.21 million (2014: 1,665.31 million) worth unavailed short term borrowing limits available (both funded and unfunded) from financial institutions and Rs. 81,781 million (2014: Rs. 78,952 million) cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

Note 38, Financial Risk Management - Contd...

Contractual maturities of financial liabilities as at June 30, 2015:

Carrying Amount	Contractual cash flows	Within 1 year	2-5 Years	More than 5 years
----- Rupees in thousand -----				
Liabilities against leased assets	35,150	36,806	36,806	-
Trade and other payables	273,361	273,361	273,361	-
Accrued interest	8,497	8,497	8,497	-
Short term borrowings	208,716	228,269	228,269	-
	<u>525,724</u>	<u>546,933</u>	<u>546,933</u>	<u>-</u>

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

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

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

38.2 Financial Instruments by categories**Financial assets as at June 30, 2015**

Cash and Cash Equivalents	Loans and advances	Fair value through profit or loss	Held for trading	Total
----- Rupees in thousand -----				
Long term deposits	-	13,970	-	13,970
Short term investments	-	-	1,595	1,595
Trade debts	-	60,615	-	60,615
Trade deposits and other receivables	-	10,823	-	10,823
Cash and bank balances	82,556	-	-	82,556
	<u>82,556</u>	<u>85,408</u>	<u>1,595</u>	<u>169,559</u>

Note 38, Financial Risk Management - Contd...

Financial assets as at June 30, 2014

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

Financial liabilities at amortized cost

	2015	2014
Rupees in thousand		
Liabilities against assets subject to finance lease	35,150	68,694
Trade and other payables	273,361	205,389
Accrued mark-up	8,497	7,019
Short term borrowings	208,716	278,815
	<u>525,724</u>	<u>559,917</u>

38.3 Fair values of financial assets and liabilities

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

Note 39

Capital Risk Management

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

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

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

	2015	2014
Rupees in thousand		
Total borrowings	208,716	347,509
Cash and bank balances	(82,556)	(78,952)
Net Debt	<u>126,160</u>	<u>268,557</u>
Equity	<u>1,218,589</u>	<u>1,193,321</u>
Total Capital	<u>1,344,749</u>	<u>1,461,878</u>
Gearing Ratio	<u>9.38%</u>	<u>18.37%</u>

Note 40

Number of Employees

	2015				
	Permanent		Contractual		Total
	Head office	Mills	Head office	Mills	
Number	Number	Number	Number	Number	
Employees as at the year end	36	2,104	3	122	2,265
Average employees during the year	36	2,029	3	118	2,186

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

Note 41

Proposed Dividend

The directors in their meeting held on October 05, 2015 have recommended a final cash dividend of Rs. 1.00 (2014: Rs. 1.50) per share in respect of the year ended June 30, 2015.

Note 42

Provident Fund Related Disclosures

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

Note 43

Authorization of Financial Statements

These financial statements were authorized for issuance on October 05, 2015 by the Board of Directors of the Company.

Note 44

Corresponding Figures

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

Nature	From	To	Amount (Rupees)
Markup accrued on financing	Accrued markup - long term financing	Accrued markup - short term financing	18,218



CHIEF EXECUTIVE



DIRECTOR

FORM - 34

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2015
CUIN (INCORPORATION NUMBER) 0006512

No. of Shareholders	Share Holding		Total Shares Held
	From	To	
480	1	100	11,933
238	101	500	58,249
42	501	1,000	30,130
48	1,001	5,000	106,441
8	5,001	10,000	41,070
3	10,001	15,000	39,192
2	15,001	20,000	35,061
1	20,001	25,000	21,687
2	35,001	40,000	76,303
1	265,001	270,000	265,553
1	270,001	275,000	272,374
2	295,001	300,000	600,000
1	430,001	435,000	432,131
2	485,001	500,000	1,000,000
1	760,001	765,000	760,382
1	1,105,001	1,110,000	1,105,907
1	1,680,001	1,685,000	1,682,217
2	3,585,001	3,590,000	7,177,342
1	4,255,001	4,260,000	4,255,400
835	Total		17,971,372

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children	13,139,949	73.12
Associated Companies, Undertakings and Related Parties	1,014,990	5.85
NIT and ICP	9,310	0.05
Banks, Development Finance Institutions, Non Banking Finance Institutions	2,320	0.01
Insurance Companies	600	0.00
Modarabas and Mutual Funds	122	0.00
Shareholders Holding 10% or more	13,875,341	77.21
General Public		
a. Local	385,439	2.14
b. Foreign	-	-
Others (Joint Stock Companies)	5,235	0.03

CATEGORIES OF SHAREHOLDING
INFORMATION REQUIRED AS PER CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2015

S.#	Particular	Shares Held	Percentage
1)	<u>Associated Companies, Undertakings and Related Parties</u>		
	i) Sargodha Jute Mills Limited	14,990	0.09
	ii) Mrs. Saima Hassan	500,000	2.78
	iii) Sadaf Parvez	500,000	2.78
		<u>1,014,990</u>	<u>5.65</u>
2)	<u>Mutual Funds</u>		
	i) Golden Arrow Selected Stock Fund Limited	122	0.00
3)	Directors, Chief Executive Officer and their Spouse and Minor Children		
	i) Mian Parvez Aslam – Director	4,255,400	23.68
	ii) Mr. Imran Aslam – Chief Executive	3,589,478	19.97
	iii) Mr. Irfan Aslam – Director	3,587,864	19.96
	iv) Mr. Naveed Sheikh – Director	650	0.01
	v) Mr. Humayun Bakht – Director	650	0.01
	vi) Mrs. Nazish Imran – Director	300,000	1.67
	Vii) Mrs. Sara Irfan – Director	300,000	1.67
	Viii) Mrs. Fakhra Parvez – Spouse	1,105,907	6.15
		<u>13,139,949</u>	<u>73.12</u>
4)	<u>Executives</u>	<u>NIL</u>	<u>NIL</u>
5)	<u>Public Sector Companies and Corporations</u>	<u>9,310</u>	<u>0.05</u>
6)	Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds	<u>2,920</u>	<u>0.02</u>
	Individuals and Joint Stock Companies	<u>3,604,081</u>	<u>21.16</u>
	TOTAL NUMBER OF SHARES	<u>17,971,372</u>	<u>100.00</u>
7)	Shareholders Holding Five Percent or More Voting Rights		
	Mian Parvez Aslam	4,255,400	23.68
	Mian Shahzad Aslam	2,442,599	13.59
	Mr. Imran Aslam	3,589,478	19.97
	Mr. Irfan Aslam	3,587,864	19.96
	Mrs. Fakhra Parvez	1,105,907	6.15

Details of Purchase/ Sale of shares by Directors/ CEO/ Company Secretary/ CFO and Their Spouses/ Minor Children during 2015.

858,215 shares were gifted by Mian Parvez Aslam, Director

1,813 shares were purchased by Mr. Imran Aslam, Director

299,350 shares were received as gift by Mrs. Nazish Imran, Director

299,350 shares were received as gift by Mrs. Sara Irfan, Director

268,437 shares were received as gift by Mrs. Fakhra Parvez (W/o. Mian Parvez Aslam, Director)

PROXY FORM

I/We _____, being member(s) of **SHAHZAD TEXTILE MILLS LIMITED** and holder of _____ Shares as per Folio No. _____ CDC Participant ID # _____ and Sub Account # _____ do hereby appoint _____ of _____ or falling him/her _____ of _____ as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of **Shahzad Textile Mills Limited** scheduled to be held on **Friday, October 30, 2015 at 11:00 a.m.** at 19-A, Off. Zafar Ali Raod, Gulberg-V, Lahore and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2015

Please affix here Revenue
Stamp of Rs.5/-

Members' Signature

Notes:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy.
2. Proxies, in order to be effective, must be received at the Company's Registered Office, 19-A, Off. Zafar Ali Road, Gulberg-V, Lahore, not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
3. CDC account holders will further have to follow the under-mentioned guidelines as laid down in circular #1, dated 26th January, 2000 of The Securities and Exchange Commission of Pakistan.
 - i) In case of individuals, the account holder and/or sub-account holder whose securities and their registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.
 - ii) The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii) Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
 - iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.
 - v) In case of corporate entity, the Board's resolution/power of attorney with specimen signatures of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the Company.



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