

# TOWELLERS LIMITED

ANNUAL REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2015



TOWELLERS LIMITED

## **Contents**

|   | Page  |
|---|-------|
| Corporate Vision/Mission Statement  | 1     |
| Company Information   | 2     |
| Notice of Meeting   | 3     |
| Director's Report   | 4     |
| Statement of Corporate and Financial Reporting Frame work   | 5     |
| Six Years Comparative key Operating and Financial Results   | 6     |
| Pattern of Share Holdings   | 7     |
| Statement of Compliance with Code of Corporate Governance   | 8     |
| Review Report to the members on Statement of Compliance with best practices of Code of Corporate Governance | 9     |
| Auditor's Report to the members   | 10    |
| Balance Sheet   | 11    |
| Profit and Loss Account   | 12    |
| Statement of Comprehensive Income   | 13    |
| Cash Flow Statement   | 14    |
| Statement of Changes in Equity  | 15    |
| Notes to the Accounts   | 16-40 |
| Proxy Form  | 41    |

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## **Vision**

*The Company's Management strives to achieve the top slot in any business field that they enter and having achieved that, their endeavour is to retain that status without overstepping the bounds of fair play and the norms of business ethics.*

## **Mission**

*Through self discipline be an example to their fellow beings that great heights are achievable in all fields without trampling the rights of others and also ensuring that those associated with the venture, be it the shareholders, the workers from the top to the bottom are satisfied with the returns that accrue to them. A seemingly difficult, if not an impossible task but it is the chosen path on which the Company is headed and thus far it has successfully followed it. Providing maximum employment opportunities and contributing their mite to the Country's economy.*

## **TOWELLERS LIMITED**

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### **COMPANY INFORMATION**

#### **BOARD OF DIRECTORS**

##### **CHAIRPERSON**

Mrs. Surraiya Junaid

##### **CHIEF EXECUTIVE OFFICER**

Ms. Mehreen Obaid Agha

##### **DIRECTORS**

Ms. Mahjabeen Obaid

Ms. Sana Bilal

Ms. Hadeel Obaid

Mr. Zeeshan K. Sattar

Mr. Abdul Jalil Shariff

##### **COMPANY SECRETARY**

Mr. M. Farhan Adil

##### **CHIEF FINANCIAL OFFICER**

Mr. M. Farzan Ijtiba

##### **BANKERS**

Standard Chartered Bank Ltd.  
Askari Bank Limited  
Soneri Bank Limited  
Habib Metropolitan Bank Limited  
KASB Bank Ltd.  
Allied Bank Limited  
Muslim Commercial Bank Limited  
Habib Bank Limited  
United Bank Limited  
NIB Bank  
Summit Bank Ltd.  
Al Barka Bank Pakistan Ltd.  
Silk Bank Ltd.  
JS Bank Ltd.  
Meezan Bank Ltd.

##### **AUDITORS**

Mushtaq & Company  
Chartered Accountants  
407-Commerce Centre, Hasrat Mohani Road, Karachi.

##### **SHARE REGISTRAR**

T.H.K., Associates Pvt. Ltd.  
First Floor, State Life Building, #. 3,  
Dr. Ziauddin Ahmed Road, Karachi-75530, P.O.Box #. 8533

##### **AUDIT COMMITTEE**

Ms. Swaleha Alam (Chairman)  
Ms. Hadeel Obaid (Member)  
Ms. Sana Bilal (Member)

##### **INTERNAL AUDIT DEPARTMENT**

Mr. Syed Muhammad Khalid (Head of Audit Deptt.)  
Mr. Sanaullah Khan (Secretary)  
Mr. Abdul Muqtadir Sheraz (Member)  
Mr. Sarfaraz Baig (Member)

##### **REGISTERED OFFICE**

WSA-30 & 31, Block-1, Federal "B" Area, Karachi-75950

Web Site : [www.towellers.com](http://www.towellers.com)

E-mail : [towellers@cyber.net.pk](mailto:towellers@cyber.net.pk)

##### **HUMAN RESOURCE AND REMUNERATION COMMITTEE:**

Zeeshan K. Sattar, Mahjabeen Obaid, Abdul Jalil Shariff

##### **Company Registration National Tax & Sales Tax No.**

C.R. # 0004042, NTN 0676889-0, Sales Tax # 02-03-5111-007-55

##### **FACTORIES**

- Plots No. 14, 15/1 15/2, 15/A, 16/2, 17/1. 17/2. 17/3.  
Sector 12-D, N.K.I.A., and Plot No. 9 & 10, Sector 12-C, N.K.I.A., Karachi.

## **TOWELLERS LIMITED**

### **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 42<sup>nd</sup> Annual General Meeting of M/s. Towellers Limited will be held on Tuesday, October 27<sup>th</sup> 2015 at 3:00 p.m. at W.S.A. 30 - 31, Block-1, Federal 'B' Area, Karachi to transact the following business:

1. To confirm the minutes of the 41<sup>st</sup> Annual General Meeting, held on Monday October 27, 2014.
2. To receive, consider and adopt the Director and Auditors and Audited Accounts of the Company for the period June 30, 2015.
3. To appoint auditors for the year 2015 - 2016 and fix their remuneration. The retiring auditors, M/s. Mushtaq & Company Chartered Accountants, being to offer themselves for re-appointment.
4. To elect seven Directors of the Company as fixed by the Board for a term of three years in accordance with the provision of section 178(I) of the Companies Ordinance 1984. Retiring Directors are
  - (i) Surraiya Junaid,
  - (ii) Mehreen Obaid Agha,
  - (iii) Mahjabeen Obaid
  - (iv) Sana Bilal
  - (v) Hadeel Obaid
  - (vi) Zeeshan K. Sattar
  - (vii) Abdul Jalil Shariff

The retiring Directors are eligible for re-election.

5. To transact any other ordinary business with the permission of the Chair.

By order of the Board,  
**M. Farhan Adil**  
Company Secretary

#### **NOTES:**

1. The Share Transfer Books of the Company will remain closed from October 20<sup>th</sup>, 2015 to October 27<sup>th</sup>, 2015 (both days inclusive).
2. A member entitled to attend, speak and vote at the Annual General Meeting shall be entitled to appoint another person as his / her proxy to attend, speak and vote on his / her behalf. The Proxy form must be received at the registered office of the Company at W.S.A. 30-31, Block-I, Federal 'B' Area, Karachi, duly stamped, signed and witnessed not later than forty-eight (48) hours before the meeting.
3. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Computerized National Identity Card (CNIC) along with their CDC Account Number for verification. In case of corporate entity, the Board of Director'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.
4. For attending the meeting and appointing proxies, CDC account holders will further have to follow the guidelines as laid in Circular 01, dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan.
5. Shareholders are requested to submit copies of their CNICs and notify any change in their addresses immediately to the Share Registrar, M/s. THK Associates Pvt. Ltd.

## **TOWELLERS LIMITED**

### **DIRECTORS' REPORT TO THE SHAREHOLDERS**

The Directors of the Company have pleasure in submitting their Report together with the audited financial statements of the Company for the year ended June 30, 2015.

### **FINANCIAL HIGHLIGHTS**

Rupees in Thousand

|                               | <b>2015</b> | <b>2014</b> |
|-------------------------------|-------------|-------------|
| Sales Net                     | 2,721,485   | 3,424,904   |
| Gross Profit                  | 412,368     | 357,518     |
| Profit/(Loss) from Operations | 115,756     | (12,401)    |
| Other Income/(Loss)           | 19,420      | (330,164)   |
| Profit/(Loss) before taxation | 135,176     | (342,565)   |
| Profit/(Loss) after taxation  | 107,143     | (376,199)   |

### **OVERVIEW**

The gross profit during the year increased to Rs. 54.85 million as compared to the last year. Other operating income also increased to Rs. 5.73 million as compared to last correspondence period.

### **Corporate Social Responsibility**

Company is working positively to raise the educational, health and environmental standards of the country in general and local communities in particular Company is extensively supporting educational and health etc.

### **ACKNOWLEDGEMENTS**

We would like to take this opportunity to thank our Customers, Suppliers and Share holders for their continued support and Co-operation towards the progress of the Company. We hope that this support would continue in the future as well.

We would also like to thank our dedicated and talented team of executives, staff and workers for the hard work put in towards the Company's performance for the year. We expect continued efforts from our employees to achieve them better results next year, and the management is grateful to the board for its support, cooperation and guidance.

# **TOWELLERS LIMITED**

## **STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK:**

- a) The financial statement, cash flow and changes in equity, prepared by the management of the Company, present a fair its state of affairs and the result of its operations are satisfactory.
- b) Company has maintained proper books of accounts.
- c) In preparation of financial statement, appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgement.
- d) In preparation of financial statement international Accounting, standards, as applicable in Pakistan, have been followed and non-applicability, if any, has been adequately disclosed.
- e) The system of internal control is sound in design and is effectively applied and monitored.
- f) There are no significant doubts upon the company's ability to continue as a going concern.
- g) There has been, no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) Key operating and financial data for the last six years in summarized form is annexed.
- i) The earning per share is Rs. 6.30

During the period under consideration four Board meetings were held and attendance by each Director was as follow:

| <b>NAME OF DIRECTOR</b> | <b>NO. OF MEETING ATTENDED</b> |
|-------------------------|--------------------------------|
| Mehreen Obaid Agha      | 4                              |
| Mahjabeen Obaid         | 3                              |
| Sana Bilal              | 3                              |
| Zeeshan K. Sattar       | 2                              |
| Abdul Jalil Shariff     | 4                              |

## **HUMAN RESOURCE AND REMUNERATION COMMITTEE:**

The Board in accordance with the Code of Corporate Governance has constituted Human Resource and Remuneration Committee comprising of the following directors.

Zeeshan K. Sattar  
Mahjabeen Obaid  
Abdul Jalil Shariff

As the Committee was constituted close to the accounting year end the Committee has yet to hold its meeting.

## **AUDIT COMMITTEE:**

The Board has also set up an Audit Committee comprising of the following directors. During the period under consideration four Audit Committee meetings were held and attendance by each member is indicated against each.

| <b>NAME OF DIRECTOR</b> | <b>NO. OF MEETING ATTENDED</b> |
|-------------------------|--------------------------------|
| Swaleha Alam            | 3                              |
| Hadeel Obaid            | 2                              |
| Sana Bilal              | 3                              |

Term of Reference of the Audit Committee has also been determined by the Board in accordance with the guide lines provided in the Listing Regulations of the Stock Exchange.

## **APPOINTMENT OF AUDITORS:**

Messrs Mushtaq & Company Chartered Account s, a reputable Chartered Accounts firm completed its tenure of Appointment with the Company and being eligible has offered its services for another term.

## **PATTERN OF SHAREHOLDING:**

The shareholding pattern as at 30, June 2015 including the information under the Code of Corporate of Governance is annexed.

OnBehalf of the Board of Directors  
**MEHREEN OBAID AGHA**  
Chief Executive Officer

Karachi, October 03, 2015

# TOWELLERS LIMITED

## SIX YEARS COMPARATIVE KEY OPERATING AND FINANCIAL RESULTS FROM 2010 TO 2015 RUPEES IN THOUSANDS

| PARTICULARS                    | 2015      | 2014      | 2013      | 2012      | 2011      | 2010      |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Turn over-Net                  | 2,721,485 | 3,424,904 | 2,682,072 | 2,098,927 | 3,506,880 | 4,003,561 |
| Cost of sales                  | 2,309,116 | 3,067,386 | 2,377,783 | 2,260,575 | 3,263,388 | 3,373,145 |
| Gross profit / (loss)          | 412,368   | 357,518   | 304,290   | (161,648) | 243,492   | 630,416   |
| Profit/(loss) from operation   | 115,756   | (12,401)  | 7,137     | (437,095) | (86,364)  | 283,959   |
| Finance cost                   | 6,920     | 27,803    | 44,519    | 137,003   | 249,880   | 269,789   |
| Profit/(loss) before taxation  | 135,176   | (342,565) | 76,876    | (574,098) | (336,322) | 14,170    |
| Profit / (loss) after taxation | 107,143   | (376,199) | 44,052    | (603,349) | (377,076) | (26,722)  |
| Dividend                       | -         | -         | -         | -         | -         | 1,119     |

### FINANCIAL DATA

|                    |                  |                  |                  |                  |                  |                  |
|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Fixed assets-w.d.v | 1,002,907        | 515,731          | 1,659,397        | 1,325,684        | 1,335,987        | 1,456,418        |
| Long term loans    | 13,230           | 15,085           | 14,738           | 15,427           | 16,535           | 16,609           |
| Long term deposits | 6,530            | 3,677            | 5,405            | 3,846            | -                | -                |
| Current assets     | 949,669          | 1,877,782        | 1,153,493        | 1,013,868        | 1,491,842        | 2,340,945        |
| <b>Total</b>       | <b>1,972,336</b> | <b>2,412,275</b> | <b>2,833,033</b> | <b>2,358,825</b> | <b>2,844,364</b> | <b>3,813,972</b> |

### EQUITY & LIABILITIES

|                         |                  |                  |                  |                  |                  |                  |
|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Equity                  | 221,586          | (268,643)        | (249,900)        | (309,407)        | 660,381          | 665,240          |
| Non current liabilities | 138,621          | 840,161          | 811,839          | 587,389          | 213,140          | 295,595          |
| Current liabilities     | 959,310          | 1,469,741        | 1,512,407        | 1,666,991        | 2,493,193        | 2,215,502        |
| <b>Total</b>            | <b>1,319,518</b> | <b>2,041,259</b> | <b>2,074,346</b> | <b>1,944,973</b> | <b>3,366,714</b> | <b>3,176,337</b> |

### KEY RATIOS%

|                             |       |         |        |         |         |          |
|-----------------------------|-------|---------|--------|---------|---------|----------|
| Gross margine%              | 15.15 | 10.44   | 11.26  | (7.70)  | 6.94    | 15.75    |
| Net profit (loss)%          | 3.94  | (10.98) | 1.54   | (28.75) | (10.75) | (0.67)   |
| Quick acid ratio%           | 0.37  | 0.30    | 0.34   | 0.28    | 0.28    | 0.31     |
| EBIT margine%               | 5.22  | (9.19)  | 1.21   | (33.88) | (16.72) | (6.38)   |
| Current ratio%              | 0.99  | 1.28    | 0.76   | 0.61    | 0.74    | 0.94     |
| Earning/(loss) per share Rs | 6.30  | (22.13) | 2.43   | (5.68)  | (22.18) | (1.57)   |
| Cash dividend Rs.           | -     | -       | -      | -       | -       | 1,119.00 |
| Debt equity ratio%          | 4.95  | (8.60)  | (9.30) | (7.29)  | 6.96    | 4.10     |



# TOWELLERS LIMITED

## PATTERN OF SHARE HOLDINGS CDC AND PHYSICAL AS ON 30/06/2015

| NO. OF SHARE HOLDERS |         | SHARE HOLDINGS |          | TOTAL<br>SHARES HELD |
|----------------------|---------|----------------|----------|----------------------|
| 352                  | 1       | 100            | 2010     | 0.0118               |
| 334                  | 101     | 500            | 163175   | 0.9599               |
| 15                   | 501     | 1000           | 14005    | 0.0824               |
| 39                   | 1001    | 5000           | 151012   | 0.8883               |
| 4                    | 5001    | 10000          | 34000    | 0.2000               |
| 1                    | 10001   | 15000          | 15000    | 0.0882               |
| 1                    | 15001   | 20000          | 15800    | 0.0929               |
| 1                    | 35001   | 40000          | 35953    | 0.2115               |
| 1                    | 60001   | 65000          | 62186    | 0.3658               |
| 1                    | 315001  | 320000         | 315759   | 1.8574               |
| 1                    | 525001  | 530000         | 526000   | 3.0941               |
| 1                    | 995001  | 1000000        | 999947   | 5.8820               |
| 3                    | 1945001 | 1950000        | 5849247  | 34.4073              |
| 2                    | 2465001 | 2470000        | 4933088  | 29.0182              |
| 1                    | 3880001 | 3885000        | 3882818  | 22.8401              |
| 757                  |         | Company Total  | 17000000 | 100.0000             |

## COMBINED PATTERN OF CDC & PHYSICAL SHARE HOLDINGS AS AT 30-JUNE-2015

| NO. | CATEGORIES/SUB-CATEGORIES OF SHAREHOLDERS                                     | NUMBER OF SHARES<br>HELD | GATEGORY WISE<br>NO. OF FOLIOS/<br>CDC A/CS | CATEGORY WISE<br>SHARES HELD | PERCENTAGE |
|-----|---|--------------------------|---|------------------------------|------------|
| 1   | INDIVIDUALS   |                          | 740   | 2840103                      | 16.706     |
| 2   | INVESTMENT COMPANIES  |                          | 0   | 0                            | 0          |
| 3   | JOINT STOCK COMPANIES   |                          | 0   | 0                            | 0          |
| 4   | DIRECTORS AND THEIR SPOUSE AND MINOR CHILDREN                                 |                          | 8   | 1,226,5891                   | 72.152     |
|     | SURRAYA JUNAID  | 62186                    |   |                              |            |
|     | MEHREEN OBAID AGHA  | 1949748                  |   |                              |            |
|     | MAHJABEEN OBAID   | 2466540                  |   |                              |            |
|     | SANA BILAL  | 1949748                  |   |                              |            |
|     | ZEESHAN K. SATTAR   | 100                      |   |                              |            |
|     | ABDUL JALIL SHARIFF   | 5000                     |   |                              |            |
|     | HADEEL OBAID  | 1949751                  |   |                              |            |
|     | SHAIKH MUHAMMAD HUMZA OBAID   | 3882818                  |   |                              |            |
| 5   | EXECUTIVES  |                          |   |                              |            |
| 6   | ASSOCIATED COMPANIES, UNDERTAKINGS AND<br>RELATED PARTIES                     |                          | 4   | 50800                        | 0.299      |
|     | FINE FABRICO  | 15000                    |   |                              |            |
|     | RANJHA LINEN  | 10000                    |   |                              |            |
|     | CHENAB TEXTILE CORPORATION  | 15800                    |   |                              |            |
|     | IFTIKHAR CORPORATION  | 10000                    |   |                              |            |
| 7   | PUBLIC SECTOR COMPANIES AND CORPORATIONS                                      |                          |   |                              |            |
|     | Y.S. SECURITES & SERVICES (PVT) LTD   |                          | 2   | 1500                         | 0.009      |
| 8   | BANKS DFIs, NBFIs, INSURANCE COMPANIES, TAKAFUL,<br>MODARABAS & PENSION FUNDS |                          | 3   | 1841706                      | 10.834     |
|     | NATIONAL INSURANCE COMPANY LIMITED  | 526000                   |   |                              |            |
|     | STATE LIFE INSURANCE CORP. OF PAKISTAN  | 999947                   |   |                              |            |
|     | PAKISTAN REINSURANCE COMPANY LIMITED.   | 315759                   |   |                              |            |
|     | OTHERS  | TOTAL                    | 757   | 17000000                     | 100.000    |

# TOWELLERS LIMITED

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2015

*This statement is being presented to comply with the code of corporate governance contained in listing regulation of the Karachi Stock Exchange, Lahore Stock Exchange for purpose of establishing a framework of good corporate governance, whereby a listed company is managed in compliance with the best practices of corporate governance.*

*The company applies the principal contained in the Code in the following manner.*

- 1 *The Company encourages representation of independent non-executive director and directors representing minority interest on its Board of Directors. The Board of directors of the Company has always supported implementation of the highest standards of Corporate Governance at all times.*
- 2 *The directors have confirmed that none of the directors of the company are serving as a director in more than seven listed companies including this Company.*
- 3 *The Company has prepared a "Code of Conduct", which has been signed by all the directors, non workmen employees and has been communicated formally to workmen employees of the Company.*
- 4 *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.*
- 5 *One casual vacancy occurred during the period which was filled by the Board of Directors within 30 days thereof.*
- 6 *There is no change in position of Chief Financial Officer, Head of Internal Audit and Company Secretary during the year ended 30th June 2015.*
- 7 *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 once in every quarter. During the year four meetings of Board of Directors was held. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.*
- 8 *All the directors of the company are registered as taxpayers and none of them has defaulted in payments of any loan to a banking company, a DFI or an NBF. No director in the board is a member of any Stock Exchange in Pakistan.*
- 9 *The company arranged briefing for its directors to apprise them of their duties and responsibilities. An independent director also acquired certification by the Pakistan Institute of Corporate Governors (PICG).*
- 10 *The CEO and CFO duly endorsed the financial statements of the company before approval of the Board.*
- 11 *The director's report has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.*
- 12 *The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Company and as required by the code. The terms of reference of the committee have been formed and advised to the committee for compliance.*
- 13 *The Board has formed an audit committee. It comprises three members, The chairman of the committee is an independent director the remaining one member is non executive director.*
- 14 *The Board has formed Human Resource and Remuneration Committee.*
- 15 *All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors have been taken by the Board.*
- 16 *The Company has complied with all the corporate and financial reporting requirements of the Code.*
- 17 *All material information as described in clause (Xiii) of the Code of Corporate Governance is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in time.*
- 18 *The director, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.*
- 19 *The Board has set-up an effective internal audit function with suitable qualified and experienced personnel, which are involved in the internal audit function on full time basis.*
- 20 *The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they are not aware of any instances where shares of the company are held by any of the partners of the firm, their spouses and minor children and that the firm and all its partners are compliant with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan (ICAP).*
- 21 *The "Closed Period", prior to the announcement of interim and final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.*
- 22 *All transactions with related parties have been carried out on arm's length basis. Transactions with related parties have been placed before the audit committee and board of director's meeting for their consideration and formal approval.*
- 23 *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.*
- 24 *We confirm that all other material principles contained in the Code have been complied with.*

**On Behalf of the Board of Directors**  
**MEHREEN OBAID AGHA**  
**Chief Executive Officer**

Karachi, October 03, 2015

# **TOWELLERS LIMITED**

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## **REVIEW REPORT TO THE MEMBERS**

### *On the Statement of Compliance with Best Practices of the Code of Corporate Governance*

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2014 prepared by the Board of Directors of **Towellers Limited** to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the company is listed.

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

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

Further, Sub- Regulation (x) of Listing Regulation No. 35 of Karachi requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

**MUSHTAQ & COMPANY**  
Chartered Accountants  
**Engagement Partner:**  
Mushtaq Ahmed Vohra  
FCA

Karachi, October 03, 2015

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# **TOWELLERS LIMITED**

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## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of Towellers 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 purpose of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the 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 verifications, we report that;

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion;
  - (i) the Balance Sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied.
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, profit and loss account, statement of 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, no Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**MUSHTAQ & COMPANY**  
Chartered Accountants  
Engagement Partner:  
Mushtaq Ahmed Vohra  
FCA

Karachi, October 03, 2015

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# TOWELLERS LIMITED

## BALANCE SHEET As at June 30, 2015

|   | Note | 2015<br>Rupees       | 2014<br>Rupees       |
|---|------|----------------------|----------------------|
| <b>ASSETS</b>   |      |                      |                      |
| <b>NON CURRENT ASSETS</b>   |      |                      |                      |
| Property, plant and equipment   | 4    | 1,002,907,301        | 515,730,655          |
| Long term loans and advances  | 5    | 13,229,572           | 15,085,130           |
| Long term deposits  | 6    | 6,529,820            | 3,677,382            |
|   |      | 1,022,666,693        | 534,493,167          |
| <b>CURRENT ASSETS</b>   |      |                      |                      |
| Stores, spare parts and loose tools                                   | 7    | 22,792,133           | 12,495,662           |
| Stock in trade  | 8    | 334,113,862          | 442,277,451          |
| Trade debts   | 9    | 260,828,695          | 301,252,364          |
| Loans and advances  | 10   | 21,477,341           | 23,692,857           |
| Trade deposits and short term prepayments                             | 11   | 6,059,350            | 44,968,331           |
| Other receivables   | 12   | 121,450,468          | 851,822,736          |
| Income tax and sales tax refundable                                   | 13   | 95,474,102           | 111,364,709          |
| Cash and bank balances  | 14   | 87,473,086           | 89,907,967           |
|   |      | 949,669,037          | 1,877,782,078        |
|   |      | <b>1,972,335,730</b> | <b>2,412,275,245</b> |
| <b>EQUITY AND LIABILITIES</b>   |      |                      |                      |
| <b>SHARE CAPITAL AND RESERVES</b>                                     |      |                      |                      |
| <b>Authorized capital</b>   |      |                      |                      |
| 25,000,000 (June 30, 2014: 25,000,000) ordinary shares of Rs. 10 each |      | 250,000,000          | 250,000,000          |
| Issued, subscribed and paid up capital                                | 15   | 170,000,000          | 170,000,000          |
| Reserves  |      | 51,586,473           | (438,643,180)        |
|   |      | 221,586,473          | (268,643,180)        |
| Surplus on revaluation of property, plant & equipment                 | 16   | 652,818,097          | 371,015,767          |
| <b>LIABILITIES</b>  |      |                      |                      |
| <b>NON CURRENT LIABILITIES</b>  |      |                      |                      |
| Long term financings  | 17   | 29,321,902           | 765,179,367          |
| Loan from directors & others  | 18   | 20,173,124           | 173,124              |
| <b>Deferred liabilities</b>   |      |                      |                      |
| Staff retirement benefits - gratuity                                  | 19   | 89,125,705           | 74,808,998           |
|   |      | 138,620,731          | 840,161,489          |
| <b>CURRENT LIABILITIES</b>  |      |                      |                      |
| Trade and other payables  | 20   | 605,854,907          | 575,167,410          |
| Accrued mark up and interest  | 21   | 134,214,818          | 134,214,818          |
| Short term borrowings   | 22   | 199,995,304          | 711,371,608          |
| <b>Current portion of</b>   |      |                      |                      |
| Long term financings  | 17   | 19,245,400           | 48,987,334           |
|   |      | 959,310,429          | 1,469,741,170        |
| <b>CONTINGENCIES AND COMMITMENTS</b>                                  |      |                      |                      |
|   | 23   |                      |                      |
|   |      | <b>1,972,335,730</b> | <b>2,412,275,245</b> |

The annexed notes from 1 to 43 form an integral part of these financial statements.

Chief Executive

Director

Karachi, October 03, 2015

# TOWELLERS LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2015

|  | Note | 2015<br>Rupees     | 2014<br>Rupees       |
|--|------|--------------------|----------------------|
| Sales - net  | 24   | 2,721,484,802      | 3,424,903,609        |
| Cost of sales                                      | 25   | (2,309,116,465)    | (3,067,385,723)      |
| <b>Gross profit/(loss)</b>                         |      | <b>412,368,337</b> | <b>357,517,886</b>   |
|  | 26   | (119,578,070)      | (191,515,446)        |
| Administrative expenses                            | 27   | (159,828,016)      | (149,608,606)        |
| Other operating expenses                           | 28   | (10,286,471)       | (991,571)            |
| Finance cost                                       | 29   | (6,920,067)        | (27,802,897)         |
|  |      | (296,612,624)      | (369,918,520)        |
| <b>Profit/(loss) from operations</b>               |      | <b>115,755,713</b> | <b>(12,400,634)</b>  |
| Other income                                       | 30   | 19,420,404         | 13,689,490           |
| Other loss   | 31   | -                  | (343,853,627)        |
| <b>Profit/(loss) before taxation</b>               |      | <b>135,176,117</b> | <b>(342,564,771)</b> |
| Provision for taxation                             | 32   | (28,032,890)       | (33,634,399)         |
| <b>Profit/(loss) for the year</b>                  |      | <b>107,143,227</b> | <b>(376,199,170)</b> |
| <b>Profit/(loss) per share - basic and diluted</b> | 33   | <b>6.30</b>        | <b>(22.13)</b>       |

*The annexed notes from 1 to 43 form an integral part of these financial statements.*

Chief Executive

Director

Karachi, October 03, 2015

# **TOWELLERS LIMITED**

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## **STATEMENT OF COMPREHENSIVE INCOME**

For the year ended June 30, 2015

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|   | Note | 2015<br>Rupees    | 2014<br>Rupees       |
|---|------|-------------------|----------------------|
| <b>Profit/(loss) for the year</b>                                   |      | 107,143,227       | (376,199,170)        |
| <b>Loss on remeasurments of post employment benefir obligations</b> |      | (15,692,911)      | (30,216,553)         |
| <b>Total comprehensive income/(loss) for the year</b>               |      | <u>91,450,316</u> | <u>(406,415,723)</u> |

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*The annexed notes from 1 to 43 form an integral part of these financial statements.*

Chief Executive

Director

Karachi, October 03, 2015

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# TOWELLERS LIMITED

## CASH FLOW STATEMENTS

For the year ended June 30, 2015

|   | Note | 2015<br>Rupees | 2014<br>Rupees |
|---|------|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |      |                |                |
| Profit/(loss) before taxation                                 |      | 135,176,117    | (342,564,771)  |
| <b>Adjustments for:</b>                                       |      |                |                |
| Depreciation  |      | 32,813,280     | 134,633,645    |
| Staff retirement benefits - gratuity                          |      | 20,060,262     | 18,797,836     |
| Finance cost  |      | 6,920,067      | 27,802,897     |
| Workers' profit participation fund                            |      | 7,145,060      | -              |
| Workers' welfare fund   |      | 2,154,465      | -              |
|   |      | (3,903,125)    | 343,853,627    |
|   |      | 65,190,010     | 525,088,005    |
| Profit before working capital changes                         |      | 200,366,127    | 182,523,234    |
| <b>(Increase) / decrease in current assets</b>                |      |                |                |
| Stores, spare parts and loose tools                           |      | (10,296,471)   | 9,024,988      |
|   |      | 108,163,589    | 10,918,304     |
| Trade debts   |      | 40,423,669     | 45,393,549     |
| Loans and advances  |      | 2,215,516      | (8,060,999)    |
| Trade deposits and short term prepayments                     |      | 38,908,981     | (40,839,824)   |
| Other receivables   |      | 730,372,268    | (777,699,472)  |
|   |      | 909,787,553    | (761,263,455)  |
| <b>(Decrease) / increase in current liabilities</b>           |      |                |                |
| Trade and other payables                                      |      | 19,630,525     | (16,807,794)   |
| Cash generated from operations                                |      | 1,129,784,205  | (595,548,015)  |
| Finance cost paid   |      | (6,920,068)    | 25,408,922     |
| Taxes (paid) / received                                       |      | (12,142,282)   | (78,828,053)   |
| Workers' profit participation fund paid                       |      | -              | (4,005,487)    |
| Long term loan to employees                                   |      | 1,855,558      | (347,093)      |
| Long term deposits  |      | (2,852,438)    | 1,728,054      |
| Staff retirement benefits - gratuity paid                     |      | (21,436,466)   | (24,522,713)   |
| <b>Net cash generated from operating activities</b>           |      | 1,088,288,510  | (676,114,387)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |      |                |                |
| Proceeds from sale of property, plant and equipment           |      | 25,646,000     | 772,629,000    |
| Fixed capital expenditure                                     |      | (242,322,550)  | (107,449,691)  |
| <b>Net cash used in investing activities</b>                  |      | (216,676,550)  | 665,179,309    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |      |                |                |
|   |      | (558,755,434)  | (46,227,147)   |
| Short term borrowings   |      | 20,000,000     | 173,124        |
| <b>Net cash used in financing activities</b>                  |      | (874,046,842)  | (65,875,111)   |
| <b>Net increase in cash and cash equivalents</b>              |      | (2,434,881)    | (76,810,189)   |
| <b>Cash and cash equivalents at the beginning of the year</b> |      | 89,907,967     | 166,718,156    |
| <b>Cash and cash equivalents at the end of the year</b>       | 14   | 87,473,086     | 89,907,967     |

The annexed notes from 1 to 43 form an integral part of these financial statements.

Chief Executive

Director

Karachi, October 03, 2015



# TOWELLERS LIMITED

## STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2015

| Particulars  | Share capital      | Reserves          |                      |                      | Total                |
|--|--------------------|-------------------|----------------------|----------------------|----------------------|
|  |                    | Capital           | Revenue              | Sub total            |                      |
|  |                    | Share premium     | Unappropriated       |                      |                      |
| Rupees   |                    |                   |                      |                      |                      |
| Balance as at June 30, 2013  | 170,000,000        | 63,000,000        | (482,900,222)        | (419,900,222)        | (249,900,222)        |
| Total comprehensive loss for the period ended June 30, 2014                              | -                  | -                 | (406,415,723)        | (406,415,723)        | (406,415,723)        |
| Transferred from surplus on revaluation of property, plant & equipment                   | -                  | -                 | 42,217,251           | 42,217,251           | 42,217,251           |
| Transferred from surplus on revaluation of property, plant & equipment-dispose off       | -                  | -                 | 345,455,514          | 345,455,514          | 345,455,514          |
| <b>Balance as at June 30, 2014</b>   | <b>170,000,000</b> | <b>63,000,000</b> | <b>(501,643,180)</b> | <b>(438,643,180)</b> | <b>(268,643,180)</b> |
| Total comprehensive incom / (loss) for the period ended June 30, 2015                    | -                  | -                 | 91,450,316           | 91,450,316           | 91,450,316           |
| Transferred from surplus on revaluation of property, plant & equipment                   | -                  | -                 | 17,607,923           | 17,607,923           | 17,607,923           |
| Unclaim dividend   | -                  | -                 | 209,004              | 209,004              | 209,004              |
| Gain on principal amount write off by the banks through sale of Nooriabad Unit by banks. | -                  | -                 | 380,962,410          | 380,962,410          | 380,962,410          |
| <b>Balance as at June 30, 2015</b>   | <b>170,000,000</b> | <b>63,000,000</b> | <b>(11,413,527)</b>  | <b>51,586,473</b>    | <b>221,586,473</b>   |

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive

Director

Karachi, October 03, 2015

# TOWELLERS LIMITED

## NOTES TO AND FORMING PART OF THE THE FINANCIAL STATEMENTS

For the year ended June 30, 2015

### 1 LEGAL STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan as a Private Limited Company on 31st May 1973 and subsequently converted in Public Limited Company on 22nd June 1994 under the Companies Act, 1913 (Now Companies Ordinance, 1984) and is quoted on Karachi and Lahore Stock Exchange. The registered office of the Company is located at WSA - 30 & 31, Block - 1, Federal "B" Area Karachi. The main business of Company is manufacturing and export of textile made ups, garments and towels.

#### 1.1 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

The company has signed assets sales agreement dated 21st December 2013 with M/S Soorty enterprises (PVT) Ltd to the settlement of lending banks. This agreement has been signed with the approval of board of directors and shares holders. Section 196 (3) complied and SRO No 1227/2005 dated 5th December 2005 clause (i). The company also got approval from SECP before the signing of the said agreement. As the subject NOORIABAD unit was a loss bearing unit, the management decided to dispose off the unit and pay off the banks liabilities. The two sale deed has been executed on dated 17th July 2014 for the sale consideration of Rs.218.400 Million and Rs.381.600 Million in favor of M/s Soorty Enterprises (Pvt) Ltd according to above sale agreement and the sales proceeds of above sale deed has been received and settled the lending banks according to debt settlement agreement dated 8th april 2014.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of The Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under The Companies Ordinance, 1984, provisions of and directives issued under The Companies Ordinance, 1984. Wherever the requirements of The Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of The Companies Ordinance, 1984 or the requirements of the said directives prevail.

#### 2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for derivative financial instruments that are stated at fair value.

#### 2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the company's functional currency. All financial information presented in Pakistani Rupees has been rounded to the nearest Rupee.

#### 2.4 Use Of Estimates And Judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 37 to these financial statements.

#### 2.5 Standards, interpretations and amendments to published approved accounting standards

##### 2.5.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have material impact on the financial statements of the Company:

# TOWELLERS LIMITED

## Standards, interpretations and amendments

Amendments to IAS 1 - Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income

## Description

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application. The amendment is effective for annual periods beginning on or after July 01, 2012.

### 2.5.2 Approved accounting standards, interpretations and amendments thereto issued but not effective as at the reporting date

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date.

## Standards, interpretations and amendments

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

## Description

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The standard is effective for annual periods beginning on or after January 01, 2013.

Amendments to IAS 19 - Employee Benefits

The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. The application of the amendments to IAS 19 would result in the recognition of cumulative unrecognized actuarial loss in other comprehensive income in the period of initial application. The standard is effective for annual periods beginning on or after January 01, 2013.

Amendments to IAS 32 Financial Instruments:  
Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The standard is effective for annual periods beginning on or after January 01, 2013.

Amendments to IAS 32 Financial Instruments:  
Presentation - Offsetting financial assets and financial liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default. The standard is effective for annual periods beginning on or after January 01, 2014.

# TOWELLERS LIMITED

| <u>Standards, interpretations and amendments</u>   | <u>Description</u>  |
|--|---|
| Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities | The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures. The standard is effective for annual periods beginning on or after January 01, 2013.  |
| Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities                      | These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendment is effective for annual periods beginning on or after January 01, 2013. |
| IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine   | This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The amendment is effective for annual periods beginning on or after January 01, 2013.   |

2.5.3 Securities and Exchange Commission of Pakistan through SRO 182(I)/2013 dated 4th March 2013 has amended the requirements of 4th Schedule of the Companies Ordinance 1984. The amendments require some additional disclosure and modification of existing disclosure.

### 3 Summary of Significant Accounting Policies

#### 3.1 Property, plant and equipment

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

##### 3.1.1 Owned

Property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss.

Depreciation on all items of property, plant and equipment is charged to income applying the reducing balance method so as to write off the depreciable amount of an asset over its estimated useful life. Depreciation is being charged at the rates given in note to property plant & equipment. Leasehold land is amortized over the term of lease, if material.

Depreciation on additions to property, plant and equipment is charged from the month in which an assets become available for use, while no depreciation is charged for the month in which the asset is disposed off.

The assets' residual values and useful lives are continually reviewed by the company and adjusted if impact on depreciation is significant. The company's estimate of the residual value of its property, plant and equipment as at June 30, 2014 has not required any adjustment, as its impact is considered insignificant.

The company continually assesses at each statement of financial position date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account for the year. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

The profit or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense. Maintenance and normal repairs are charged to income. Major renewals and improvements are capitalized.

##### 3.1.2 Leased

Assets held under finance lease are stated at the lower of their fair value or present value of minimum lease payments at inception less accumulated depreciation and accumulated impairment losses, if any.

# TOWELLERS LIMITED

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The outstanding obligation under the lease agreements are shown as a liability net of finance charges allocated to future periods.

The finance charges are allocated to accounting periods in manner so as to provide a constant periodic rate of return on the outstanding liabilities.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Company.

## 3.2 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss and represents expenditure incurred on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

## 3.3 Investments

Investments intended to be held for less than twelve months from the statement of financial position date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

### 3.3.1 Available-for-sale Investments

Available-for-sale investments are initially recognized at cost and carried at fair value at the statement of financial position. Fair value of a quoted investment is determined in relation to its market value at the statement of financial position date. Adjustment arising from remeasurement of investment to fair value is recorded in equity and taken to income on disposal of investment or when the investment is determined to be impaired.

### 3.3.2 Investments at fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as investments at fair value through profit or loss and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investments representing listed equity securities are determined on the basis of prevailing market prices.

### 3.3.3 Held-to-maturity investment

Held-to-maturity investment are recorded at amortized cost using effective interest rate method less impairment, with revenue recognized on an effective basis.

## 3.4 Derivative financial instruments

The company enters into derivative financial instruments, which include future contracts. Derivatives are initially recorded at cost and are remeasured to fair value on subsequent reporting dates. The fair value of a derivative is the equivalent of the unrealized gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market value (unrealized gain) are included in other receivables and derivatives with negative market value (unrealized losses) are included in other liabilities in the statement of financial position. The resultant gain and losses from derivatives held for trading purpose are included in income currently. No derivative is designated as hedging instrument by the company.

## 3.5 Loans, advances, deposits and other receivables

These are stated at cost. Provision is made for the amounts considered doubtful. Amounts considered irrecoverable are written off to profit and loss account.

## 3.6 Stores, spares and loose tools

These are stated at average cost and goods-in-transit are stated at actual cost.

Provision is made in the financial statements for obsolete and slow moving stores and spares based on management estimate.

## 3.7 Stock-in-trade

Stock-in-trade is stated at the lower of cost and net realizable value except waste which is valued at net realizable value. Cost is determined as follows;

|                  |   |
|------------------|---|
| Raw material     | At weighted average cost or replacement cost which ever is lower          |
| Work in progress | At average manufacturing cost   |
| Finished goods   | At average manufacturing cost or net realisable value which ever is lower |

# TOWELLERS LIMITED

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Waste

Net realizable value

Raw material in transit is stated at invoice price plus other charges paid thereon upto the balance sheet date.

Average manufacturing cost in relation to work in process and finished goods, consist of direct material and proportion of manufacturing overheads based on normal capacity.

Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses.

### 3.8 Trade debts

Trade debts are carried at original invoice amount which is the fair value of consideration to be received for goods and services less an estimate made for doubtful debts based on a review of all outstanding amounts at the year-end. Bad debts are written-off when identified.

### 3.9 Bank borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included in current liabilities to the extent of the amount remaining unpaid.

### 3.10 Employees' retirement benefits

**Employee Benefits**  
*Compensated absences*

### 3.11 Staff retirement benefits - gratuity

The company operates an approved unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Contributions are made annually to cover the obligation under the scheme on the basis of actuarial valuation and are charged to income. The most recent valuation was carried out on June 30, 2014 using the "Project Unit Credit Method".

During the period, the company has adopted IAS 19, (Revised) 'Employee Benefits'. The amendments in the revised standard require the company to eliminate the corridor approach and recognize all actuarial gains and losses (now called 'remeasurements', that result from the remeasurement of defined benefits obligations and fair value of plan assets at the balance sheet date) in other comprehensive income as they occur, immediately recognize all past service costs and replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefits liability / asset.

The effect of change has been accounted for retrospectively in accordance with IAS 8 " Accounting policies, changes in accounting estimates and errors", resulting in restatement of financial statements of prior periods. Resultantly, the cumulative effect of adjustments that arose as July 01, 2012 has been presented and disclosed as part of the statement of changes in equity, while the corresponding period adjustments through other comprehensive income is restated and disclosed as part of statement of comprehensive income respectively.

### 3.12 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services received.

### 3.13 Taxation

#### 3.13.1 Current year

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

#### 3.13.2 Deferred tax

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

# TOWELLERS LIMITED

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

## 3.14 Dividend

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

## 3.15 Provisions

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

## 3.16 Revenue recognition

- a) Revenue from sale of goods is recognized when goods are dispatched to customers and invoices raised.
- b) Return on bank balances is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.
- c) Dividend income and entitlement of bonus shares are recognized when right to receive such dividend and bonus shares is established.

## 3.17 Government grant

These represent transfer of resources from government, government agencies and similar bodies, in return for the past or future compliances with certain conditions relating to the operating activities of the entity.

The grants are disclosed as a deduction from the related expense.

## 3.18 Borrowing cost

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commencing.

## 3.19 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

## 3.20 Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks, cash in hand and short term deposits. For the purposes of cash flow statement cash and cash equivalents consist of cash and cash equivalents as defined above, net of temporary overdrawn bank balances.

## 3.21 Impairment

The carrying amount of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account.

## 3.22 Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument and de-recognized when the company loses control of the contractual rights that comprise the financial assets and when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognizing of financial assets and financial liabilities is included in the profit and loss account for the year. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

# **TOWELLERS LIMITED**

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## **3.23 Offsetting of financial assets and liabilities**

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

## **3.24 Related party transactions**

All transactions with related parties are carried out by the Company at arms' length price using the method prescribed under the Companies Ordinance 1984.

Nature of the related party relationship as well as information about the transactions and outstanding balances are disclosed in the relevant note to the financial statements.



# TOWELLERS LIMITED

## 4 PROPERTY, PLANT AND EQUIPMENT

|                                    | Note | 2015<br>Rupees       | 2014<br>Rupees     |
|------------------------------------|------|----------------------|--------------------|
| Operating fixed assets             | 4.1  | 798,361,961          | 431,002,020        |
| Capital work in progress - at cost | 4.5  | 264,523,340          | 84,728,634         |
|                                    |      | <u>1,062,885,301</u> | <u>515,730,654</u> |

### 4.1 Operating fixed assets

#### 2015

|  | Leasehold land<br>(Dye House) | Building on<br>leasehold land<br>(Dye House) | Plant &<br>machinery<br>(Dye House) | Plant &<br>machinery | Electric<br>installation | Gas installation | Furniture &<br>fiture | Office equipment | Bicycles | Vehicles     | Total         |
|--|-------------------------------|--|-------------------------------------|----------------------|--------------------------|------------------|-----------------------|------------------|----------|--------------|---------------|
| Cost                                   | 112,149,295                   | 22,527,260                                   | 21,052,002                          | 49,009,349           | 50,542,799               | 5,420,149        | 13,831,355            | 69,641,316       | 22,375   | 45,964,633   | 578,237,334   |
| Accumulated depreciation               | (1,319,217)                   | (2,531,364)                                  | (4,201,734)                         | (7,195,108)          | (29,830,936)             | (3,248,803)      | (8,764,542)           | (39,350,425)     | (18,184) | (36,119,076) | (147,233,314) |
| Net book value                         | 110,829,578                   | 19,995,896                                   | 16,850,268                          | 41,814,241           | 20,711,863               | 2,171,346        | 5,066,813             | 30,290,891       | 4,191    | 9,845,557    | 431,002,020   |
| <b>Year ended June 30, 2013</b>        |                               |  |                                     |                      |                          |                  |                       |                  |          |              |               |
| Opening net book value                 | 110,829,578                   | 19,995,896                                   | 16,850,268                          | 41,814,241           | 20,711,863               | 2,171,346        | 5,066,813             | 30,290,891       | 4,191    | 9,845,557    | 431,002,020   |
| Additions during the year              | -                             | -  | 31,135                              | 4,836,031            | 1,087,950                | -                | -                     | 5,728,812        | -        | 2,792,500    | 14,476,428    |
| Transfer from Capital work in progress | -                             | -  | 33,462,221                          | 14,587,195           | -                        | -                | -                     | -                | -        | -            | 46,049,416    |
| Revaluation                            | 152,499,710                   | -  | 17,102,862                          | 129,808,181          | -                        | -                | -                     | -                | -        | -            | 299,410,253   |
| Disposals / transfers                  | -                             | -  | -                                   | -                    | -                        | -                | -                     | -                | -        | -            | -             |
| -Cost                                  | (2,159,333)                   | -  | (22,725,504)                        | (11,842,156)         | (38,719,938)             | (6,214,785)      | -                     | (3,340,384)      | -        | (964,500)    | (81,623,218)  |
| -Accumulated depreciation              | (2,159,333)                   | -  | (1,688,027)                         | (11,842,156)         | (19,243,101)             | (3,210,728)      | -                     | (3,340,384)      | -        | (699,519)    | (99,880,343)  |
| Depreciation charge for the year       | (1,544,291)                   | (1,999,600)                                  | (1,688,027)                         | (8,200,428)          | (121,503)                | (16,729)         | (580,434)             | (3,340,384)      | (419)    | (2,165,861)  | (32,813,280)  |
| Closing net book value June 2015       | 110,829,578                   | 17,996,296                                   | 15,162,241                          | 32,865,220           | 1,111,523                | 180,560          | 5,986,379             | 32,659,507       | 3,772    | 10,210,214   | 738,381,961   |
| Annual depreciation rate%              | 99 Years                      | 10%  | 10%                                 | 10%                  | 10%                      | 10%              | 10%                   | 10%              | 10%      | 20%          |               |

#### 2014

|                                  | Leasehold land | Building on<br>leasehold land | Plant &<br>machinery<br>(Dye House) | Plant &<br>machinery | Electric<br>installation | Gas installation | Furniture &<br>fiture | Office equipment | Bicycles | Vehicles     | Total           |
|----------------------------------|----------------|-------------------------------|-------------------------------------|----------------------|--------------------------|------------------|-----------------------|------------------|----------|--------------|-----------------|
| Cost                             | 176,149,235    | 367,323,301                   | 21,052,002                          | 570,187,633          | 50,542,799               | 5,420,149        | 13,204,005            | 68,071,780       | 22,375   | 45,030,655   | 1,780,388,579   |
| Accumulated depreciation         | (796,517)      | (9,455,423)                   | (2,329,483)                         | (7,488,815)          | (27,529,618)             | (3,017,542)      | (8,233,143)           | (16,071,214)     | (17,718) | (34,070,922) | (130,883,987)   |
| Net book value                   | 175,352,718    | 357,867,878                   | 18,722,519                          | 562,698,818          | 23,013,181               | 2,402,607        | 4,970,862             | 32,000,566       | 4,657    | 10,959,733   | 1,649,504,592   |
| <b>Year ended June 30, 2014</b>  |                |                               |                                     |                      |                          |                  |                       |                  |          |              |                 |
| Opening net book value           | 175,352,718    | 357,867,878                   | 18,722,519                          | 562,698,818          | 23,013,181               | 2,402,607        | 4,970,862             | 32,000,566       | 4,657    | 10,959,733   | 1,649,504,592   |
| Additions during the year        | -              | -                             | 3,651,476                           | 16,176,216           | -                        | -                | 627,350               | 1,569,536        | -        | 1,414,978    | 23,612,680      |
| Disposals / transfers            | (129,603,724)  | (567,325,301)                 | -                                   | (57,354,500)         | -                        | -                | -                     | -                | -        | (481,083)    | (1,234,765,925) |
| -Cost                            | -              | (60,593,494)                  | -                                   | (57,354,500)         | -                        | -                | -                     | -                | -        | (361,587)    | (118,281,298)   |
| -Accumulated depreciation        | -              | -                             | -                                   | -                    | -                        | -                | -                     | -                | -        | -            | -               |
| Depreciation charge for the year | (1,776,590)    | (51,138,072)                  | (1,872,252)                         | (6,992,319)          | (2,301,316)              | (241,261)        | (831,399)             | (3,279,211)      | (466)    | (2,409,741)  | (134,633,645)   |
| Closing net book value June 2014 | 174,076,118    | 306,729,806                   | 16,850,268                          | 555,706,509          | 20,711,863               | 2,171,346        | 5,066,813             | 30,290,891       | 4,191    | 9,845,557    | 1,514,870,947   |
| Annual depreciation rate%        | 99 Years       | 10%                           | 10%                                 | 10%                  | 10%                      | 10%              | 10%                   | 10%              | 10%      | 20%          |                 |

Cost of sales  
Administrative expenses

| Note | 2015<br>Rupees    | 2014<br>Rupees     |
|------|-------------------|--------------------|
| 25.1 | 26,776,182        | 128,412,879        |
| 27   | 6,087,098         | 6,220,816          |
|      | <u>32,863,280</u> | <u>134,633,695</u> |

# TOWELLERS LIMITED

## 4.2 Disposal of property, plant and equipment

| Particulars                            | Particulars of buyer   | Cost              | Accumulated depreciation | Written down value | Sale proceeds     | Gain/(Loss)      | Mode of disposal |
|--|------------------------|-------------------|--------------------------|--------------------|-------------------|------------------|------------------|
| <b>Gas Installation (Karachi)</b>      |                        |                   |                          |                    |                   |                  |                  |
| Gas Installations                      | M/s.Soorly Enterprises | 5,214,785         | 3,210,728                | 2,004,057          | 2,967,348         | 963,291          | Negotiation      |
| <b>Electric Installation (Karachi)</b> |                        |                   |                          |                    |                   |                  |                  |
| Electric Installations                 | M/s.Soorly Enterprises | 38,719,938        | 19,243,101               | 19,476,837         | 22,032,652        | 2,555,815        | Negotiation      |
| <b>Vehicles (Karachi)</b>              |                        |                   |                          |                    |                   |                  |                  |
| Habib Kby-9817                         | Mr.Nawabzada           | 41,500            | 33,377                   | 8,123              | 13,000            | 4,877            | Negotiation      |
| Suzuki Margalla W-5193                 | Mr.Jalees Qamar        | 315,000           | 250,041                  | 64,959             | 230,000           | 165,041          | Negotiation      |
| Honda CD 70 Kcs-439                    | Mr.Nawabzada           | 35,000            | 34,836                   | 164                | 13,000            | 12,836           | Negotiation      |
| Suzuki Potohar CL-1360                 | Mr.M.Zakir             | 310,000           | 236,636                  | 73,364             | 230,000           | 156,636          | Negotiation      |
| Suzuki Mehran Aby-956                  | Mr.M.Zakir             | 260,000           | 144,629                  | 115,371            | 160,000           | 44,629           | Negotiation      |
|  |                        | <b>44,896,223</b> | <b>23,153,348</b>        | <b>21,742,875</b>  | <b>25,646,000</b> | <b>3,903,125</b> |                  |

|  | Note | 2015<br>Rupees     | 2014<br>Rupees       |
|--|------|--------------------|----------------------|
| <b>4.3 Gain on disposal of property, plant and equipment</b> |      |                    |                      |
| Cost   |      | 44,896,223         | 1,234,763,925        |
| Less : Accumulated depreciation                              |      | (23,153,348)       | (118,281,298)        |
|  |      | <u>21,742,875</u>  | <u>1,116,482,627</u> |
| Sale proceeds  |      | (25,646,000)       | (772,629,000)        |
| (Gain) / loss on disposal of property, plant and equipment   |      | <u>(3,903,125)</u> | <u>343,853,627</u>   |

## 4.4 Had there been no revaluation the related figures of land, building and plant and machinery at June 30, 2015 would have been as follows:

|                                 | Cost as on June<br>30, 2015 | Accumulated<br>depreciation | Book value June<br>30, 2015 | Cost as on June<br>30, 2014 | Accumulated<br>depreciation | Book value June<br>30, 2014 |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Leasehold land                  | 19,327,159                  | 3,587,250                   | 15,739,909                  | 19,327,159                  | 2,082,659                   | 17,244,500                  |
| Building on free/leasehold land | 431,391,705                 | 221,935,498                 | 209,456,207                 | 431,360,570                 | 207,378,450                 | 223,982,120                 |
| Plant and machinery             | 1,109,682,421               | 598,607,215                 | 511,075,206                 | 1,104,846,390               | 590,406,787                 | 514,439,603                 |
|                                 | <u>1,560,401,285</u>        | <u>824,129,962</u>          | <u>736,271,323</u>          | <u>1,555,534,119</u>        | <u>799,867,896</u>          | <u>755,666,223</u>          |

|  | 2015<br>Rupees     | 2014<br>Rupees    |
|--|--------------------|-------------------|
| <b>4.5 Capital work in progress - at cost</b>                  |                    |                   |
| Building - civil works   | 232,269,200        | 84,728,634        |
| Machinery  | 32,256,141         | -                 |
|  | <u>264,525,340</u> | <u>84,728,634</u> |
| <b>The movement in Capital work in progress is as follows:</b> |                    |                   |
| Balance at the beginning of the year                           | 84,728,634         | 891,623           |
| Addition during the year:                                      |                    |                   |
| Building - civil works   | 181,002,786        | 67,049,807        |
| Plant and machinery  | 46,843,335         | -                 |
|  | <u>227,846,122</u> | <u>87,049,807</u> |
| Transfer to operating fixed assets:                            |                    |                   |
| Building - civil works   | 33,462,221         | 3,212,796         |
| Plant and machinery  | 14,587,195         | -                 |
|  | <u>48,049,416</u>  | <u>3,212,796</u>  |
| Balance at the end of the year                                 | <u>264,525,340</u> | <u>84,728,634</u> |

# TOWELLERS LIMITED

|  | Note   | 2015<br>Rupees     | 2014<br>Rupees     |
|--|--|--------------------|--------------------|
| <b>5 LONG TERM LOANS AND ADVANCES</b>                      |  |                    |                    |
| <b>Loan to employees - unsecured (considered good)</b>     |  |                    |                    |
| Executives   | 5.1  | 11,548,070         | 12,155,355         |
| Other employees  |  | 3,336,834          | 4,876,836          |
|  |  | 14,884,904         | 17,032,191         |
| <b>Current portion of loans shown under current assets</b> |  |                    |                    |
| Executives   | 10   | 1,154,807          | 1,215,536          |
| Other employees  | 10   | 500,525            | 731,525            |
|  |  | 1,655,332          | 1,947,061          |
|  |  | <u>13,229,572</u>  | <u>15,085,130</u>  |
| <b>5.1 Movement in loans to executives</b>                 |  |                    |                    |
| Balance at the beginning of the Year                       |  | 12,155,355         | 8,750,522          |
| Amount disbursed during the year                           |  | 864,063            | 4,870,690          |
|  |  | 13,019,418         | 13,621,212         |
| Amount recovered during the Year                           |  | (1,471,348)        | (1,465,857)        |
| Balance at the end of the Year                             |  | <u>11,548,070</u>  | <u>12,155,355</u>  |
| 5.1.1  | All the loans are granted to the employees, free of interest in accordance with their terms of employment.   |                    |                    |
| 5.1.2  | Maximum amount due from executives during the year, calculated by reference to month-end balances, was Rs 12,190,755 (June 30, 2014: Rs. Rs. 7,158,796). |                    |                    |
|  |  |                    |                    |
|  | Note   | 2015<br>Rupees     | 2014<br>Rupees     |
| <b>6 LONG TERM DEPOSITS</b>                                |  |                    |                    |
| Security deposits  |  | <u>6,529,820</u>   | <u>3,677,382</u>   |
| <b>7 STORES, SPARE PARTS AND LOOSE TOOLS</b>               |  |                    |                    |
| Stores   |  | 18,551,501         | 6,500,574          |
| Spare parts and loose tools                                |  | 4,240,632          | 5,995,088          |
|  |  | <u>22,792,133</u>  | <u>12,495,662</u>  |
| 7.1  | No item of stores, spare and loose tools is pledged as security as at reporting date.  |                    |                    |
| <b>8 STOCK IN TRADE</b>                                    |  |                    |                    |
| Raw material   |  | 97,464,291         | 150,768,501        |
| Work in process  |  | 126,232,724        | 138,851,945        |
| Finished goods   |  | 84,566,609         | 130,498,276        |
| Stock in transit-Raw material                              |  | 4,177,838          | -                  |
| Stock in transit-Finished goods                            |  | 21,672,400         | 22,158,729         |
|  |  | <u>334,113,862</u> | <u>442,277,451</u> |
| 8.1  | Stock in trade has been valued at lower of cost and net realizable value as required by IAS 2.   |                    |                    |
| 8.2  | No items of stock in trade is pledged as security as at reporting date.  |                    |                    |

# TOWELLERS LIMITED

|  | Note | 2015<br>Rupees | 2014<br>Rupees |
|--|------|----------------|----------------|
| <b>9 TRADE DEBTS</b>   |      |                |                |
| Secured - considered good  |      |                |                |
| Foreign debts  |      | 247,091,361    | 266,398,411    |
| Unsecured - considered good  |      |                |                |
| Foreign debts  |      | 21,871,342     | 44,943,315     |
| Domestic debts   |      | 69,085         | 8,125,847      |
|  |      | 21,940,427     | 53,069,162     |
|  |      | 269,031,788    | 319,467,573    |
| Provision for doubtful debts   | 9.1  | (8,203,093)    | (18,215,209)   |
|  |      | 260,828,695    | 301,252,364    |
| <b>9.1 The movement in provision during the year is as follows:</b>  |      |                |                |
| Balance at the beginning of the Year   |      | 18,215,209     | 18,215,209     |
| Add: Provision during the year   |      | -              | -              |
|  |      | 18,215,209     | 18,215,209     |
| Bad debts written off during the year  |      | (5,047,261)    | -              |
| Bad debts recovered during the year  |      | (4,964,855)    | -              |
| Balance at the end of the Year   |      | 8,203,093      | 18,215,209     |
| <b>10 LOANS AND ADVANCES</b>   |      |                |                |
| Considered good  |      |                |                |
| Loan to employees  |      |                |                |
| Executive - unsecured  | 5    | 1,154,807      | 1,215,536      |
| Others - unsecured   | 5    | 500,525        | 731,525        |
|  |      | 1,655,332      | 1,947,061      |
| Advances:  |      |                |                |
| to suppliers   |      | 16,519,086     | 13,134,582     |
| to contractors   |      | 3,075,738      | 8,608,950      |
| to others  |      | 227,185        | 2,264          |
|  |      | 19,822,009     | 21,745,796     |
|  |      | 21,477,341     | 23,692,857     |
| <b>11 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>  |      |                |                |
| Security deposits  |      | 156,667        | 38,325,967     |
| Prepayments  |      | 5,902,683      | 6,642,364      |
|  |      | 6,059,350      | 44,968,330     |
| <b>12 OTHER RECEIVABLES</b>  |      |                |                |
| Considered good  |      |                |                |
| Export rebate  |      | 87,989,586     | 80,273,516     |
| Assistance for opening Exporters office abroad   | 12.1 | -              | 8,642,000      |
| Assistance for opening Exporters office abroad-written off   |      | -              | (8,642,000)    |
| Sooty enterprises (pvt) ltd  | 12.2 | -              | 770,000,000    |
| Insurance claim  |      | -              | 1,549,220      |
| Sales tax demand   | 12.3 | 33,460,882     | -              |
|  |      | 121,450,468    | 851,822,736    |
| <b>12.1</b> Government of pakistan had announced in trade policy 2007-08 to provide assistance to those exporter who are running their office in abroad. |      |                |                |

# TOWELLERS LIMITED

12.2 The company entered in the agreement of sale of land, building and plant and machinery situated at nooriabad with M/s. Soorty Enterprises (Pvt) Ltd dated 21/12/2013, for the total sale consideration of Rs. 770.00 million. During the period the amount has been realized and paid to banks according to debt settlement agreement dated 08 April 2014.

12.3 The company has filed appeal before the Commissioner Inland Revenue (Appeal) Karachi bearing No. dated 08 November 2013 against the order in original No.10 of 2013 dated 26 August 2013 for the recovery of Rs. 24,686,265 which was rejected by Commissioner Inland Revenue (Appeal-I) Karachi on dated 13 October 2014. Then company filed appeal bearing No. 194/KB/2014 U/s 45 (b) before the appellate Tribunal Inland Revenue Karachi Pakistan. Before the decision of Appeal No.194/KB/2014 office of the Assistant Commissioner Inland Revenue, E&C Unit/04 Zone IV RTO Karachi issued recovery notice No.293 dated 27 May 2015 for the recovery of Rs. 24,686,265 with the penalty & default surcharge for Rs. 8,774,617 and attached the bank accounts and recovered the Rs. 33,460,882 now the pending appeal No.194/KB/2014 allowed in the favor of the company by set aside adverse order dated 13 October 2014 and dated 26 August 2013. Company very much hopeful to recover the above amount.

|   | Note | 2015<br>Rupees    | 2014<br>Rupees     |
|---|------|-------------------|--------------------|
| <b>13 INCOME TAX AND SALES TAX REFUNDABLE</b>       |      |                   |                    |
| Income Tax  |      |                   |                    |
| Balance at the beginning of the Year                |      | -                 | 2,428,763          |
| Advance income tax paid                             |      | 2,110,532         | 2,996,055          |
| Provision for taxation adjusted against advance tax |      | -                 | (5,941,248)        |
| Balance at the end of the Year                      |      | 2,110,532         | (516,430)          |
| Sales tax   |      | 93,363,570        | 111,881,139        |
|   |      | <u>95,474,102</u> | <u>111,364,709</u> |
| <b>14 CASH AND BANK BALANCES</b>                    |      |                   |                    |
| Cash in hand  |      | 325,665           | 194,128            |
| <b>Cash with banks:</b>                             |      |                   |                    |
| In current accounts                                 |      | 17,106,996        | 68,111,916         |
| In saving accounts                                  | 14   | 70,040,425        | 21,601,923         |
|   |      | 87,147,421        | 89,713,839         |
|   |      | <u>87,473,086</u> | <u>89,907,967</u>  |

14.1 It carries mark up at the rate of 5% to 8 (June 30, 2014 : 5% to 9%) per annum.

## 15 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| 2015<br>Number of shares | 2014<br>Number of shares |   | 2015<br>Rupees     | 2014<br>Rupees     |
|--------------------------|--------------------------|---|--------------------|--------------------|
| 9,372,247                | 9,372,247                | Ordinary shares of Rs. 10 each allotted for consideration paid in cash              | 93,722,470         | 93,722,470         |
| 1,012,753                | 1,012,753                | Ordinary shares of Rs. 10 each allotted as bonus shares                             | 10,127,530         | 10,127,530         |
| 6,615,000                | 6,615,000                | Ordinary shares of Rs. 10 each allotted for consideration against plant & machinery | 66,150,000         | 66,150,000         |
| <u>17,000,000</u>        | <u>17,000,000</u>        |   | <u>170,000,000</u> | <u>170,000,000</u> |

15.1 The shareholders' are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the Company. All shares carry "one vote" per share without restriction.

# TOWELLERS LIMITED

|  | Note | 2015<br>Rupees      | 2014<br>Rupees      |
|--|------|---------------------|---------------------|
| <b>16 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>  |      |                     |                     |
| Balance at the beginning of the Year   |      | 371,015,767         | 758,688,532         |
| Surplus on revaluation of land, building & plant and machinery   |      | 299,410,253         | -                   |
|  |      | <u>670,426,020</u>  | <u>758,688,532</u>  |
| Transfer to unappropriated profit in equity on account of incremental depreciation charged in profit and loss account  |      | (17,607,923)        | (42,217,251)        |
| Transfer to unappropriated profit in equity on account of disposal   |      | -                   | (345,455,514)       |
| Balance at the end of the Year   |      | <u>652,818,097</u>  | <u>371,015,767</u>  |
| <b>16.1</b> A revaluation of land and building was carried out on December 14, 1994 by M/s. Iqbal A. Nanjee & company, an independent valuer which resulted a surplus of Rs. 51,761,688/- further revaluations were carried by the same valuer on land and building on 18.09.2002 resulting a surplus of Rs. 114,522,302/-, on land, building and plant & machinery on 31.08.2006, resulting surplus of Rs. 290,598,092/-, on land, building and plant & machinery (Karachi located) on 18.04.2009 which resulted a surplus of Rs. 111,213,341/- and on 24.05.2013 which resulted a surplus of Rs. 426,916,311/- and a deficit of Rs. 60,988,241/- and were credited and debited to surplus on revaluation account. A location wise revaluation of land, building and plant & machinery was carried out on April 30, 2015 by M/s. Iqbal A. Nanjee & company which resulted a surplus of Rs. 299,410,253 and were credited to surplus on revaluation account. |      |                     |                     |
|  | Note | 2015<br>Rupees      | 2014<br>Rupees      |
| <b>17 LONG TERM FINANCINGS</b>   |      |                     |                     |
| <b>Loans from banking companies - secured</b>  |      |                     |                     |
| Askari Bank Limited - NIDF   | 17.1 | -                   | 325,662,000         |
| KASB Bank Limited - NIDF   | 17.2 | 32,595,090          | 294,564,154         |
| Silk Bank Limited - NIDF   | 17.3 | 10,340,493          | 117,871,878         |
| United Bank Limited - NIDF   | 17.4 | 7,598,170           | 76,068,670          |
|  |      | 50,533,753          | 814,166,702         |
| Overdue installments shown under trade and other payables  |      | (1,966,450)         | -                   |
| Current portion shown under current liabilities  |      | (19,245,400)        | (48,987,334)        |
|  |      | <u>(21,211,850)</u> | <u>(48,987,334)</u> |
|  |      | <u>29,321,903</u>   | <u>765,179,368</u>  |
| <b>17.1</b> This facility of non interest demand finance (NIDF) on the basis of restructuring agreement dated 08 April 2014 for Rs. 325.662 million (2014:325.662 million) as per restructuring agreement company will get 81.416 million write off against outstanding liability subject to payment of Rs. 197.775 million. During the period the company has been paid Rs.197.775 million through the sale proceeds from M/s soorty enterprises against debt settlement agreement dated 08 April 2014 and availed the waiver of Rs. 81.416 million the balance outstanding of Rs.46.471 million is also fully paid during the period and vacate the all existing charge.   |      |                     |                     |
| <b>17.2</b> This facility of non interest demand finance (NIDF) on the basis of restructuring agreement dated 09 April 2014 for Rs. 296.326 million (2014:294.564 million) as per restructuring agreement company will get 74.082 million write off against outstanding liability subject to payment of Rs. 179.959 million. During the period the company has been paid Rs.179.959 million through the sale proceeds from M/s Soorty enterprises against debt settlement agreement dated 08 April 2014 and availed the waiver of Rs. 74.082 million the balance outstanding of Rs.42.285 million is payable in 48 monthly installments commencing from April 2014 to March 2018. The above loan is secured by first joint pari passu equitable mortgage and hypothecation charge over fixed assets amounting Rs.59.20 million (2014:Rs.240.00 million).   |      |                     |                     |

## TOWELLERS LIMITED

- 17.3 This facility of non interest demand finance (NIDF) on the basis of restructuring agreement dated 09 April 2014 for Rs. 121.450 million (2014:117.872 million) as per restructuring agreement company will get 30.363 million write off against outstanding liability subject to payment of Rs. 73.757 million. During the period the company has been paid Rs.73.757 million through the sale proceeds from M/s Soorty enterprises against debt settlement agreement dated 08 April 2014 and availed the waiver of Rs. 30.363 million the balance outstanding of Rs.17.330 million is payable in 48 monthly installments commencing from April 2014 to March 2018. The above loan is secured by first joint pari passu equitable mortgage and hypothecation charge over fixed assets amounting Rs.21.660 million (2014:Rs.197.000 million).
- 17.4 This facility of non interest demand finance (NIDF) on the basis of restructuring agreement dated 14 March 2014 for Rs. 76.069 million (2014:76.069 million) as per restructuring agreement company will get 19.017 million write off against outstanding liability subject to payment of Rs. 46.197 million. During the period the company has been paid Rs.46.197 million through the sale proceeds from M/s Soorty enterprises against debt settlement agreement dated 08 April 2014 and availed the waiver of Rs. 19.017 million the balance outstanding of Rs.10.855 million is payable in 32 monthly installments commencing from May 2014 to December 2016. The above loan is secured by first joint pari passu equitable mortgage and hypothecation charge over fixed assets amounting Rs.39.806 million (2014:Rs.166.666 million).

### 18 LOAN FROM DIRECTORS AND OTHERS

|                                     | Note | 2015<br>Rupees    | 2014<br>Rupees |
|-------------------------------------|------|-------------------|----------------|
| Ms.Surriya Junaid (Mother)          |      | 28,854            | 28,854         |
| Ms.Saba Obaid (Wife)                |      | 21,640            | 21,640         |
| Ms.Sharmeen Obaid Chinoy (Daughter) |      | 17,519            | 17,519         |
| Ms.Mahjabeen Obaid (Daughter)       |      | 17,519            | 17,519         |
| Ms.Mehreen Obaid Agha (Daughter)    | 18.2 | 5,017,519         | 17,519         |
| Ms.Sana Bilal (Daughter)            |      | 17,519            | 17,519         |
| Ms.Hadeel Obaid (Daughter)          |      | 17,519            | 17,519         |
| Mr.Sheikh Muhammad Hamza (Son)      |      | 35,035            | 35,035         |
| Mr.Pervaiz Kazi                     | 18.3 | 15,000,000        | -              |
|                                     |      | <u>20,173,124</u> | <u>173,124</u> |

- 18.1 The company acquired 134.22 acre land from the legal heirs of late CEO Sheikh Muhammad Obaid. The same land was mortgaged with banks against company's loans.
- 18.2 This interest free loan has been obtained from Director of the company for capital expenditure. Repayment of 24 installments commence from 1st January 2017 after completion of grace period of 2 years
- 18.3 This interest free loan has been obtained from C.O.O of the company for capital expenditure. Repayment of 24 installments commence from 1st January 2017 after completion of grace period of 2 years

|   | Note | 2015<br>Rupees     | 2014<br>Rupees<br>Restated |
|---|------|--------------------|----------------------------|
| <b>19 STAFF RETIREMENT BENEFITS - GRATUITY</b>                            |      |                    |                            |
| <b>19.1 Movement in the net liability recognized in the balance sheet</b> |      |                    |                            |
| Opening net liability   |      | 74,808,998         | 50,317,322                 |
| Expense for the year  | 19.2 | 20,060,262         | 18,797,836                 |
| Remeasurement recognized in other comprehensive income                    |      | 15,692,911         | 30,216,553                 |
|   |      | <u>110,562,171</u> | <u>99,331,711</u>          |
| Benefits paid during the year   |      | (21,436,466)       | (24,522,713)               |
| Closing net liability   |      | <u>89,125,705</u>  | <u>74,808,998</u>          |
| <b>19.2 Expense recognized in the profit and loss account</b>             |      |                    |                            |
| Current service cost  |      | 13,326,381         | 11,376,357                 |
| Interest cost   |      | 6,733,881          | 7,421,479                  |
|   |      | <u>20,060,262</u>  | <u>18,797,836</u>          |

# TOWELLERS LIMITED

## 19.3 Movement in the present value of defined benefit obligation

|   |  |                   |                   |
|---|--|-------------------|-------------------|
| Present value of defined benefit obligation |  | 74,808,998        | 50,317,322        |
| Current service cost                        |  | 13,326,381        | 11,376,357        |
| Interest cost                               |  | 6,733,881         | 7,421,479         |
| Actuarial (loss) / gain                     |  | 15,692,911        | 30,216,553        |
| Benefits paid                               |  | (21,436,466)      | (24,522,713)      |
|   |  | <u>89,125,705</u> | <u>74,808,998</u> |

## 19.4 Historical information

|                                  | 2015              | 2014              | 2013              | 2012              | 2011              |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Present value of defined benefit | <u>89,125,705</u> | <u>74,808,998</u> | <u>50,317,322</u> | <u>46,505,550</u> | <u>32,831,319</u> |

## 19.5 Reconciliation

|   | 2015              | 2014              |
|---|-------------------|-------------------|
|   | Rupees            | Rupees            |
| Present value of defined benefit obligation | 89,125,705        | 74,808,998        |
| Unrecognized actuarial (losses)             | -                 | -                 |
|   | <u>89,125,705</u> | <u>74,808,998</u> |

## 19.6 General description

The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charges is made using the actuarial technique of Projected Unit Credit Method.

## 19.7 Principal actuarial assumption

Following are a few important actuarial assumption used in the valuation.

|                                     | %      | %      |
|-------------------------------------|--------|--------|
| Discount rate                       | 9.75%  | 13.25% |
| Expected rate of increase in salary | 10.00% | 12.25% |

## 19.8 Expected gratuity expense for the year ending June 30, 2015 works out to Rs./-20,060,262.

|  | Note | 2015   | 2014   |
|--|------|--------|--------|
|  |      | Rupees | Rupees |

## 20 TRADE AND OTHER PAYABLES

|                                    |      |                    |                    |
|------------------------------------|------|--------------------|--------------------|
| Trade Creditors                    |      | 570,882,120        | 540,843,085        |
| Accrued liabilities                |      | 15,356,495         | 15,127,455         |
| Advances from customers            |      | 5,937,052          | 6,323,355          |
| Overdue bank's installments        |      | 1,966,450          | -                  |
| Workers' profit participation fund | 20.1 | 7,145,060          | -                  |
| Workers' welfare fund              |      | 4,178,475          | 12,157,775         |
| Unclaimed dividend                 |      | -                  | 209,004            |
| Sales withholding tax payable      | 20.2 | 389,254            | 506,736            |
|                                    |      | <u>605,854,907</u> | <u>575,167,410</u> |

## 20.1 Workers' profit participation fund

|   | 2015             | 2014        |
|---|------------------|-------------|
|   | Rupees           | Rupees      |
| Balance at the beginning of the Year            | -                | 4,005,487   |
| Interest on fund utilized in company's business | -                | -           |
|   | -                | 4,005,487   |
| Paid during the year                            | -                | (4,005,487) |
|   | -                | -           |
| Allocation for the year                         | 7,145,060        | -           |
| Balance at the end of the Year                  | <u>7,145,060</u> | <u>-</u>    |



# TOWELLERS LIMITED

- 20.2 Sales Tax (ST) Special Procedure (Withholding) Rules, 2007 (Rules) were notified by the Federal Board of Revenue (FBR) through its notification SRO 660(I)/2007 dated June 30, 2007, whereby certain withholding agents were required to withhold ST from payments for taxable goods and services, as supplied to such withholding agents, at the specified rates.

|   | Note | 2015<br>Rupees     | 2014<br>Rupees     |
|---|------|--------------------|--------------------|
| <b>21 ACCRUED MARK UP AND INTEREST</b>  |      |                    |                    |
| <b>Mark up / interest accrued on secured loans:</b>   |      |                    |                    |
| Short term borrowings   |      | 134,214,818        | 134,214,818        |
|   |      | <u>134,214,818</u> | <u>134,214,818</u> |
| <b>22 SHORT TERM BORROWINGS</b>   |      |                    |                    |
| <b>Secured - from banking companies</b>   |      |                    |                    |
| Standard chartered bank limited pakistan  | 22.1 | -                  | 448,396,305        |
| Allied bank limited   | 22.2 | 175,603,998        | 249,930,516        |
| <b>Unsecured</b>  |      |                    |                    |
| Book overdraft  | 22.3 | 24,391,306         | 13,044,786         |
|   |      | <u>199,995,304</u> | <u>711,371,608</u> |
| 22.1 The credit limit was available with SCBLP for short term borrowing (2014: 448,396 million) the above borrowings were initially secured against pari passu hypothecation and floating charge over company's stocks, book debts, receivable lien on export / import documents and all present and future fixed assets of the company under the mark up arrangement. During the period the company has been paid Rs.272.312 million through the sale proceeds from M/s soorty enterprises against debt settlement agreement dated 08 April 2014 and availed the waiver of Rs. 176.084 million and vacate the all existing charge. |      |                    |                    |
| 22.2 The credit limits was available with ABL for short term borrowings Rs. million 175.96 (June 30, 2014: Rs. 249.930 million). This borrowings were secured against pari passu hypothecation and floating charge over company's' stocks, book debts, receivables, lien on export / import documents . Mark up were payable on quarterly basis and mark up ranges from 10% to 25.00% (June 30, 2014: 10% to 25%) per annum. Now the negotiation are under process to re-structure the outstanding loan at the rate of zero mark-up.  |      |                    |                    |
| 22.3 This represents cheques issued in excess of bank balance. Since there was no banking facility, this has been grouped under Book overdraft.   |      |                    |                    |
| <b>23 CONTINGENCIES AND COMMITMENTS</b>   |      |                    |                    |
| 23.1 The company has filled appeal before the Commissioner Inland Revenue (Appeal) Karachi bearing No.40/2014 dated 09 January 2014 against the order in original No.08 of 2013 dated 17 June 2013 for the recovery of Rs. 47,143,108 which was allowed on dated 09 January 2014 by set aside order in original No.08. Then the Commissioner Inland Revenue Zone IV RTO, Karachi filled appeal before the appellate Tribunal Inland Revenue of Pakistan against the above order which was rejected by the tribunal on dated 01 July 2015.   |      |                    |                    |
|   | Note | 2015<br>Rupees     | 2014<br>Rupees     |
| <b>23.2 Contingencies</b>   |      |                    |                    |
| Bank guarantees issued in the ordinary course of business   |      | 2,280,000          | 37,039,000         |
| <b>23.3 Commitments</b>   |      |                    |                    |
| Building  |      | 15,000,000         | 43,333,385         |
| Plant & machinery   |      | 4,000,000          | 49,400,000         |
|   |      | <u>19,000,000</u>  | <u>92,733,385</u>  |
|   | Note | 2015<br>Rupees     | 2014<br>Rupees     |
| <b>24 SALES - NET</b>   |      |                    |                    |
| Export  | 24.1 | 2,760,909,959      | 3,352,571,937      |
| Local   |      | 316,055            | 124,770,647        |

# TOWELLERS LIMITED

|                         |                      |                      |
|-------------------------|----------------------|----------------------|
| Waste                   | 2,373,352            | 2,857,772            |
|                         | <u>2,763,599,366</u> | <u>3,480,200,356</u> |
| Rebate                  | 42,603,390           | 28,337,006           |
| Commission and discount | (84,717,954)         | (83,633,753)         |
|                         | <u>2,721,484,802</u> | <u>3,424,903,609</u> |

24.1 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.46.14 million (June 30, 2014: Rs. 66.75 million) has been included in export sales.

|  | Note   | 2015<br>Rupees       | 2014<br>Rupees       |
|--|--------|----------------------|----------------------|
| <b>25 COST OF SALES</b>                |        |                      |                      |
| Cost of goods manufactured             | 25.1   | 1,875,577,768        | 2,342,737,502        |
| <b>Finished goods</b>                  |        |                      |                      |
| Opening stock                          |        | 152,657,005          | 156,719,468          |
| Purchases                              |        | 387,120,701          | 720,585,758          |
| Stock in transit                       |        | (21,672,400)         | (22,158,729)         |
| Closing stock                          |        | (84,566,609)         | (130,498,276)        |
| <b>Cost of sales</b>                   |        | <u>2,309,116,465</u> | <u>3,067,385,723</u> |
| <b>25.1 Cost of goods manufactured</b> |        |                      |                      |
| Raw material consumed                  | 25.1.1 | 700,690,498          | 1,011,082,817        |
| Purchase (semi finished goods)         |        | 215,114,195          | 93,278,038           |
| Stores and spares consumed             | 25.1.2 | 149,916,211          | 302,102,215          |
| Other manufacturing expenses           | 25.1.3 | 494,282,744          | 306,027,533          |
| Salaries, wages and other benefits     | 25.1.4 | 181,623,688          | 266,804,363          |
| Communication expenses                 |        | 516,469              | 819,415              |
| Conveyance                             |        | 1,366,625            | 3,443,362            |
| Utilities                              |        | 53,336,816           | 155,450,837          |
| Insurance                              |        | 7,201,279            | 11,586,696           |
| Repairs and maintenance                |        | 11,625,617           | 13,793,585           |
| Oil and lubricants                     |        | 361,607              | 2,579,118            |
| Printing and stationery                |        | 1,045,131            | 1,474,880            |
| Rent, rates and taxes                  |        | 5,281,064            | 6,524,203            |
| Entertainment expenses                 |        | 3,178,924            | 5,731,331            |
| Vehicle running and maintenance        |        | 6,756,624            | 12,161,230           |
| Depreciation                           | 4.1    | 26,726,182           | 128,412,829          |
| Other expenses                         |        | 3,934,873            | 3,387,220            |
|  |        | <u>1,862,958,547</u> | <u>2,324,659,670</u> |
| <b>Work in process</b>                 |        |                      |                      |
| Opening stock                          |        | 138,851,945          | 156,929,776          |
| Closing stock                          |        | (126,232,724)        | (138,851,945)        |
|  |        | <u>12,619,221</u>    | <u>18,077,831</u>    |
|  |        | <u>1,875,577,768</u> | <u>2,342,737,501</u> |

# TOWELLERS LIMITED

|  |             |                        |                        |
|--|-------------|------------------------|------------------------|
| <b>25.1.1 Raw material consumed</b>  |             |                        |                        |
| Opening stock  |             | 150,768,501            | 139,546,511            |
| Purchases - net  |             | 642,977,365            | 1,011,637,563          |
| Cartage-in   |             | 8,586,761              | 10,667,244             |
|  |             | <u>802,332,627</u>     | <u>1,161,851,318</u>   |
| Stock in transit   |             | (4,177,838)            | -                      |
| Closing stock  |             | (97,464,291)           | (150,768,501)          |
|  |             | <u>700,690,498</u>     | <u>1,011,082,817</u>   |
| <b>25.1.2 Stores and spares consumed</b>   |             |                        |                        |
| Opening stock  |             | 12,495,662             | 21,520,650             |
| Purchases - net  |             | 160,212,682            | 293,077,227            |
|  |             | <u>172,708,344</u>     | <u>314,597,877</u>     |
| Closing stock  |             | (22,792,133)           | (12,495,662)           |
|  |             | <u>149,916,211</u>     | <u>302,102,215</u>     |
|  |             |                        |                        |
|  | <b>Note</b> | <b>2015<br/>Rupees</b> | <b>2014<br/>Rupees</b> |
| <b>25.1.3 Other manufacturing expenses</b>   |             |                        |                        |
| Fabric dyeing and processing charges   |             | 347,064,337            | 198,797,953            |
| Stitching charges  |             | 147,218,407            | 107,229,580            |
|  |             | <u>494,282,744</u>     | <u>306,027,533</u>     |
| <b>25.1.4 Salaries, wages and other benefits includes Rs. 9,850,834/- (June 30, 2014: Rs. 8,418,197/-) in respect of staff retirement benefits (gratuity).</b> |             |                        |                        |
|  | <b>Note</b> | <b>2015<br/>Rupees</b> | <b>2014<br/>Rupees</b> |
| <b>26 DISTRIBUTION COST</b>  |             |                        |                        |
| Export development surcharge   |             | 6,923,216              | 8,258,999              |
| Export freight   |             | 73,178,960             | 135,165,142            |
| Clearing and forwarding  |             | 26,164,881             | 28,668,381             |
| Marine insurance   |             | 4,692,472              | 6,633,833              |
| Fair & exhibition  |             | 8,219,320              | 11,926,435             |
| Other expenses   |             | 399,221                | 862,655                |
|  |             | <u>119,578,070</u>     | <u>191,515,446</u>     |
| <b>27 ADMINISTRATIVE EXPENSES</b>  |             |                        |                        |
| Directors' remuneration  |             | 19,241,360             | 21,525,359             |
| Staff salaries and other benefits  | 27.1        | 72,570,566             | 59,433,846             |
| Traveling and conveyance   |             | 14,508,442             | 15,735,603             |
| Vehicle running and maintenance  |             | 5,508,778              | 6,332,110              |
| Rent, rates and taxes  |             | 10,059,514             | 6,013,947              |
| Utilities  |             | 4,972,410              | 4,817,303              |
| Printing and stationery  |             | 1,101,290              | 814,481                |
| Legal and professional charges   |             | 4,831,710              | 1,605,651              |
| Repairs and maintenance  |             | 1,310,880              | 1,986,978              |
| Communication expenses   |             | 5,120,102              | 7,389,989              |
| Entertainment  |             | 3,028,286              | 1,973,370              |
| Office expenses  |             | 2,354,631              | 4,547,725              |
| Insurance  |             | 3,498,187              | 2,380,814              |
| Advertisement  |             | 43,559                 | 188,615                |
| Bad debt expense   |             | 5,591,203              | 8,642,000              |
| Depreciation   | 4.1         | 6,087,098              | 6,220,816              |
|  |             | <u>159,828,016</u>     | <u>149,608,606</u>     |
| <b>27.1 Staff salaries and other benefits includes Rs. 10,209,428/- (June 30, 2014: Rs. 10,379,639/-) in respect of staff retirement benefits (gratuity).</b>  |             |                        |                        |

# TOWELLERS LIMITED.

|  | Note | 2015<br>Rupees    | 2014<br>Rupees    |
|--|------|-------------------|-------------------|
| <b>28 OTHER OPERATING EXPENSES</b>   |      |                   |                   |
| Workers' profit participation fund   | 20.1 | 7,145,060         | -                 |
| Workers' welfare fund  |      | 2,154,465         | -                 |
| Auditors' remuneration   | 28.1 | 942,378           | 985,590           |
| Donation   | 28.2 | 25,000            | 5,981             |
| Sales tax  |      | 19,568            | -                 |
|  |      | <u>10,286,471</u> | <u>991,571</u>    |
|  |      |                   |                   |
|  | Note | 2015<br>Rupees    | 2014<br>Rupees    |
| <b>28.1 Auditors' remuneration</b>   |      |                   |                   |
| Annual audit fee   |      | 635,250           | 605,000           |
| Half yearly review fee   |      | 117,128           | 106,480           |
| Code of corporate governance review  |      | 50,000            | 50,000            |
| Tax services   |      | 135,000           | 214,110           |
| Other services   |      | 5,000             | 10,000            |
|  |      | <u>942,378</u>    | <u>985,590</u>    |
| <b>28.2</b> None of the directors or their spouses had any interest in donee fund.   |      |                   |                   |
| <b>29 FINANCE COST</b>   |      |                   |                   |
| Mark up / interest on  |      |                   |                   |
| Long term financing  |      | -                 | 145,837           |
| Short term borrowings  |      | -                 | 27,978,528        |
| Workers' profit participation fund   | 20.1 | -                 | -                 |
| Bank charges and commission  |      | 10,487,485        | 12,043,378        |
| Sbp mark-up subsidy  | 29.1 | (3,567,418)       | (12,364,847)      |
|  |      | <u>6,920,067</u>  | <u>27,802,897</u> |
| <b>29.1</b> Government of pakistan had announced 'Export Finance Mark-up Rate Facility' of 2.5% to the exporters of Textile Industry on outstanding loans availed by the industry from commercial banks for export of eligible commodities under SBP's Export Finance Scheme (EFS) vide Ministry of Textile Industry's Notification No.3 (2) TID/09-P-1 dated 1st September,2009 |      |                   |                   |
|  | Note | 2015<br>Rupees    | 2014<br>Rupees    |
| <b>30 OTHER INCOME</b>   |      |                   |                   |
| <b>From financial assets</b>   |      |                   |                   |
| Profit on savings account  |      | 10,552,424        | 13,689,489        |
| Bad debt recovered   |      | 4,964,855         | -                 |
| <b>From other than financial assets</b>  |      |                   |                   |
| Gain on sale of property, plant and equipment  | 4.3  | 3,903,125         | -                 |
|  |      | <u>19,420,404</u> | <u>13,689,490</u> |
|  |      |                   |                   |
|  | Note | 2015<br>Rupees    | 2014<br>Rupees    |
| <b>31 OTHER LOSS</b>   |      |                   |                   |
| <b>From other than financial assets</b>  |      |                   |                   |
| Loss on sale of property, plant and equipment  | 4.3  | -                 | (343,853,627)     |

# TOWELLERS LIMITED

|  | Note | 2015<br>Rupees    | 2014<br>Rupees    |
|--|------|-------------------|-------------------|
| <b>32 TAXATION</b>                       |      |                   |                   |
| <b>Provision / reversal for taxation</b> |      |                   |                   |
| Current year                             |      | 28,032,890        | 33,634,399        |
|  |      | <u>28,032,890</u> | <u>33,634,399</u> |

32.1 The provision for taxation has been made in these financial statements on the basis of section 169 of the Income Tax Ordinance, 2001.

32.2 No provision in these accounts has been made for deferred tax. A technical release i.e. TR-27 issued by the Institute of Chartered Accountants of Pakistan prescribed that deferred tax accounting does not apply to those companies whose entire sales are covered under section 143B now 154 of the Income Tax Ordinance, 1979 now section 169 of the Income Tax Ordinance, 2001, as there will be no timing differences.

|  |         | 2015        | 2014          |
|--|---------|-------------|---------------|
| <b>33 PROFIT/(LOSS) PER SHARE</b>                                      |         |             |               |
| <b>Basic earning/(loss) per share</b>                                  |         |             |               |
| Profit/(loss) for the year   | Rupees  | 107,143,227 | (376,199,170) |
| Weighted average number of ordinary shares outstanding during the year | Numbers | 17,000,000  | 17,000,000    |
| Profit/(loss) per share - basic  | Rupees  | 6.30        | (22.13)       |

**Diluted earnings per share**  
There were no convertible dilutive potential ordinary shares in issue as at June 30, 2015 and June 30, 2014.

## 34 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

|                         | 2015             |                   |                   | 2014             |                   |                   |
|-------------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|
|                         | CEO              | Directors         | Executives        | CEO              | Directors         | Executives        |
|                         | Rupees           |                   |                   | Rupees           |                   |                   |
| Managerial remuneration | 3,720,000        | 15,521,360        | 23,826,192        | 3,720,000        | 17,805,359        | 20,094,275        |
| Bonus                   | -                | 43,890            | 463,214           | -                | -                 | 553,942           |
| Utilities               | -                | 1,162,278         | 726,976           | -                | 1,185,648         | 871,120           |
| Medical expenses        | -                | 1,006,282         | 205,764           | -                | 474,786           | 413,779           |
| Others                  | 18,675           | 1,489,231         | 240,682           | 49,636           | 191,013           | 422,393           |
|                         | <u>3,738,675</u> | <u>19,223,041</u> | <u>25,462,828</u> | <u>3,769,636</u> | <u>19,656,806</u> | <u>22,355,508</u> |
| Number of persons       | 1                | 5                 | 14                | 1                | 5                 | 15                |

34.1 The chief executive and directors are provided with free use of Company's maintained car, reimbursement of utility bills at their residence.

## 35 TRANSACTIONS WITH RELATED PARTIES

The related parties comprises associated companies, directors and key management personnel. Amounts due to related parties are shown in the relevant notes to the financial statements. Transactions with related parties are disclosed below:

## 36 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company has exposures to the following risks from its use of financial instruments.

- 36.1 Credit risk
- 36.2 Liquidity risk
- 36.3 Market risk

The board of directors has overall responsibility for the establishment and oversight of company's risk management framework. The board is also responsible for developing and monitoring the company's risk management policies.

- 36.1 Credit risk
- 36.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the long term loans & advances, long term deposits, trade debts, loans and advances, trade deposits and short term prepayments, other receivables and cash and bank balances. Out of total financial assets of Rs. million 457.04 (June 30, 2014: Rs. 1323.76 million), financial assets which are subject to credit risk aggregate to Rs. million 457.04 (June 30, 2014: Rs. 1323.76 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows.

# TOWELLERS LIMITED

|   | 2015<br>Rupees     | 2014<br>Rupees       |
|---|--------------------|----------------------|
| Long term loans and advances              | 14,884,904         | 17,032,191           |
| Long term deposits                        | 6,529,820          | 3,677,382            |
| Trade debts                               | 260,828,695        | 301,252,364          |
| Loans and advances                        | 19,822,009         | 21,745,796           |
| Trade deposits and short term prepayments | 156,667            | 38,325,967           |
| Other receivables                         | 121,450,468        | 851,822,736          |
| Cash and bank balances                    | 87,473,086         | 89,907,967           |
|   | <u>511,145,649</u> | <u>1,323,764,403</u> |

36.1.2 The maximum exposure to credit risk for trade debts at the balance sheet date by geographical region is as follows.

|          | 2015<br>Rupees     | 2014<br>Rupees     |
|----------|--------------------|--------------------|
| Domestic | 69,085             | 8,125,847          |
| Export   | 260,759,610        | 293,126,516        |
|          | <u>260,828,695</u> | <u>301,252,363</u> |

The majority of export debtors of the company are situated in Asia, Europe, and North America.

36.1.3 The aging of trade debtors at the balance sheet is as follows:

|                           | Gross debtors      |                    |
|---------------------------|--------------------|--------------------|
|                           | 2015               | 2014               |
|                           | Rupees             |                    |
| Not past due              | 225,615,791        | 223,819,243        |
| Past due 0 - 30 days      | 21,475,574         | 37,801,968         |
| Past due 31 - 90 days     | -                  | 4,777,200          |
| Past due 91 days - 1 year | -                  | -                  |
| More than one year        | 21,871,338         | 44,943,315         |
|                           | 268,962,703        | 311,341,726        |
| Impairment                | (8,203,093)        | (18,215,209)       |
|                           | <u>260,759,610</u> | <u>293,126,517</u> |

36.1.4 Credit quality of counter parties is assessed based on historical default rates. All receivables past due are considered good. The management believes that allowance for impairment of receivables past due is not necessary, as these comprise amounts due from old customers, which have been re-negotiated from time to time and are also considered good.

## 36.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

|   | 2015               |                        |                    |                      |                   |                      |
|---|--------------------|------------------------|--------------------|----------------------|-------------------|----------------------|
|   | Carrying Amount    | Contractual Cash flows | Six months or less | Six to twelve months | Two to five years | More than five years |
|   | Rupees             |                        |                    |                      |                   |                      |
| <b>Non - derivative Financial liabilities</b> |                    |                        |                    |                      |                   |                      |
| Long term financings                          | 50,533,753         | 173,995,267            | 9,622,700          | 19,245,400           | 96,227,000        | 48,900,166           |
| Trade and other payables                      | 605,854,907        | 605,854,907            | 605,854,907        | -                    | -                 | -                    |
| Accrued mark up and interest                  | 134,214,818        | 134,214,818            | 134,214,818        | -                    | -                 | -                    |
| Short term loans                              | 175,603,998        | 193,111,717            | 193,111,717        | -                    | -                 | -                    |
|   | <u>966,207,476</u> | <u>1,107,176,708</u>   | <u>942,804,142</u> | <u>19,245,400</u>    | <u>96,227,000</u> | <u>48,900,166</u>    |

# TOWELLERS LIMITED

2014

| Carrying Amount | Contractual Cash flows | Six months or less | Six to twelve months | Two to five years | More than five years |
|-----------------|------------------------|--------------------|----------------------|-------------------|----------------------|
|-----------------|------------------------|--------------------|----------------------|-------------------|----------------------|

Rupees

## Non - derivative Financial liabilities

|                              |                      |                      |                      |                   |                    |                    |
|------------------------------|----------------------|----------------------|----------------------|-------------------|--------------------|--------------------|
| Long term financings         | 860,393,848          | 860,500,232          | 51,668,400           | 47,066,599        | 622,142,247        | 139,622,986        |
| Trade and other payables     | 669,076,273          | 669,076,273          | 669,076,273          | -                 | -                  | -                  |
| Accrued mark up and interest | 81,003,001           | 81,003,001           | 81,003,001           | -                 | -                  | -                  |
| Short term loans             | 634,483,887          | 697,741,931          | 697,741,931          | -                 | -                  | -                  |
|                              | <u>2,244,957,009</u> | <u>2,308,321,437</u> | <u>1,499,489,605</u> | <u>47,066,599</u> | <u>622,142,247</u> | <u>139,622,986</u> |

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

### 36.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The company is exposed to currency risk and interest rate risk only.

#### 36.3.1 Currency risk

##### Exposure to currency risk

The company is exposed to currency risk on trade debts, borrowing and import of raw material and stores that are denominated in a currency other than the respective functional currency of the company, primarily in US Dollar and Euro. The currencies in which these transactions primarily are denominated is US Dollar and Euro. The company's exposure to foreign currency risk is as follows:

|                  | US Dollar | Euro | Others  | Rupees      |
|------------------|-----------|------|---------|-------------|
| Trade debts 2015 | 2,376,143 | -    | 173,666 | 260,759,610 |
| Trade debts 2014 | 3,157,853 | -    | -       | 293,126,516 |

The following significant exchange rates applied during the year.

|                    | Average rates |        | Reporting date rates |        |
|--------------------|---------------|--------|----------------------|--------|
|                    | 2015          | 2014   | 2015                 | 2014   |
| US Dollar to Rupee | 100.20        | 98.60  | 101.70               | 98.70  |
| Euro to Rupee      | 124.02        | 131.66 | 113.57               | 134.46 |

##### Sensitivity analysis

5% strengthening of Pak Rupee against the following currencies at June 30, would have increased / (decreased) equity and profit and loss by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. 5% weakening of Pak Rupee against the above currencies at periods ends would have had the equal but opposites effect on the above currencies to the amount shown below, on the basis that all other variables remain constant.

|           | 2015<br>Rupees | 2014<br>Rupees |
|-----------|----------------|----------------|
| US Dollar | (12,082,687)   | (16,681,676)   |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the company.

#### 36.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposures arises from short and long term borrowings from bank and term deposits and deposits in PLS saving accounts with banks. At the balance sheet date the interest rate profile of the company's interest bearing financial instrument is as follows.

# TOWELLERS LIMITED

|                                  | 2015<br>Rupees | 2014<br>Rupees |
|----------------------------------|----------------|----------------|
| <b>Fixed rate instruments</b>    |                |                |
| Financial assets                 | -              | -              |
| Financial liabilities            | 50,533,753     | 814,166,701    |
| <b>Variable rate instruments</b> |                |                |
| Financial assets                 | 70,040,425     | 21,601,923     |
| Financial liabilities            | 175,603,998    | 698,326,822    |

#### Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for June 30, 2014.

|  | Profit and loss    |                    | Equity             |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 100 bp<br>increase | 100 bp<br>decrease | 100 bp<br>increase | 100 bp<br>decrease |
|  | Rupees             |                    |                    |                    |
| Cash flow sensitivity - variable rate instruments 2015 | 1,756,040          | (1,756,040)        | -                  | -                  |
| Cash flow sensitivity - variable rate instruments 2014 | 6,983,268          | (6,983,268)        | -                  | -                  |

#### 36.4 Fair value of financial assets and liabilities

The carrying value of all financial instruments reflected in the financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

|   | 2015<br>Rupees | 2014<br>Rupees |
|---|----------------|----------------|
| <b>36.5 Off balance sheet items</b>                   |                |                |
| Bank guarantees issued in ordinary course of business | 2,280,000      | 37,039,000     |

36.6 The effective rate of interest / mark up for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

### 37 CAPITAL RISK MANAGEMENT

The company's prime object when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as total borrowings divided by total capital employed. Borrowings represent long term financing, long term financing from directors and others and short term borrowings. Total capital employed includes total equity as shown in the balance sheet plus borrowings.

|                        |            | 2015        | 2014          |
|------------------------|------------|-------------|---------------|
| Borrowings             | Rupees     | 250,529,057 | 1,525,538,309 |
| Total equity           | Rupees     | 221,586,473 | (268,643,180) |
| Total capital employed | Rupees     | 472,115,530 | 1,256,895,129 |
| Gearing ratio          | Percentage | 53.07       | 121.37        |



## TOWELLERS LIMITED

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### 38 CAPACITY AND PRODUCTION

The plant capacity are indeterminable due to multi product plants involving varying processes of manufacturing and run length of order lots.

### 39 ACCOUNTING ESTIMATES AND JUDGMENTS

#### 39.1 Income taxes

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

#### 39.2 Property, plant and equipment

The Company reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

#### 39.3 Stock-in-trade and stores and spares

The Company reviews the net realizable value of stock-in-trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores and spares with a corresponding affect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

### 40 EVENTS AFTER THE BALANCE SHEET DATE

There are no subsequent events occurring after the balance sheet date.

### 41 NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

|   | 2015    | 2014    |
|---|---------|---------|
|   | Numbers | Numbers |
| Total number of employees as at June 30     | 690     | 707     |
| Average number of employees during the year | 699     | 837     |

### 42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 03, 2015 by the board of directors of the company.

### 43 GENERAL

Figures have been rounded off to the nearest Rupee.

Chief Executive

Director

Karachi, October 03, 2015

**TOWELLERS LIMITED**

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# TOWELLERS LIMITED

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## PROXY FORM

I/We \_\_\_\_\_ in the district of \_\_\_\_\_  
\_\_\_\_\_ being a  
Member(s) of TOWELLERS LIMITED holding \_\_\_\_\_ Ordinary shares as  
per Share Register Folio No. \_\_\_\_\_ and/or CDC Participant I.D. NO. \_\_\_\_\_  
and Sub Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_  
also a member as my / our proxy in my/our absence to attend and vote for me/us at the 41th Annual General Meeting of  
the Company to be held on October 27, 2015  
and/or any adjournment thereof.

Signed \_\_\_\_\_ day of October, 2015

Witnesses: \_\_\_\_\_

1. Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC No: \_\_\_\_\_

2. Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC No: \_\_\_\_\_

Signature on  
Rs. 5/-  
Revenue Stamp

### NOTE:

If a Member is unable to attend the meeting, he may sign this form and send it to Secretary TOWELLERS LIMITED, Karachi. So as to reach him not less than 48 hours before the time of holding the Meeting. A proxy need to be a member of the company.

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