FAZAL TEXTILE MILLS LTD.

Fazal Textile Mills Limited

ANNUAL REPORT 2014

Contents

52nd Annual Report 2014

Corporate Information

BOARD OF DIRECTORS

Mr. Muhammad Younus Tabba	(Chairman)
Mr. Muhammad Sohail Tabba	(Chief Executive)
Mr. Muhammad Ali Tabba	
Mr. Imran Yunus Tabba	
Mr. Javed Yunus Tabba	
Mrs. Mariam Tabba Khan	
Mrs. Raheela Aleem	
Mr. Ilyas Ismail	
Mr. Abdul Kadir Adam	

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Toufique Yusuf
FCA FICS

HEAD OF INTERNAL AUDIT DEPARTMENT

Mr. Muhammad Faheem ullah

AUDIT COMMITTEE

Mr. Abdul Kadir Adam	Chairman
Mr. Muhammad Javed Tabba	Member
Mr. Muhammad Ali Tabba	Member
Mr. Imran Yunus Tabba	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Imran Yunus Tabba	Chairman
Mr. Javed Yunus Tabba	Member
Mrs. Mariam Tabba Khan	Member

AUDITORS

Kreston Hyder Bhimji & Co.
Chartered Accountants

LEGAL ADVISOR

Mr. Mohammad Aleem
(Advocate)

BANKERS

Bank Al-Habib Limited
Bank Al-Falah Limited (Islamic Division)
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited

REGISTERED OFFICE AND MILLS

LA-2/B Block # 21,
Rashid Minhas Road,
Federal 'B' Area, Karachi - 75950.
Phones: 36321311-36322048
Fax: 92-21-36313372
E-mail: finance@fazaltextile.com
Website : www.fazaltextile.com

FACTORY SUPER HIGHWAY:

57 Km Mile Stone, near Lucky
Cement, Besides Edhi Village,
Super Highway, Karachi.

Mission Statement

Fazal Textile Mills Limited through its innovative technology and effective resource management has maintained high ethical and professional standards. The core values are its commitment, integrity, excellence, teamwork, transparency and creativity.

Fazal Textile is committed to:-

- produce quality and fault free products for its valued customers by continual improvements by providing proper training and development programmes, upgrading of resources, setting quality objectives by analyzing customer's feedback.

- provides good returns and security to its shareholders

- fulfill obligation towards creditors, employees and the society.

Notice of Annual General Meeting

Notice is hereby given that the 52nd Annual General Meeting of the Members of the Fazal Textile Mills Limited will be held at Registered office of the Company located at L-A, 2/B, Block 21, Rashid Minhas Road, Federal "B" Area, Karachi on Friday the 31st October 2014 at 2.00 p.m to transact the following business.

1. To confirm the minutes of the Annual General Meeting held on 28th October 2013.

2. To receive consider and adopt the Audited accounts for the year ended June 30, 2014 together with the Directors and Auditors report thereon.

3. To approve cash dividend of Rs 5.00 per share of Rs 10/- each for the year ended 30th June 2014 as recommended by the Board.

4. To appoint Auditors for the year ending 30th June 2015 and to fix their remuneration.

5 To transact any other business with the permission of the Chairman

By order of the Board

M. Toufique Yusuf
Company Secretary

Karachi : September 10, 2014

Notes :

1. The share transfer books of the Company will remain closed from October 29, 2014 to November 05, 2014 (both days inclusive)

2. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote for him/her. Proxy forms must be deposited at the registered office of the Company not later than 48 hours before the time of holding the meeting.

3. Nomination from shareholders for the office of Director must be received at least 14 days before the time of meeting at the Registered Office of the Company.

4. An individual beneficial owner of shares from CDC must bring his/her original NIC or Passport, Account and Participant's I.D numbers to prove his/her identity. A representative of corporate member of the Company or CDC must bring the Board of Directors' Resolution and/or Power of Attorney and the specimen signature of the nominee.

5. Members are requested to notify the Company of any change in their addresses immediately.

Directors' Report To The Members

Dear Members

The Directors of your Company have pleasure in presenting before you the performance review together with the audit report and financial statements of the Company for the year ended June 30, 2014.

Overview

The year under review was another challenging period for the company. During the year, a number of external factors including weaker Chinese Currency, Availability of subsidized Indian yarn in the market, higher conversion cost and rapid unprecedented appreciation of Pakistani Currency adversely affected the profitability of company. However, extensive efforts by the management team combined with the strong business relationships, we maintain with our customers, enabled us to achieve the highest ever Sales Turnover of Rs. 6.536 billion (2013: Rs. 5.909 billion).

Financial Results

A comparison of the key financial results of the Company for the year ended June, 30, 2014 is as under:

	Year Ended June 30, 2014 (Rs.'000)	Year Ended June 30, 2013 (Restated) (Rs.'000)	Percentage % Favorable / (Unfavorable)
Sales (net)	**6,536,510**	5,909,410	10.61
Gross Profit	**569,891**	820,341	(30.52)
Finance Cost	**148,224**	89,656	(65.32)
Profit Before Tax	**200,914**	457,306	(56.06)
Profit After Tax	**118,302**	435,629	(72.84)
Earnings Per Share (Rupees)	**19.12**	70.40	

Despite this increase in sales, gross profit stood at Rs.569.891 million, 30.52% lower than the corresponding period last year. This was mainly due to the result of depressed cotton yarn demand in the domestic & international market with the availability of subsidized cheaper Indian cotton yarn. The rapid appreciation of Pakistani rupee in interbank trading dampened sentiment due to the realization of lesser amount of export proceeds in Pak rupees for the finished goods made out from costlier imported raw materials.

The increase of Rs.58.568 million (65.32%) in finance cost over corresponding period last year is mainly due to increase in working capital requirement. The rapid currency fluctuation and building up of sufficient stock to cover the production before the starting of new season. The bottom line declined by 72.84% translating into Rs 19.12 earnings per share as compared to last year's Rs. 70.40.

Major Corporate Events

During the year, shares held by directors and sponsors were transferred to Y.B. Holdings (Private) Limited. By virtue of this transaction your company became a subsidiary of Y.B. Holdings (Private) Limited.

Your company has initiated the evaluation process to merge with M/s. Gadoon Textile Mills Limited. The material information regarding these events were duly communicated to the members of the company through stock exchanges.

Future Outlook

With the present economic conditions that are expected to prevail for a foreseeable future, the company aims to develop and implement measures that will enable the company to minimize the adverse effects.

A sizeable cotton crop is anticipated in the country and the price, we foresee, during the current season shall remain stable, inline with the international market. The price is at a level where the cost of production is viable to maintain the profitability.

After a long spell of depressed yarn market for Pakistani yarn locally and internationally due to higher cost of production as against subsidized cheaper Indian yarn, it seems that the market is taking a turn around. Taking the advantage of cheaper new cotton crop and a relief in the overhead cost due to reversal of GIDC, as decided by the honorable Supreme Court recently, the company will Insha Allah post better results in the forthcoming period.

Code of Corporate Governance

The Directors of your Company are aware of their responsibilities under the Code of Corporate Governance, incorporated in the Listing Rules of the Stock Exchanges in the country under instructions from the Security & Exchange Commission of Pakistan. We are taking all the necessary steps to ensure Good Corporate Governance in your Company as required by the Code.

As a part of the Compliance of the Code, we confirm the following:

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

b) Proper books of account of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. The system of internal controls is sound in design and is being effectively implemented and reviewed by internal audit function.

e) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

f) The Company has a very sound balance sheet with excellent debt:equity ratio and therefore there is no doubt at all about 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) We have an Audit Committee the members of which are from the Board of Directors.

i) We have prepared and circulated a Statement of Ethics and Business Strategy among directors and employees.

j) The Board of Directors has adopted a Mission Statement and a Statement of Overall Corporate Strategy.

k) As required by the Code of Corporate Governance, we have included the following information in this Report:

i) Statement of pattern of shareholding has been given separately.
ii) Statement of shares held by associated undertaking and related persons have been given separately.
iii) Statement of the Board meetings held during the year and attendance by each director.
iv) Key operating and financial statistics for the last six years has been given separately.

Auditors

The present Auditors, M/s. Kreston Hyder Bhimji & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment.

As proposed by the Audit Committee, the Board recommends their appointment as auditors of the Company for the year ending June 30, 2015.

Acknowledgements

The directors record their appreciation of the performance of the Company's workers, staff and executives.

For and on behalf of the Board

Karachi: September 10, 2014.

Chairman

Key Financial And Operational Data

Rupees "000"

PARTICULARS	YEARS						
		Restated	Restated				
	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008
Export Sales	3,520,424	3,628,878	2,763,850	3,700,027	2,890,868	1,815,119	1,910,247
Local Sales	3,084,826	2,298,619	1,930,096	2,078,269	1,381,290	1,130,386	672,118
Gross Sales	6,605,250	5,927,497	4,693,946	5,778,296	4,272,158	2,945,505	2,582,365
Net Sales	6,536,510	5,909,410	4,698,249	5,775,193	4,075,778	2,819,019	2,444,146
Gross Profit	569,891	820,341	394,522	698,298	839,111	220,351	139,904
Gross Profit Ratio	8.72	13.88	8.40	12.09	20.59	7.82	5.72
Profit Before Tax	200,914	457,306	162,917	393,626	675,792	48,219	26,361
Profit Before Tax Ratio	3.07	7.74	3.47	6.82	16.58	1.71	1.08
Profit/(Loss) After Tax	118,302	435,629	131,709	354,096	624,583	25,293	10,040
Profit/(Loss) After Tax Ratio	1.81	7.37	2.80	6.13	15.32	0.90	0.41
Cost of Fixed Assets	4,510,867	3,878,659	3,298,307	1,609,644	1,636,775	1,625,504	1,597,122
Book Value of Fixed Assets	3,264,436	2,704,638	2,197,596	575,075	629,583	672,849	719,115
Total Assets Employed	7,708,703	7,437,335	5,225,951	4,270,909	3,679,757	2,884,682	3,328,731
Shareholders Equity	2,225,431	2,145,195	1,744,604	1,643,483	1,351,262	735,960	719,948
Breakup Value Per Share	359.67	346.70	281.96	265.61	218.39	119.10	116.35
Earning Per Share Before Tax	32.47	73.90	26.33	63.62	109.22	7.79	4.42
Earning/(Loss) Per Share After Tax	19.12	70.40	21.29	57.23	100.94	4.09	1.62
Production Capacity (20/s) (lbs)	50,983,863	48,990,026	48,990,026	48,990,026	48,990,026	48,990,026	48,990,026
Production converted into 20/s (lbs)	49,925,411	45,801,500	45,801,500	48,798,460	48,858,410	48,739,567	48,607,000
Capacity Utilization	97.92	93.49	93.49	99.61	99.73	99.49	99.22

Pattern of Shareholding

As at June 30, 2014

NUMBER OF SHARE HOLDERS	SHARE HOLDING			TOTAL SHARES HELD
	FROM		TO	
447	1	to	100	23,373
132	101	to	500	44,028
32	501	to	1000	24,243
46	1001	to	5000	142,284
8	5001	to	10000	59,001
1	10001	to	15000	13,759
1	15001	to	20000	19,365
1	20001	to	25000	22,800
3	30001	to	35000	97,051
1	65001	to	70000	67,755
3	135001	to	140000	407,806
3	225001	to	230000	683,912
1	4580001	to	4585000	4,582,126
679				6,187,503

Pattern of Shareholding

As at June 30, 2014

Categories of Shareholders	No. of Shareholders	Total Shares Held	Percentage
Directors and their spouse(s) and minor children			
MUHAMMAD YUNUS TABBA	1	5,000	0.08
SOHAIL M. YUNUS	1	5,000	0.08
MOHAMMAD ALI TABBA	1	5,000	0.08
IMRAN M. YUNUS	1	5,000	0.08
JAVED M. YUNUS	1	5,000	0.08
MARIAM TABBA KHAN	1	5,000	0.08
ILYAS ISMAIL	1	228,242	3.69
RAHILA ALEEM	1	5,000	0.08
ABDUL KADIR ADAM	1	2,500	0.04
KULSUM	1	5,000	0.08
AMINA A. RAZAK	1	5,000	0.08
ZULEKHA	1	5,000	0.08
MAIMOONA	1	136,050	2.20
NASREEN MOTAN	1	136,050	2.20
YASMEEN YAQOOB	1	135,706	2.19
MUHAMMAD ARIF ISMAIL MOTAN	1	228,242	3.69
ASLAM ISMAIL	1	227,428	3.68
Associated Companies, undertakings and related parties	-	-	-
Executives	-	-	-
Public Sector Companies and Corporations	7	36,911	0.60
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	1	6,195	0.10
Mutual Funds			
GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1	22,800	0.37
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	67,755	1.10
General Public			
a. Local	637	293,867	4.75
b. Foreign	-	-	-
Others	15	4,615,757	74.60
Totals	**679**	**6,187,503**	**100.00**

Share holders holding 5% or more	Shares Held	Percentage
Y.B. HOLDING (PRIVATE) LIMITED	4,582,126	74.05

Pattern of Shareholding

As at June 30, 2014

S.No.	Folio #	Name of shareholder		Number of shares	Per %
Directors and their spouse(s) and minor children					
1	03277-2885	MUHAMMAD YUNUS TABBA		5,000	0.08
2	03277-1481	SOHAIL M. YUNUS		5,000	0.08
3	03277-1480	MOHAMMAD ALI TABBA		5,000	0.08
4	03277-1484	IMRAN M. YUNUS		5,000	0.08
5	03277-1485	JAVED M. YUNUS		5,000	0.08
6	03277-1483	MARIAM TABBA KHAN		5,000	0.08
7	215	ILYAS ISMAIL		228,242	3.69
8	03277-1482	RAHILA ALEEM		5,000	0.08
9	500	ABDUL KADIR ADAM		2,500	0.04
10	03277-5903	KULSUM		5,000	0.08
11	03277-1469	AMINA A. RAZAK		5,000	0.08
12	03277-11752	ZULEKHA		5,000	0.08
13	216	MAIMOONA		136,050	2.20
14	217	NASREEN MOTAN		136,050	2.20
15	218	YASMEEN YAQOOB		135,706	2.19
16	219	MUHAMMAD ARIF ISMAIL MOTAN		228,242	3.69
17	220	ASLAM ISMAIL		227,428	3.68
			17	**1,144,218**	**18.49**
Associated companies, undertakings and related parties					
		NIL			-
			-	-	-
Executive					
		NIL			-
			-	-	-
Public sector companies and corporations					
1	00083-36	IDBL (ICP UNIT)		150	0.00
2	03889-28	NATIONAL BANK OF PAKISTAN		38	0.00
3	03889-44	NATIONAL BANK OF PAKISTAN		34,527	0.56
4	07088-39	THE BANK OF PUNJAB, TREASURY DIVISION.		98	0.00
5	11353-22	NATIONAL INVESTMENT TRUST LIMITED		1,746	0.03
6	334	NATIONAL BANK OF PAKISTAN		81	0.00
7	335	NATIONAL DEVELOPMENT FIN.CORP.		271	0.00
			7	**36,911**	**0.60**
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds					
1	03277-78335	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND		6,195	0.10
			1	**6,195**	**0.10**

Pattern of Shareholding

As at June 30, 2014

S.No.	Folio #	Name of shareholder		Number of shares	Per %
Mutual Funds					
1	05520-28	GOLDEN ARROW SELECTED STOCKS FUND LIMITED		22,800	0.37
2	14902-21	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST		67,755	1.10
			2	**90,555**	**1.46**
General Public Foreign					
		NIL			-
			-	-	-
Others					
1	1	ADMIST. ABANDONED PROP.		600	0.01
2	156	FATEH TEXTILE MILLS LTD.		90	0.00
3	230	JAHANGIR SIDDIQUI & CO. LTD		50	0.00
4	00307-46	IGI FINEX SECURITIES LIMITED		1	0.00
5	02287-14	ISLAMABAD STOCK EXCHANGE LIMITED		600	0.01
6	03277-2937	INTERNATIONAL BRANDS (PVT) LTD.		1,000	0.02
7	03277-82127	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST		217	0.00
8	03277-84227	Y.B. HOLDING (PRIVATE) LIMITED		4,582,126	74.05
9	03525-63416	H M INVESTMENTS (PVT) LIMITED		21	0.00
10	03525-63817	NH SECURITIES (PVT) LIMITED.		386	0.01
11	04705-73101	SECURITIES & EXCHANGE COMMISSION OF PAKISTAN		1	0.00
12	05264-26398	ABANDONED PROPERTIES ORGANIZATION		19,365	0.31
13	07385-17	ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LIMITED		100	0.00
14	07443-27	Y.H. SECURITIES (PVT.) LTD.		10,000	0.16
15	14241-22	FIKREE'S (SMC-PVT) LTD.		1,200	0.02
			15	**4,615,757**	**74.60**

Statement of Compliance with the Code of Corporate Governance

For the year ended June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in related clauses of Listing Regulations of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner;

1. The Company's Board includes :

Category	**Names**
Independent Director	Mr. Abdul Karim Adam
Executive Director	Mr. Muhammad Sohail Tabba
Non-Executive Directors	Mr. Muhammad Younus Tabba
	Mr. Muhammad Ali Tabba
	Mr.Imran Yunus Tabba
	Mr. Javed Yunus Tabba
	Mrs. Mariam Tabba Khan
	Mrs. Raheela Aleem
	Mr. Ilyas Ismail

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

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

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred in the Board of Directors during the current year.

5. The company has prepared a "Code of Conduct", which is approved by the Board of Directors, and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Directors of the Company are adequately trained to perform their duties except two directors who will be trained within the specified time.

10. The CFO, Company Secretary and head of Internal Audit continued their service and no changes were made during the financial year.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirement of the CCG.

15. The Board has formed an Audit Committee comprising of three non-executive directors being members. However, audit committee has been reconstituted by including one independent director as the Chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises three members who are non-executive directors including chairman of the committee.

18. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programe of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period' prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.

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

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

Karachi: September 10, 2014

Muhammad Younus Tabba
Chairman

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 Fazal Textile Mills Limited ("the Company") to comply with the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges, 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 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, the Listing Regulations requires the Company to place before the Board of Directors for their consideration and approval of 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 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, 2014.

Hyder Bhimji & Co.

KRESTON HYDER BHIMJI & CO.
Chartered Accountants

Karachi: September. 10, 2014

Auditors' Report to the Members

We have audited the annexed Balance Sheet of M/S. FAZAL TEXTILE MILLS LIMITED (the Company) as at June 30, 2014 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the change as described in note 2.5.1 with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to note 1.1 to the financial statements, which more fully explains the board of directors' intent for merger/amalgamation of the Company's textile business with and into Gadoon Textile Mills Limited for exploring the potential opportunities to expand, grow and reorganize the Company subject to financial and legal evaluation. Our opinion is not qualified in respect of this matter.

Hyder Bhimji & Co

KRESTON HYDER BHIMJI & CO
CHARTERED ACCOUNTANTS
Engagement Partner: Mohammad Hanif A. Razzak

Karachi: September 10, 2014

Balance Sheet

As at June 30, 2014

	Note	June 2014	June 2013 Restated	June 2012 Restated
		Rupees in '000'		
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	4	5,617,963	4,674,184	3,298,455
Long term loans and advances	5	10,976	17,971	5,569
Long term security deposits		1,199	1,259	1,259
		5,630,138	4,693,414	3,305,283
CURRENT ASSETS				
Stores, spare parts and loose tools	6	76,603	78,386	64,240
Stock in trade	7	754,167	1,285,971	911,268
Trade debts	8	860,014	1,154,876	792,566
Loans and advances	9	69,528	57,787	47,465
Trade deposits and short term prepayments	10	681	298	38,673
Other receivables	11	60	6,203	237
Sales Tax refunds due from government		146,137	93,653	35,947
Income tax refundable	12	82,065	47,422	17,217
Cash and bank balances	13	89,310	19,325	13,054
		2,078,565	2,743,921	1,920,667
TOTAL ASSETS		7,708,703	7,437,335	5,225,950
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital	14	150,000	150,000	150,000
Issued, subscribed and paid-up capital	15	61,875	61,875	61,875
Reserves	16	2,174,437	2,087,073	1,676,194
Reasurement on post retirement benefits obligation-net of tax		(10,881)	(3,753)	6,535
		2,225,431	2,145,195	1,744,604
LIABILITIES				
NON-CURRENT LIABILITIES				
Long term financing	17	1,633,333	2,175,000	675,000
Deferred Liabilities				
Staff retirement benefits	18	82,083	60,460	39,898
Deferred taxation	19	77,476	18,505	26,707
		159,559	78,965	66,605
		1,792,892	2,253,965	741,605
CURRENT LIABILITIES				
Trade and other payables	20	418,322	601,164	407,807
Accrued markup		84,390	51,947	33,621
Short term borrowings	21	2,896,001	2,385,064	2,298,313
Current portion of long term financing		291,667	-	-
		3,690,380	3,038,175	2,739,741
Contingencies and Commitments	22	-	-	-
TOTAL EQUITY AND LIABILITIES		7,708,703	7,437,335	5,225,950

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

Karachi : September 10, 2014

Chairman

Chief Executive

Profit and Loss Account

For the year ended June 30, 2014

	Note	June 2014	June 2013 Restated
		Rupees in '000'	
Sales	23	**6,536,510**	5,909,410
Cost of sales	24	**5,966,619**	5,089,069
Gross profit		**569,891**	820,341
Distribution Costs	25	**137,901**	194,889
Administrative expenses	26	**67,337**	60,364
Other operating expenses	27	**40,595**	25,253
		245,833	280,506
		324,058	539,835
Other Income	28	**25,080**	7,127
Operating profit		**349,138**	546,962
Finance cost	29	**148,224**	89,656
Profit before taxation		**200,914**	457,306
Taxation	30	**82,612**	21,677
Profit after taxation		**118,302**	435,629
Earning per share-basic and diluted (Rupees)	31	**19.12**	70.40

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

Karachi : September 10, 2014

Chairman

Chief Executive

Statement of Comprehensive Income

For the year ended June 30, 2014

	June 2014	June 2013 Restated
	Rupees in '000'	
Profit after taxation	**118,302**	435,629
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Remeasurement of post retirement benefits obligation	**(7,716)**	(11,136)
Impact of tax	**588**	848
	(7,128)	(10,288)
Total comprehensive income for the year	**111,174**	425,341

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

Karachi : September 10, 2014

Chairman

Chief Executive

Cash Flow Statement

For the year ended 30 June 2014

	Note	June 2014	June 2013 Restated
		Rupees in '000'	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	32	**1,197,554**	133,729
Gratuity paid		**(15,275)**	(12,691)
Finance cost paid		**(115,781)**	(71,330)
Income tax paid		**(57,696)**	(59,237)
Long term loans and advances		**1,825**	(12,402)
Long term security deposit		**60**	-
Net cash inflow/(Outflow) from operating activities		**(186,867)**	(155,660)
		1,010,687	(21,931)
CASH FLOW FROM INVESTING ACTIVITIES			
Direct additions to Property Plant and Equipment		**(13,654)**	(489,834)
Additions to capital work in progress		**(1,192,697)**	(1,055,623)
Sale proceeds from disposal of Property plant and equipment		**35,318**	11,389
Net cash (Outflow) from investing activities		**(1,171,033)**	(1,534,068)
CASH FLOW FROM FINANCING ACTIVITIES			
Net (decrease) / increase inlong term financing		**(250,000)**	1,500,000
Dividend paid		**(30,606)**	(24,481)
Net cash In / (Outflow) from financing activities		**(280,606)**	1,475,519
Net decrease in cash and cash equivalents		**(440,952)**	(80,480)
Cash and cash equivalents at the beginning of the year		**(2,365,739)**	(2,285,259)
Cash and cash equivalents at the end of the year	33	**(2,806,691)**	(2,365,739)

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

Karachi : September 10, 2014

Chairman

Chief Executive

Statement of Changes in Equity

For the year ended June 30, 2014

Description	Issued, Subscribed and Paid up Capital	RESERVES				Reasurement on post retirement benefits obligation net of tax	Total Equity
		Capital Reserve	Revenue Reserves				
		Share premium	General Reserve	Unappropriated Profit	Sub total-reserves		
	-------------------------Rupees in "000"-------------------------						
Balance as on June 30, 2012 as originally reported	61,875	34,416	1,485,584	156,194	1,676,194	-	1,738,069
Impact of change in accounting policy Note 2.5.1							
Gain on Remeasurment of defined benefit plan	-	-	-	-	-	7,074	7,074
Less: Related Deferred Tax Liability	-	-	-	-	-	(539)	(539)
						6,535	6,535
Balance as on June 30, 2012 - Restated	**61,875**	**34,416**	**1,485,584**	**156,194**	**1,676,194**	**6,535**	**1,744,604**
Transfer to revenue reserves	-	-	120,000	(120,000)	-	-	-
Transaction with owners							
Final Dividend for the year ended June 30, 2012 Cash Rs. 4 per share	-	-	-	(24,750)	(24,750)	-	(24,750)
Total comprehensive income for the year ended June 30, 2013	-	-	-	435,629	435,629	(10,288)	425,341
Balance as on June 30, 2013 - Restated	**61,875**	**34,416**	**1,605,584**	**447,073**	**2,087,073**	**(3,753)**	**2,145,195**
Balance as on July 01, 2013 as previously reported	61,875	34,416	1,605,584	447,690	2,087,690	-	2,149,565
Net Impact of change in accounting policy Note 2.5.1	-	-	-	-	-	(3,753)	(3,753)
Reversal of Provision for Gratuity of previous period	-	-	-	(617)	-	-	(617)
	-	-	-	(617)	-	(3,753)	(4,370)
Balance as on July 01, 2013 - Restated	61,875	34,416	1,605,584	447,073	2,087,073	(3,753)	2,145,195
Transfer to revenue reserve	-	-	400,000	(400,000)	-	-	
Total comprehensive income for the year ended June 30, 2014	-	-	-	118,302	118,302	(7,128)	111,174
Transaction with owners							
Final Dividend for the year ended June 30, 2013 Cash Rs. 5 per share	-	-	-	(30,938)	(30,938)	-	(30,938)
Balance as on June 30, 2014	**61,875**	**34,416**	**2,005,584**	**134,437**	**2,174,437**	**(10,881)**	**2,225,431**

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

Karachi : September 10, 2014

Chairman

Chief Executive

Notes to the Financial Statements

For the year ended June 30, 2014

1. LEGAL STATUS AND OPERATION:

The Company was incorporated on July 6, 1963 as a Private Limited Company under the Companies Act, 1913 (Companies Ordinance, 1984) and was converted into a Public Limited Company on May 04, 1966. The Company is listed on stock exchangesof Pakistan. The Company is engaged in manufacturing, selling, buying and dealing in all types of yarn and knitted fabrics. The address of its registered office is LA-2/B, Block 21, Rashid Minhas Road, Federal "B" Area, Karachi, Pakistan. The Company has also undertaken a joint venture building construction project at Plot # LA-2/B, Block 21, Rashid Minhas Road, Federal "B" Area, Karachi. As disclosed in note 15.1, during the year Y.B. Holding (Private) Limited became holding company of the Company.

1.1 MERGER/ AMALGAMATION

The Board of Directors of the Company have, while exploring the potential opportunities to expand, grow and reorganize the Company, identified opportunity for expansion / reorganization by virtue of merging the textile business of the company with and into the Gadoon Textile Mills Limited (GTML) and is in process of discussion with the Management of GTML to explore the viability and feasibility of the merger. The Company has engaged Consultants and Advisors to evaluate feasibility of the merger including Due Diligence and Valuation and formation of scheme of compromises, arrangements and reconstruction for amalgamation / merger.

2. BASIS OF PREPARATION

2.1 Basis of measurement

These financial statements comprise of balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with notes and have been prepared under the 'historical cost convention' except as has been specifically stated below in respective notes.

2.2 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 provisions of and directives issued under the Companies Ordinance, 1984. Wherever, the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.3 Functional and presentation currency, and rounding off

These financial statements have been prepared in Pak Rupees, which is the Company's functional currency. All financial information presented in Pak Rupees has been rounded to nearest thousand.

2.4 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the company's accounting policies, management has made following estimates and judgments which are significant to the financial statements.

a) Property, plant and equipment
The company has made certain estimation with respect to residual value, depreciation method and useful lives of property, plant and equipment. Further, the company reviews the value of assets for possible impairment on each reporting period.

b) Provision for stores and spares
The Company has made estimation with respect to provision for slow moving, damaged and obsolete items and their net realizable value.

c) Staff retirement benefits
Certain actuarial assumptions have been adopted as disclosed in note no. 18.4 to these financial statements for valuation of present value of defined benefit obligations.

d) Income Taxes
The company takes into account relevant provision of current income tax laws while providing for current and deferred taxes as explained in note 3.2 of these financial statements.

e) Contingencies
The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company based on the availability of the latest information, estimates the value of contingent assets and liabilities which are dependent upon the occurrence/non-occurrence of the uncertain future events.

2.5 NEW STANDARDS,INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING AND FINANCIAL REPORTING STANDARDS

2.5.1 New and amended standards and interpretations became effective:

The following amendments to existing standards have become effective for the Company's current financial statements which are either irrelevant or have no effect on the Company's financial statements except as disclosed as follows:

- IAS 19 (revised) 'Employee Benefits' has eliminated the corridor approach and requires calculating finance cost on net funding bases. The Company has applied this change in accounting policy retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded unrecognized actuarial losses net of taxes associated with retirement benefit plan by adjusting the opening balance of unappropriated profit and retirement benefit for the prior years' presented.

Effect of adoption of amendments in IAS 19 (Revised) "Employee Benefits"

The adoption of the amendments has led to change in accounting policy in respect of recognition of re-measurement gain/loss related to post retirement defined benefits plan retrospectively, the effects whereof have 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 at 01 July 2012 have been presented and disclosed as part of the statement of changes in equity, while the corresponding period adjustment through other comprehensive income and profit or loss is restated and disclosed as part of the Statement of Comprehensive Income and Profit and Loss Account respectively. The Balance Sheet also presents the prior years' numbers as restated, due to the said changes.

	2013			2012		
	As previously reported	Impact due to change in policy	As restated	As previously reported	Impact due to change in policy	As restated
	Rupees in "000"					
Effect on balance sheet						
Staff retirement benefits	55,781	4,679	60,460	46,972	7,074	54,046
Deferred Taxation	18,814	(309)	18,505	26,169	(539)	25,630
Unappropriated profit	447,690	(617)	447,073	156,194	6,535	162,729

Effect on profit & loss account	**2014**	**2013**
(Decrease) in profit	-	(617)
(Decrease) in EPS	-	(0.10)
Effect on other comprehensive income		
Recognition of actuarial gain/(loss)	**(7,716)**	(11,136)
Impact of tax	**588**	848
	(7,128)	(10,288)
	(7,128)	(10,288)

- IFRS 7 **Financial Instruments: Disclosures** - Disclosures about offsetting of financial assets and liabilities; These amendments require entities to disclose gross amount subject to right of set off, amounts set off in accordance with accounting standards followed, and the related net credit exposure. These disclosures are intended to facilitate the evaluation of the effect or potential effect of netting arrangements on an entity's financial position.

- IAS 27 **Separate Financial Statements (2011) - Amendment;** The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments / IAS 39 Financial Instruments: Recognition and Measurement. The Standard also deals with the recognition of dividends, certain group reorganizations and includes a number of disclosure requirements.

- IAS28 **Investments in Associates and Joint Ventures -** Amendment; This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

2.5.2 Standards, Interpretations and Amendments issued but not yet effective:

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 01, 2014:

- IFRIC 21 **'Levies, an Interpretation on the accounting for levies imposed by governments'** (effective for annual periods beginning on or after 01 January 2014).

  IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- **Offsetting Financial Assets and Financial Liabilities** (Amendments to IAS 32) - (effective for annual periods beginning on or after 01 January 2014).

  The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- **Amendment to IAS 36 'Impairment of Assets'** Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 01 January 2014).

  These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- **Amendments to IAS 39 'Financial Instruments: Recognition and Measurement'** Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 01 January 2014).

  The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- **Amendments to IAS 19 'Employee Benefits'** Employee contributions - a practical approach (effective for annual periods beginning on or after 01 July 2014).

  The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- **Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment'** (effective for annual periods beginning on or after 01 January 2016)

  This amendment introduces severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

These amendments / clarification to the standards are either irrelevant or will not have any material effect on the Company's financial statements.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 01 July 2014). The new cycle of improvements contain amendments to the following standards:

- **IFRS 2 'Share-based Payment';** IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- **IFRS 3 'Business Combinations';** these amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- **IFRS 8 'Operating Segments'** has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition, this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- **Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'.** The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- **IAS 24 'Related Party Disclosure'.** The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- **IAS 40 'Investment Property'.** IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

These amendments / clarification are not likely to have any material impact on the Company's financial statements.

2.5.3 New Standards issued by ISAB and notified by SECP but not yet effective

Following new standards issued by IASB have been adopted by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan through SRO 633(I) / 2014 dated July 10, 2014 and will be effective for annual periods beginning on or after January 01, 2015.

- **IFRS-10 'Consolidated Financial Statements'**

  This is a new standard that replaces the consolidation requirements in SIC - 12 Consolidation: Special Purpose Entities and IAS 27 - Consolidated and Separate Financial Statements. The proposed standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

- **IFRS-11 'Joint Arrangements'**

  This is a new standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangements, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.

- **IFRS-12 'Disclosure of Interest in Other Entities'**

  This is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- **IFRS-13 'Fair Value Measurement'**

  This standard applies to IFRSs that require or permit fair value measurement or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit-price' notion and uses 'a fair value hierarchy', which results in market-based, rather than entity-specific measurement.

These new standards are either irrelevant or will not have any material effect on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Staff retirement benefits

The Company operates unfunded gratuity scheme covering all employees eligible to the benefit. The present value of the defined benefit obligation has been determined on the basis of actuarial valuation carried out on the Balance Sheet date. In accordance with the requirements of IAS 19, Employees Benefits, actuarial valuation has been carried out using Projected Unit Credit Actuarial Cost Method. Main valuation assumptions used for actuarial valuation were as under:

Discount Rate	13.75% per annum
Expected rate on increase in salaries	12.75% per annum

Any actuarial gains / losses on re-measurement are immediately recognized in the "Other Comprehensive Income".

3.2 Taxation

Current
Provision for current taxation is based on taxable income at current rates of taxation after taking in to account tax credits available rebate and exemption if any, subject to treatment in respect of tax deducted at source on export as final discharge of tax liabilities.

Deferred
Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax assets and liabilities and their carrying values for financial reporting purposes and amount used for taxation purpose.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

3.3 Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into rupee at the rates of exchange ruling on the balance sheet date except for liabilities covered under forward exchange contracts which are translated at the contract rates. The gain or loss due to the rate fluctuation is adjusted against the plant and machinery acquired under the loan.

3.4 Property, Plant & Equipment

Operating assets

These are stated at cost less accumulated depreciation and impairment loss, if any except leasehold land which is stated at cost.

Depreciation is charged on diminishing balance method at rates specified in the note 4.1. In respect of addition/deletion during the year, depreciation is charged from the month of acquisition and up to the month preceding the disposal respectively.

The costs of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits associated with the part will flow to the Company and its cost can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Major spare parts, stand-by equipment and servicing equipment which qualify as property, plant and equipment when an entity expects to use them during more than one year are classified as property, plant and equipment under category of major stores and spares and are carried at cost less accumulated depreciation and accumulated impairment, if any. These will be transferred to relevant operating assets category as and when such items are available for use. However, currently there are no such items hence there is no effect thereof in financial statements.

Gains and losses on disposal of operating assets are included in profit and loss account.

Capital Work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less impairment, if any. Cost represents expenditure incurred in the course of construction, implementation or installation of the items of property, plant and equipment. These expenditures are transferred to relevant category of property, plant and equipment as and when the assets are available for use and start operation.

3.5 Stores, spare parts, loose tools and packing materials

These are valued at weighted average cost less provision for slow moving and obsolescence. Adequate provision is made for obsolete and slow moving items as and when required based on parameters set out by management.

Goods-in-transit are valued at invoice amount plus other costs incurred thereon up to balance sheet date.

3.6 Stocks

These are valued as follows:

Raw materials - At lower of cost or net realizable value on FIFO basis.

Finished goods - At lower of average cost or net realizable value including portion of related factoryoverheads.

Work-in-process - At average cost of raw material and proportionate manufacturing overheads.

Waste - At net realizable value

Net realizable value signifies the estimated selling prices in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

3.7 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoice amount less any estimated allowance made for doubtful receivables based on review of outstanding amount at the year end. Balances considered irrecoverable are written off as and when identified.

3.8 Cash and Cash equivalent

Cash and cash equivalent are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, balances with banks in current and deposit accounts, other short term highly liquid investments less short term bank borrowings and running finance.

3.9 Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is recognized on following basis:

- Sales/ Service charges are recorded on dispatch of goods to customers;
- Rental Income is recognized as and when earned on annual basis; and
- Income of deposits is recognized on receipt basis.

3.10 Financial instruments

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 as fair value or amortized cost, as the case may be.

3.11 Loans and Receivables

Financial assets which have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. These are measured at amortized cost less impairment, if any.

3.12 Employees Leave Entitlement

Employees' entitlements to annual leaves are recognized when they accrue to employee. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

3.13 Borrowing and their Cost

Borrowings are recorded at the amount of proceeds received.

Borrowing costs incurred on finances obtained for the construction/installation of qualifying assets are capitalized up to date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

3.14 Provisions

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

3.15 Impairment of Assets

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicated that one or more events have had a negative effect on the estimated future cash flows of that asset.

The company considers evidence of impairment for receivable and other financial assets at specific asset level. Impairment losses are recognized as expense in profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Non-Financial assets

The carrying amount of non-financial assets is assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount of such assets is estimated. Recoverable amount is higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognized as expense in the profit and loss account for the amount by which asset's carrying amount exceeds its recoverable amount.

3.16 Dividend

Dividend distribution to the company shareholders' is recognized as a liability in the company's financial statements in the period in which the dividends are approved.

3.17 Related Party Transactions

Transactions and contracts with related party are carried out at arm's length prices determined in accordance with comparable uncontrolled price method.

3.18 Offsetting

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

4. PROPERTY, PLANT AND EQUIPMENT

	Note	June 2014	June 2013
		Rupees in '000'	
Operating Fixed Assets	4.1	**3,264,436**	2,704,638
Capital Work in Progress	4.2	**2,353,527**	1,969,546
		5,617,963	4,674,184

4.1 OPERATING FIXED ASSETS - TANGIBLE

2014

	Leasd hold land	Main factory building - On Leasehold Land	Other factory building - On Leasehold Land	Plant & Machinery	Testing equipment, Scales, Weighments	Office Equipments	Furniture & Fixtures	Vehicles	Computer Equipments	Total
	---------------------------------Rupees in "000"----------------------------------									
Net Carrying Value Basis Year ended June 30, 2014										
Opening net book value	545,338	562,969	402,729	1,162,116	783	4,224	202	23,155	3,122	2,704,638
Additions at cost										
Direct Addition	-	-	-	-	-	406	-	12,149	1,099	13,654
Transfer from CWIP	-	549,742	27,846	231,128	-	-	-	-	-	808,716
	-	549,742	27,846	231,128	-	406	-	12,149	1,099	822,370
Disposals / Adjustment										
Cost	-	31,250	96,676	56,397	-	-	-	5,839	-	190,162
Accumulated depreciation	-	28,700	57,828	47,916	-	-	-	4,024	-	138,468
	-	2,550	38,848	8,481	-	-	-	1,815	-	51,694
Depreciation for the year	-	56,709	19,915	125,492	78	453	20	6,937	1,274	210,878
Closing net book value	**545,338**	**1,053,452**	**371,812**	**1,259,271**	**705**	**4,177**	**182**	**26,552**	**2,947**	**3,264,436**
Gross Carrying Value Basis at June 30, 2014										
Cost	545,338	1,171,692	438,622	2,278,653	7,488	9,071	2,158	50,923	6,922	4,510,867
Accumulated depreciation	-	118,240	66,810	1,019,382	6,783	4,894	1,976	24,371	3,975	1,246,431
Net Book Value	**545,338**	**1,053,452**	**371,812**	**1,259,271**	**705**	**4,177**	**182**	**26,552**	**2,947**	**3,264,436**
Rate	**-**	**10%**	**5%**	**10%**	**10%**	**10%**	**10%**	**20%**	**33%**	

2013

	Leasd hold land	Main factory building - On Leasehold Land	Other factory building - On Leasehold Land	Plant & Machinery	Testing equipment, Scales, Weighments	Office Equipments	Furniture & Fixtures	Vehicles	Computer Equipments	Total
	---------------------------------Rupees in "000"----------------------------------									
Net Carrying Value Basis Year ended June 30, 2013										
Opening net book value	545,338	485,487	397,340	739,599	869	3,515	225	22,083	3,140	2,197,596
Additions at cost										
Direct Addition	-	-	-	-	-	1,150	-	5,898	1,567	8,615
Transfer from CWIP	-	127,090	25,362	515,703	-	-	-	-	-	668,155
	-	127,090	25,362	515,703	-	1,150	-	5,898	1,567	676,770
Disposals / Adjustment										
Cost	-	-	-	87,855	-	-	-	882	7,681	96,418
Accumulated depreciation	-	-	-	79,138	-	-		830	7,538	87,506
	-	-	-	8,717	-	-	-	52	143	8,912
Depreciation for the year	-	49,608	19,973	84,469	86	441	23	4,774	1,442	160,816
Closing net book value	**545,338**	**562,969**	**402,729**	**1,162,116**	**783**	**4,224**	**202**	**23,155**	**3,122**	**2,704,638**
Gross Carrying Value Basis At June 30, 2013										
Cost	545,338	653,200	507,452	2,103,922	7,488	8,665	2,158	44,613	5,823	3,878,659
Accumulated depreciation	-	90,231	104,723	941,806	6,705	4,441	1,956	21,458	2,701	1,174,021
Net Book Value	**545,338**	**562,969**	**402,729**	**1,162,116**	**783**	**4,224**	**202**	**23,155**	**3,122**	**2,704,638**
Rate	**-**	**10%**	**5%**	**10%**	**10%**	**10%**	**10%**	**20%**	**33%**	

	June 2014	June 2013
	Rupees in '000'	

4.1.1 Depreciation charge for the period has been allocated as follows :

	June 2014	June 2013
Cost of sales	202,194	154,136
Administrative expenses	7,899	6,009
Selling and distribution expenses	785	671
	210,878	160,816

4.1.2 Details of Disposal of Property, Plant and Equipment

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Sold to
	.... (Rupees in '000')				....		
Building							
Building Scrap on demolishing	127,926 *	86,528	41,398	20,403	(20,995)	Negotiation	Mohammad Zahid
Motor Vehicles							
REG.# APC-894	641	459	182	449	267	To employee as per company policy	Saima Waseem
REG.# AMU-574	610	482	128	427	299	-do-	Khurram Junaid
REG.# AMW-159	606	479	127	424	297	-do-	Rasib Hussain
REG.# ARK-713	776	509	267	574	307	-do-	Asim Raza
REG.# KGS-2986	48	5	43	41	(2)	Negotiation	Insurance claim
REG.# ATJ-296	858	441	417	600	183	Negotiation	Fazal Karim
REG.# ACW-959	494	473	21	330	309	Negotiation	Syed Babar Ali
REG.# CN-1381	347	325	22	250	228	Negotiation	Muhammad Jamil
REG.# KDL-4384	59	40	19	12	(7)	Negotiation	Asif Ahmed Khan
REG.# AKK-492	620	532	88	150	62	Negotiation	Toufique Yousuf
REG.# AXP-454	742	246	496	675	179	Negotiation	Insurance claim
REG.# KBM-0919	40	35	5	5	-	Negotiation	Zahir Ur Rehman
	5,840	4,025	1,815	3,936	2,121		
Plant and Machinery							
Ring Spinning Frame	6,949	6,253	696	900	204	Negotiation	M/s Gadoon Textile Mills Ltd (related Party)
Ring Spinning Frame	6,949	6,265	684	900	216	Negotiation	M/s Gadoon Textile Mills Ltd (related Party)
Simplex Machine	4,053	3,764	289	1,200	911	Negotiation	M/s Abdul Majeed Sons
Carding Machine	27,712	22,338	5,374	6,000	626	Negotiation	M/s Fazal Awais Textile
Winding Machine	1,400	1,258	142	148	6	Negotiation	Raees Ahmed
Drawing Machine	3,239	2,930	309	339	30	Negotiation	Adnan Ali
Comber Machine	250	233	17	42	25	Negotiation	Adnan Ali
Drawing Machine	2,369	1,728	641	1,000	359	Negotiation	M/s Gadoon Textile Mills Ltd (related Party)
Ring Frame	3,475	3,147	328	450	122	Negotiation	M/s Fazal Awais Textile
	56,396	47,916	8,480	10,979	2,499		
Total June 2014	**190,162**	**138,469**	**51,693**	**35,318**	**(16,375)**		
Total June 2013	88,737	79,968	8,769	11,389	2,620		

* This represents cost of building situated at Plot No. LA-2/B, block 21, FB Area, Rashid Minhas Road, Karachi, which have been demolished in view of company's decision to commercalise the land and develop the project as disclosed in note 4.2.4.

		Note	June 2014	June 2013
			Rupees in '000'	
4.2	**CAPITAL WORK IN PROGRESS**			
	Civil Works	4.2.1	-	495,031
	Plant and Machinery	4.2.2	-	-
	Construction Cost - Civil Works of the project	4.2.3	2,353,527	1,474,515
			2,353,527	1,969,546
4.2.1	**Civil Works**			
	Opening Balance		495,031	413,856
	Addition during the year	4.2.5	82,557	194,826
	Borrowing Cost Capitalized		-	38,801
	Amount transferred to factory building		(577,588)	(152,452)
	Closing Balance		-	495,031
4.2.2	**Plant and Machinery**			
	Opening Balance		-	-
	Addition during the year	4.2.6	188,356	481,219
	Stores amount capitalized		42,772	34,484
	Amount transferred to Plant and Machinery		(231,128)	(515,703)
	Closing Balance		-	-
4.2.3	**Construction Cost - Civil Works of the project**			
	Opening Balance		1,474,515	687,003
	Expenditure incurred during the year		18,131	19,014
	Borrowing Cost Capitalized during the year		191,313	102,886
	Mobilization advance to Lucky One (Pvt) Ltd paid during the year		665,000	665,612
	Supervision fees	4.2.7	4,568	-
	Closing Balance	4.2.8	2,353,527	1,474,515

4.2.4 The company had decided to shift its production facility from Plot No LA-2/B, Block 21, F.B Area, Rashid Minhas Road, Karachi to Super Highway, Nooriabad and converted the plot from industrial to commercial use and the company in its Annual General Meeting held on 8th October 2008 approved the construction of mega mall and luxurious residential towers (the project) on the commercialized land in joint venture with Lucky Textile Mills. Moreover keeping in view the large scale of the project, both in term of size and investment, the shareholders further resolved to setup a Special Purpose Vehicle (SPV) for the purpose of construction, development and maintenance of the project. In pursuance of the resolution Lucky One (Private) Limited has been incorporated to carry out construction, development , maintenance of the project and to carry out and conduct all the formalities relating thereto.

4.2.5 This represent the expenditures incurred for civil work for building production facility at Nooriabad.

4.2.6 This represent the expenditures incurred for shifting existing plant and machinery, cost of new items of stores and machinery and cost of installation and upgradation of plant and machinery at Nooriabad.

4.2.7 This represents supervision fees charged by Lucky one (Pvt) Limited @ 0.25% of the sub-contractors charges plus its coordination charges as per agreement.

4.2.8 This represents commercialization, development and other charges of land situated at the existing premises and expenses for civil work incurred for the purpose of construction of the project, as under:

	Note	June 2014	June 2013
		Rupees in '000'	
Payments to consultants, contractors and suppliers		**259,291**	241,160
Mobilization advance to Luckyone (Pvt) Ltd		**1,487,687**	822,687
Miscellaneous		**7,459**	7,459
Supervision fee to Lucky One (Pvt) Ltd		**4,568**	-
Borrowing cost capitalized		**594,522**	403,209
		2,353,527	1,474,515

5 LONG TERM LOANS AND ADVANCES

	Note	June 2014	June 2013
Considered good - Unsecured			
Loan to Employees			
- Executives	5.1	**12,011**	14,540
- Non-executive		**11,109**	10,405
		23,120	24,945
Current maturity			
- Executives		**4,232**	1,620
- Non-executive		**7,912**	5,354
		12,144	6,974
		10,976	17,971

5.1 Reconciliation of outstanding amount of loans to Executives:

	June 2014	June 2013
Balance at the beginning of the year	**14,540**	7,616
Disbursement during the year	**1,500**	11,020
Recoveries during the year	**(4,029)**	(4,096)
Balance at the end of the year	**12,011**	14,540

5.2 These interest free long term loans and advances represent the amounts given to executive and non executive employees for the purpose of housing assistance, medical expenses and for the support of children's marriage. These are recoverable in monthly installments within 3 years following the balance sheet date.

5.3 The maximum aggregate amount due from Executives at any month end during the year was Rs 15.07 million (2013:Rs 15.220 million).

6 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	June 2014	June 2013
Stores		**18,512**	17,786
Spare parts		**42,108**	49,332
Loose tools		**338**	896
Packing material		**19,886**	12,996
		80,844	81,010
Less : Provision for slow moving and obsolete items	6.1	**4,241**	2,624
		76,603	78,386

6.1 Provision for slow moving and obsolete items

	June 2014	June 2013
Opening balance	**2,624**	2,152
Provision during the year	**1,617**	472
Closing balance	**4,241**	2,624

		Note	June 2014	June 2013
			Rupees in '000'	
7	**STOCK IN TRADE**			
	Raw materials		**94,260**	928,951
	Work in process		**39,596**	34,728
	Finished goods		**620,311**	322,292
			754,167	1,285,971
8	**TRADE DEBTS**			
	Considered good			
	Export against letters of credit		**717,607**	963,158
	Local - unsecured	8.2	**142,407**	191,718
			860,014	1,154,876
	Considered doubtful			
	Local- unsecured		**5,093**	4,887
			865,107	1,159,763
	Less: Provision for doubtful trade debts	8.1	**5,093**	4,887
			860,014	1,154,876
8.1	**Provision for doubtful trade debts:**			
	Opening balance		**4,887**	4,370
	Provision during the year		**206**	517
	Closing balance		**5,093**	4,887

8.2 It includes amount of Rs. 31.053 million (June 2013: Rs. 26.809 million) due from related parties. Aging of these is as follows:

	----------------- June-2014------------------				
	Upto 1 month	**1 - 6 months**	**6 - 12 months**	**More than one year**	**Total**
Lucky Textile Mills Limited	1,624	2,555	1,472	-	5,651
Lucky Knits (Pvt.) Limited	24,949		406	-	25,355
Gadoon Textile Mills Limited	47	-	-	-	47
	26,620	2,555	1,878	-	31,053

	----------------- June-2013------------------				
	Upto 1 month	**1 - 6 months**	**6 - 12 months**	**More than one year**	**Total**
Lucky Textile Mills Limited	17,222	3,916	5,307	2	26,447
Yunus Textile Mills	-	-	-	362	362
	17,222	3,916	5,307	364	26,809

8.3 The maximum aggregate amount due from related parties at any month end during the year was Rs. 81.304 million (2013: Rs. 29.164 million).

		Note	June 2014	June 2013
			Rupees in '000'	
9	**LOANS AND ADVANCES**			
	Considered good			
	Current maturity of long term loans	5	12,144	6,974
	Advances to			
	Employees against salaries		7,531	6,367
	Suppliers		49,853	44,446
			57,384	50,813
			69,528	57,787
	Considered doubtful			
	Advances to suppliers		2,470	-
			71,998	57,787
	Less: Provision against doubtful advances to suppliers	9.1	2,470	-
			69,528	57,787
9.1	**Provision against advances to suppliers:**			
	Opening balance		-	-
	Provision during the year		2,470	-
	Closing balance		2,470	-
10	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Trade deposits		391	298
	Prepayments		290	-
			681	298
11	**OTHER RECEIVABLES**			
	Receivables against disposal of property, plant and equipment		55	6,198
	Central excise duty		5	5
			60	6,203
12	**INCOME TAX REFUNDABLE**			
	Opening		47,422	4,706
	Prior Years Adjustments		19,199	-
	Taxes paid / deducted in advance		57,696	59,237
	Provision for current year taxation	30.1	(42,252)	(16,521)
			82,065	47,422
13	**CASH AND BANK BALANCES**			
	Cash in hand		578	403
	Balance with banks :			
	Local accounts			
	- Current Accounts		88,651	18,841
	- Deposit Accounts	13.1	8	81
			88,659	18,922
	Foreign currency current account		73	-
			88,732	18,922
			89,310	19,325

13.1 These balances carry profit at the average rate of 6% to 7% (2013: 6%).

14	**AUTHORIZED CAPITAL**			
	15,000,000 Ordinary shares of Rs 10/- each		150,000	150,000

	Note	June 2014	June 2013
		Rupees in '000'	

15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		June 2014	June 2013
4,579,094	4,579,094	Ordinary shares of Rs 10/- each fully paid issued for cash.	**45,791**	45,791
1,608,409	1,608,409	Ordinary shares of Rs 10/- each issued as fully paid bonus shares	**16,084**	16,084
6,187,503	6,187,503		**61,875**	61,875

15.1 During the year, a group of individual shareholders has transferred their shared to Y.B. Holdings (private) Limited, a Company established and beneficially owned by the transferors, as follows:

Name of Shareholders	Shares Transferred
Muhammad Yunus Tabba	467,213
Muhammad Sohail Tabba	472,754
Imran Yunus Tabba	728,431
Jawed yunus Tabba	695,674
Muhammad Ali Tabba	710,310
Kulsum Razzak Tabba	394,537
Amina Abdul Aziz Bawani	520,057
Zulekha Razzak Tabba	152,912
Mariam Tabba Khan	139,443
Rahila Aleem	300,795
	4,582,126

Consequently to above, Y.B. holdings (Private) Limited has now become the holding company of the Company.

16 RESERVES

		June 2014	June 2013
Capital Reserve			
Share premium		**34,416**	34,416
Revenue Reserve			
General Reserve			
Opening balance		**1,605,584**	1,485,584
Transfer from unappropriated profit		**400,000**	120,000
		2,005,584	1,605,584
Unappropriated profit		**134,437**	447,073
		2,174,437	2,087,073

17 LONG TERM FINANCING

	Note	June 2014	June 2013
Long Term Loans From Related Parties - Unsecured	17.1	**425,000**	675,000
Long Term Loans From Banking Companies - Secured	17.2	**1,500,000**	1,500,000
		1,925,000	2,175,000
Less: Current portion of long term financing		**(291,667)**	-
		1,633,333	2,175,000

17.1 Long Term Loans From Related Parties - Unsecured

	June 2014	June 2013
Lucky Energy (Pvt) Ltd	**425,000**	250,000
Lucky Knits (Pvt) Ltd.	**-**	425,000
	425,000	675,000

17.1.1 These represent interest free loan from related parties. Loan of Lucky Knits (Private) Limited has been adjusted during the year, where as the other loan represents power bills which have been deferred and are repayable at the convenience of the company, however not repayable in next twelve months.

17.2 Long Term Loans From Banking Companies - Secured

	Number of Installments	Commencement of Repayment	Installment Amount (Millions)		
Bank Al- Habib Limited	12 quarterly	Dec-14	83.33	**1,000,000**	1,000,000
Bank Al- Habib Limited	12 quarterly	Jun-15	41.67	**500,000**	500,000
				1,500,000	1,500,000

17.2.1 These loans carry markup at the rate of average Six Month KIBOR plus 0.25% and are secured against ranking hypothecation charge over all present and future plant and machinery and constructive mortgage charge over commercial land bearing plot # LA-2/B, Block 21, Federal B Area Karachi of single and combined charge of Rs. 2,000 million.

		Note	**June 2014**	June 2013 Restated
			Rupees in '000'	
18	**STAFF RETIREMENT BENEFITS**			
	Present value of defined benefit obligation		**82,083**	60,460
18.1	**Movement / Reconciliation of Net Liability recognized**			
	Opening Net Liability		**60,460**	39,898
	Charge for the year	18.2	**29,182**	22,117
	Remeasurement loss on valuation		**7,716**	11,136
	Benefits paid during the year		**(15,275)**	(12,691)
	Closing Net Liability		**82,083**	60,460
18.2	**Charge for the year**			
	Current service cost		**23,107**	17,420
	Interest cost		**6,075**	4,697
			29,182	22,117
18.3	**Charge for the year has been allocated as under:**			
	Cost of sale		**26,344**	13,230
	Administrartive Expenses		**2,062**	6,575
	Distribution Cost		**776**	2,312
			29,182	22,117
18.4	**Actuarial Assumptions:**			
	Valuation Discount Rate (p.a)		**13.75%**	11.50%
	Salary Increase Rate (p.a)		**12.75%**	10.50%

18.5 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumptions	Increase in assumption	Decrease in assumption
		Impact on defined benefit obligation	
		Rupees in 000	
Discount rate	1%	72,647	93,676
Salary increase rate	1%	93,676	72,495

	Note	June 2014	June 2013
		Rupees in '000'	
19 DEFERRED TAXATION			
Opening		**18,505**	26,707
Charge / (reversal) to profit & loss account		**59,559**	(7,355)
Reversal to other comprehensive income		**(588)**	(848)
		77,476	18,505
Deferred tax liabilities arising in respect of			
Accelerated depreciation		**87,137**	60,760
Deferred tax assets arising in respect of			
Provision for slow moving items and obsolescence		**(323)**	(164)
Provision for doubtful debt		**(388)**	(1,662)
Provision for Leave Encashment		**(1,090)**	(687)
Provision against advances to suppliers		**(188)**	-
Provision for Gratuity		**(6,253)**	(3,787)
Unabsorbed tax losses		**(1,419)**	(35,955)
		(9,661)	(42,255)
		77,476	18,505
20 TRADE AND OTHER PAYABLES			
Trade creditors	20.1	**122,234**	156,674
Accrued expenses	20.1	**264,368**	271,303
Advance from customers		**14,376**	142,591
Unclaimed dividend		**2,987**	2,655
Workers profit participation fund	20.2	**10,640**	24,121
Advances from employees under vehicle scheme	20.3	**3,717**	3,820
		418,322	601,164

20.1 It includes aggregate amount due to related parties of Rs 36.121 million (June 2013 : Rs 191.208 million).

20.2 Workers Profit Participation Fund

	June 2014	June 2013
Opening balance	**24,121**	8,590
Allocation for the year	**10,640**	24,121
Add: Interest provided during the year	**1,255**	378
	11,895	24,499
	36,016	33,089
Less : Payments during the year	**(25,376)**	(8,968)
Closing balance	**10,640**	24,121

20.3 This amount represents the accumulation of monthly installments adjustable after a specified period against vehicles to be disposed under vehicle scheme.

	June 2014	June 2013
	Rupees in '000'	
21 SHORT TERM BORROWINGS		
Secured		
Running finances under mark-up arrangements	**2,379,176**	520,459
Export Finance and Import bills	**516,825**	1,864,605
	2,896,001	2,385,064

21.1 Running finances carry markup at the rates ranging between 10.15% to 12.0% (2013: 9.15% to 13.5%) payable on quarterly basis, whereas export finances and Import bills are in foreign currency carrying markup at the rates ranging from 1.15% to 2.0% (2013: 1.15% to 1.5%) payable on quarterly basis. As at the balance sheet date the aggregate sanctioned limit of these short term borrowing facilities aggregated to Rs. 3,105 million (2013: 2,700 million) out of which un availed facilities amounted Rs. 209 million (2013: 315 million).

21.2 These finances are secured by first / joint / subordinated pari passu hypothecation charge over all the present and future movables and receivables including but not limited to stocks, book debts and other receivables of the company and by Lien on duly accepted foreign bills.

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies:

22.1.1 The Company has made a reference in the Honorable High Court of Sindh at Karachi u/s 133(i) of the Income Tax Ordinance, 2001 against rejection of loss of Rs 1,461,000 by the Appellate Tribunal vide M.A (Rect) No 402/KB/2005 dated January 25, 2006 for the assessment year 2002-03. The case is pending before Court for adjudication and in view of legal advisor there is no likelihood of any unfavourable outcome.

22.1.2 Deemed assessment for the tax year 2008, 2009, 2010, 2011 has subsequently been amended against which the company's appeals at first stage were successful, however the department preferred second appeal which are pending for the hearing. The tax advisor confirmed that the amount involved is Rs. 15.266 million out of which 14.540 million is in respect of deletion of WWF by the appellate commissioner. The company intends to defend appeals vigoursly.

22.1.3 The Company had filed Constitutional Writ Petitions in the Honorable Supreme Court of Pakistan against the order of Honorable High Court of Sindh, Karachi, in respect of confirmation of levy of workers welfare fund for the years from the tax years 2009 to 2013. The case is pending for hearing, however the management and the legal council of the company are of the opinion that the case will be decided favorably as the company is engaged in exports hence no provision is made in these financial statements. The aggregate amount involved is Rs. 41.605 millions which includes amount of Rs. 14.540 Million as stated in Note 23.1.2.

22.1.4 Bills discounted Rs. 168.175 million (2013: Rs. 45.997 million).

	June 2014	June 2013
	Rupees in '000'	
22.2 Guarantees:		
Bank guarantees for:		
Lucky One (Pvt.) Limited against financing for project approved under Sec 208.	**49,918**	49,918
Others	**81,945**	75,248
	131,863	125,166
Post dated cheques issued to collector of customs	**104,141**	75,916
	236,004	201,082
22.3 Commitments:		
Outstanding letter of credits in respect of - capital expenditure	**16,720**	71,901
- non capital expenditure	**16,965**	27,080
	33,685	98,981

		Note	June 2014	June 2013
			Rupees in '000'	
23	**SALES - Net**			
	Export		**3,520,424**	3,628,878
	Local		**3,084,826**	2,298,619
	Export rebate		**3,560**	5,419
	Research & Development Support		**125**	2,350
	Gross sales		**6,608,934**	5,935,266
	Less:			
	- Sales tax		**61,165**	17,381
	- Export duty and surcharge		**11,259**	8,475
			72,424	25,856
			6,536,510	5,909,410

24	**COST OF SALES**			(Restated)
	Raw material consumed			
	Opening inventory		**928,951**	701,392
	Purchases		**3,557,112**	3,996,692
	Available for consumption		**4,486,063**	4,698,084
	Closing inventory		**(94,260)**	(928,951)
	Raw material consumed		**4,391,803**	3,769,133
	Manufacturing expenses			
	Stores, spare parts and loose tools consumed		**232,292**	200,154
	Salaries, wages & other benefits		**407,305**	369,091
	Staff retirement benefits		**26,344**	13,786
	Power and electricity		**682,003**	489,284
	Knitting, dyeing and printing charges		**286,777**	199,699
	Insurance		**9,928**	8,620
	Repairs and maintenance		**15,737**	18,252
	Labor welfare		**6,427**	5,120
	Depreciation		**202,194**	154,136
	Other manufacturing expenses		**8,695**	8,938
			1,877,702	1,467,080
			6,269,506	5,236,213
	Work in process - opening inventory		**34,728**	12,206
	Work in process - closing inventory		**(39,596)**	(34,728)
			(4,868)	(22,522)
	Cost of goods manufactured		**6,264,638**	5,213,691
	Finished goods - opening inventory		**322,292**	197,670
	Available for sales		**6,586,930**	5,411,361
	Finished goods - closing inventory		**(620,311)**	(322,292)
			5,966,619	5,089,069

		Note	June 2014	June 2013 Restated
			Rupees in '000'	
25	**DISTRIBUTION COSTS**			
	Salaries and Benefits		**11,998**	10,297
	Staff retirement benefits		**776**	2,329
	Traveling and conveyance		**4,816**	3,829
	Commission		**58,524**	79,978
	Marine Insurance		**1,212**	1,153
	Export freight		**46,497**	47,998
	Forwarding and other distribution costs		**13,293**	48,634
	Depreciation		**785**	671
			137,901	194,889
26	**ADMINISTRATIVE EXPENSES**			
	Salaries and Benefits		**31,872**	22,855
	Staff retirement benefits		**2,062**	6,002
	Postages, telegram and telephone		**3,953**	3,201
	Printing and stationery		**4,054**	5,895
	Fees and subscriptions		**1,044**	1,181
	Entertainment		**3,268**	3,119
	Rent, rates and taxes		**756**	1,129
	Motor car expenses		**7,674**	6,746
	Insurance		**1,417**	673
	Legal and professional charges		**1,361**	701
	Auditors' remuneration	26.1	**900**	908
	Advertisements		**76**	72
	Donations	26.2	**884**	883
	Depreciation		**7,899**	6,009
	Other expenses		**117**	990
			67,337	60,364
26.1	**Auditors' remuneration**			
	Audit fee		**750**	750
	Half Yearly Review fee		**100**	100
	Review of Code of Corporate Governance		**50**	50
	Other certification		**-**	8
			900	908

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

27	**OTHER OPERATING EXPENSES**			
	Workers profit participation fund		**10,640**	24,121
	Loss on disposal of property, plant and equipment		**21,004**	-
	Provision for slow moving items		**1,617**	472
	Provision for doubtful debts		**206**	517
	Provision against doubtful advances to suppliers		**2,470**	-
	Receivables / adavances written off		**4,658**	143
			40,595	25,253

		Note	June 2014	June 2013
			Rupees in '000'	
28	**OTHER INCOME**			
	Income from financial assets			
	- Profit on bank deposits		**1,648**	51
	Income from non-financial assets			
	- Miscellaneous income		**-**	781
	- Profit on disposal of property, plant and equipment		**4,629**	2,620
			4,629	3,401
	Others			
	- Service charges		**15,313**	3,675
	- Liabilities written back		**3,490**	-
			18,803	3,675
			25,080	7,127
29	**FINANCE COST**			
	Markup on short term finance		**132,588**	34,143
	Interest on workers profit participation fund		**1,255**	378
	Bills discounting & other bank charges and exchange differences		**14,381**	55,135
			148,224	89,656
30	**TAXATION**			
	Provision for current year taxation		**42,252**	16,521
	Prior years		**(19,199)**	12,511
	Deferred Taxation	19	**59,559**	(7,355)
			82,612	21,677
30.1	**The charge for the current year is as under.**			
	Tax charge on exports		**54,046**	42,623
	Minimum tax on local sales		**11,319**	-
	Tax on profit from local sales		**-**	9,949
	Tax charge on Other income not falling under F.T.R		**-**	49
	Tax credit - BMR		**(23,113)**	(36,099)
			42,252	16,522
				(Restated)
31	**EARNING PER SHARE**			
	Profit after taxation (Rs in "000")		**118,302**	435,629
	Weighted average number of ordinary shares		**6,187,503**	6,187,503
	Earning per share (Rs)		**19.12**	70.40

31.1 There is no dilutive effect on the basic earnings per shares of the Company.

	Note	June 2014	June 2013
		Rupees in '000'	
32 CASH GENERATED FROM OPERATION			
Profit before taxation		**200,914**	457,306
Adjustment for non cash charges:			
Depreciation		**210,878**	160,816
Provision For Slow Moving / Obselete Items		**1,617**	472
Provision for Doubtful Debts		**206**	517
Provision against doubtful advances to suppliers		**2,470**	
(Gain)/loss on sale of fixed assets		**16,375**	(2,620)
Finance cost		**148,224**	89,656
Provision for gratuity		**29,182**	22,117
Other Non Cash Item		**-**	143
		408,952	271,101
Changes in working capital - Note 32.1		**587,688**	(594,678)
		1,197,554	133,729
32.1 Changes in working capital			
(Increase)/Decrease in current assets			
Stores, spare parts and loose tools		**166**	(14,618)
Stock in trade		**531,804**	(374,703)
Trade debts		**294,656**	(362,827)
Loans and advances		**(9,040)**	(10,322)
Trade deposits and short term prepayments		**(383)**	38,375
Other receivable		**6,143**	(5,966)
Sales Tax refunds due from government		**(52,484)**	(57,705)
		770,862	(787,766)
Increase/(Decrease) in current liabilities			
Trade and other payables		**(183,174)**	193,088
Net Increase/(Decrease) in working capital		**587,688**	(594,678)
33 CASH AND CASH EQUIVALENTS			
Cash & cash equivalent comprise the following items			
Cash and bank balances		**89,310**	19,325
Short term borrowings		**(2,896,001)**	(2,385,064)
		(2,806,691)	(2,365,739)

34 TRANSACTION WITH RELATED PARTIES

Related parties comprise of associated companies, directors of the Company, companies in which directors also hold directorship, related group companies and key management personnel. Balances outstanding with related parties have been disclosed at relevant and appropriate notes where as the transactions with related parties during the year are as follows:

	June 2014	June 2013
	Rupees in '000'	
With Associates:		
Sale of Goods and Providing of Services		
- Lucky Knits (Pvt) Ltd.	**404,200**	354,798
- Lucky Textile Mills Ltd.	**651,070**	78,185
- Gadoon Textile Mills Ltd.	**18,420**	3,790
- Younus Textile Mills Ltd.	**-**	2,357
- Feroze 1888 Mills	**7,382**	7,086
	1,081,072	446,216
Purchase of Goods and Receipt of Services		
- Lucky Cement Ltd.	**12,415**	32,665
- Lucky Textile Mills Ltd.	**7,940**	216
- Gadoon Textile Mills Ltd.	**161,200**	289,917
- Lucky Knits (Pvt) Ltd.	**35,799**	19,192
- Lucky Energy (Pvt) Ltd.	**856,629**	542,745
- ICI Pakistan Ltd.	**305,624**	360,201
	1,379,607	1,244,936
Sale proceeds from disposal		
- Gadoon Textile Mills Ltd.	**2,800**	600
Rent, Allied and Other Charges Received		
- Lucky Energy (Pvt) Ltd.	**-**	781
Mobilization advance		
- Lucky one (Pvt) Ltd	**665,000**	665,612
Long Term Loan Received/adjusted		
- Lucky Energy (Pvt) Ltd.	**425,000**	250,000
- Lucky Knits (Pvt) Ltd.	**-**	425,000
Dividend Paid		
- Directors	**25,757**	16,870
With other related parties:		
Benefits to key management personnel		
- Long term loans to executives (net)	**(2,529)**	6,924
- Bonus and earned leaves	**4,353**	3,069
- Sale proceeds on sale of Car	**150**	-

35 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

	June 2014		June 2013	
	CHIEF EXECUTIVE	**OTHER EXECUTIVES**	CHIEF EXECUTIVE	OTHER EXECUTIVES
	Rupees in "000"			
Remuneration	**1,000**	**8,418**	1,000	7,156
House rent	**400**	**3,367**	400	2,863
Bonus / compensated absences	**-**	**4,353**	-	3,261
Utilities	**100**	**842**	100	716
	1,500	**16,980**	1,500	13,996
Number of persons	**1**	**8**	1	9

35.1 Chief Executive and other executives are provided company maintained car and security guards.

35.2 Meeting fee and remuneration is not paid to any director.

36 CAPACITY AND ACTUAL PRODUCTION

	Note	June 2014	June 2013
		Rupees in '000'	
SPINNING			
Total numbers of spindles at the end of the year		**62,716**	59,160
Average number of spindles worked		**62,546**	60,100
Capacity after conversion into 20's (lbs)		**50,983,863**	48,990,026
Production after conversion into 20's (lbs)		**49,925,411**	45,801,500
KNITTING			
Total number of knitting machines installed		**12**	12
Average number of days worked		**46**	152
Installed capacity (kgs)		**1,485,000**	1,485,000
Actual Production (kgs)		**123,762**	537,990

Reason for shortfall in production of knitting

The reason for shortfall in the production of knitting is due to the difference in specification of machinery installed which resulted in the outsourcing of the orders received from customers.

37 FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets and Liabilities of the company, interest and non interest bearing, along with their maturities are as follows:

	June 2014						
	Markup/Interest Bearing			Non Markup / Interest Bearing			Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
	(Rupees in "000")						
FINANCIAL ASSETS							
Loans and receivables							
Long term loans and advances	-	-	-	12,144	10,976	23,120	23,120
Long term security deposits	-	-	-	-	1,199	1,199	1,199
Trade debts	-	-	-	865,107	-	865,107	865,107
Loans and advances	-	-	-	7,531	-	7,531	7,531
Trade Deposits	-	-	-	290	-	290	290
Other receivables	-	-	-	60	-	60	60
Cash and bank balances	8	-	8	89,302	-	89,302	89,310
	8	-	8	974,434	12,175	986,609	986,617
FINANCIAL LIABILITIES							
At Amortized cost							
Long term financing	291,667	1,208,333	**1,500,000**	-	425,000	425,000	1,925,000
Staff retirement benefits	-	-	-	-	82,083	82,083	82,083
Trade and other payables	10,640	-	**10,640**	389,589	-	389,589	400,229
Accrued markup	-	-	-	84,390	-	84,390	84,390
Short term borrowings	2,896,001	-	**2,896,001**	-	-	-	2,896,001
	3,198,308	1,208,333	**4,406,641**	473,979	507,083	981,062	5,387,703
OFF BALANCE SHEET ITEMS							
Bank Guarantees	81,945	49,918	**131,863**	-	-	-	131,863
Letters of credit	33,685	-	**33,685**	-	-	-	33,685
Bills Discounted	-	-	-	168,175	-	168,175	168,175
	115,630	49,918	**165,548**	168,175	-	168,175	333,723

	June 2013						
	Markup/Interest Bearing			Non Markup / Interest Bearing			Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
	.... (Rupees in "000")						
FINANCIAL ASSETS							
Loans and receivables							
Long term loans and advances	-	-	-	6,974	17,971	24,945	24,945
Long term security deposits	-	-	-	-	1,259	1,259	1,259
Trade debts	-	-	-	1,159,763	-	1,159,763	1,159,763
Loans and advances	-	-	-	6,367	-	6,367	6,367
Trade Deposits	-	-	-	-	-	-	-
Other receivables	-	-	-	6,203	-	6,203	6,203
Cash and bank balances	81	-	81	19,244	-	19,244	19,325
	81	-	81	1,198,551	19,230	1,217,781	1,217,862
FINANCIAL LIABILITIES							
At Amortized cost							
Long term financing	-	1,500,000	1,500,000	-	675,000	675,000	2,175,000
Staff retirement benefits	-	-	-	-	60,460	60,460	60,460
Trade and other payables	24,121	-	24,121	430,632	-	430,632	454,753
Accrued markup	-	-	-	51,947	-	51,947	51,947
Short term borrowings	2,385,064	-	2,385,064	-	-	-	2,385,064
	2,409,185	1,500,000	3,909,185	482,579	735,460	1,218,039	5,127,224
OFF BALANCE SHEET ITEMS							
Bank Guarantees	49,918	69,945	119,863	-	-	239,726	359,589
Letters of credit	2,574	-	2,574	-	-	-	2,574
Bills Discounted	-	-	-	221,992	-	221,992	221,992
	52,492	69,945	122,437	221,992	-	461,718	584,155

The effective interest / markup rates for the financial assets and liabilities are mentioned in respective notes to the financial statements. While commission chargable on off balance sheet items is chargable as advised by the banks.

38 FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's activities expose it to a certain financial risks:
- Credit risk
- Liquidity risk
- Market risk (including currency risk, interest rate risk and other price risk)

The Company's overall risk management programs focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Treasury Sub Committee (the Committee) of the Executive Committee (EXCO) of the Board of Directors (the Board) under policies approved by the board. The Board provides formal principles for overall risk management, as well as significant policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

The information about the company's exposure to each of the above risk, the company's objectives, policies and procedures for measuring and managing risk, and the company's management of capital, is as follows;

38.1 Credit Risk and Concentration of 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.

Exposure to Credit Risk
Company's credit risk is mainly attributable to loans and advances, balances with banks and financial institutions, and credit exposure to customers, including trade receivables and committed transactions. The maximum exposure of the company to credit risk is as follows:

	June 2014	June 2013
	Rupees in '000'	
Loans and advances	**30,651**	31,312
Long term security deposit	**1,199**	1,259
Trade debts	**865,107**	1,159,763
Other receivables	**60**	6,203
Bank balances	**88,732**	18,922
	985,749	1,217,459

Loans and Advances

These loans and advances are due from employees and are usually adjustable against their salaries and retirement benefit balances. The Company actively pursue for the recovery of the these and the Company does not expect these employees will fail to meet their obligations. Hence the company believes that no impairment allowance is necessary in respect of loans.

Trade Debts

Trade debts are essentially due from local and foreign customers. Export debts are secured under irrevocable letter of credit, document acceptance, cash against documents and other acceptable banking instruments. Advance and trade deposits are obtained in case of local debts.

The Company actively pursue for the recovery of the debts and considering the strong business relationship and financial soundness of the customers. The Company does not expect these parties will fail to meet their obligations except for certain doubtful trade debts.

Other Receivables

The Company believes that no impairment allowance is necessary in respect of receivables. The Company actively pursue for the recovery and the Company does expect that the recovery will be made soon.

Bank Balances

The company maintains balances with banks that have good and stable credit rating. Given these credit ratings, management does not expect that any counter party will fail to meet their obligations. The bank balances along with credit ratings are stated below:

	Long Term Rating	Short Term Rating	June 2014	June 2013
			Rupees in '000'	
Allied Bank Limited	AA+	A1+	84,026	7,041
Bank Al Falah Limited	AA	A1+	1,467	1,424
Bank Islami Pakistan Limited	A	A1	268	-
Bank Al Habib Limited	AA+	A1+	74	7,130
Dubai Islamic Bank Pakistan Limited	A+	A-1	47	
Citi Bank Limited	A2	P-1	52	18
Faysal bank Limited	AA	A1+	97	97
Habib Bank Limited	AAA	A-1+	-	-
Habib Metropolitan Bank Limited	AA+	A1+	2,397	1,903
Meezan Bank Limited	AA	A-1+	251	1,255
NIB Bank Limited	AA-	A1+	52	52
Standard Chartered Bank Limited	AAA	A1+	1	1
			88,732	18,921

Financial Assets that are either Past Due or Impaired

The credit quality of financial assets that are either past due or impaired can be assessed by reference to historical information and external ratings or to historical information about counter party default rates and advances. These relates to a number of independent parties for whom there is no recent history of default. The aging analysis of the financial assets is as follows:

	2014	2013
Financial Assets not past due	**981,524**	1,212,975
Financial Assets Past due but not impaired		
- 06 - 12 months	**1,375**	1,320
- more than one year	**3,718**	3,567
	5,093	4,887
	986,617	1,217,862

The Company actively pursue for the recovery of these financial assets and considering the strong business relationship with the counterparties since long and giving due consideration to their financial soundness the management does not expect non-performance by these counter parties of their obligations to the company and hence it is not exposed to any significant credit risk.

38.2 Liquidity risk

Liquidity risk represent the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. Contractual maturities of financial liabilities, including interest payments excluding the impact of netting arrangements, are shown in the Note 38.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The management forecasts liquidity risks on the basis of expected cash flow considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

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 damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements.

At June 30, 2014, the Company unutilized borrowing facilities of Rs. 315 million (2013: Rs. 322 million) and Rs. 89 million (2013: Rs.19 million) being balances at banks and also has trade debts of Rs. 874.383 Million (2013: 1,159.763 Million) realisable within three to six months. Based on the above, management believes the liquidity risk is insignificant.

38.3 Market Risk

Market risk is the risk that the fair value or future cash flows 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. Market risk comprises of three types of risks: Foreign Exchange / Currency risk, interest rate risk and other price risk. The company is exposed to currency risk and interest rate risk only.

a) Foreign exchange / Currency risk

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arise mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange.

Currently, the Company's foreign exchange risk exposure is restricted to the amount receivable / payable from / to the foreign entities and outstanding letters of credit. The Company is exposed to foreign currency risk arising from foreign exchange fluctuations due to the following financial assets and liabilities:

	June 2014	June 2013
	------USD in thousands------	
Trade Debts	**7,198**	9,656
Short Term Borrowing	**(5,244)**	(18,693)
Net Exposure	**1,954**	(9,037)
Net Balance Sheet Exposure in PKR (000)	**192,598**	(901,447)
	Rupees in '000'	
Foreign currency commitments outstanding at year end are as follows:		
USD	**21,562**	23,891
EURO	**12,123**	3,189
CHF	**-**	71,901
	33,685	98,981
The following significant rates applied during the year:		
Rupee per USD		
Average rate	102.87	98.49
Reporting date rate	98.55	99.75

Foreign exchange sensitivity analysis

A 10 percent strengthening / weakening of the PKR against the USD at June 30, 2014 would have increased / decreased the shareholders equity and profit / loss after tax by Rs.12.904 million (2013: 58.594 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2013. The sensitivity analysis is not necessarily indicative of the effects on profit for the year and liabilities of the company.

b) Interest / Markup rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in the interest / mark-up rates. The exposure to interest rate risk mainly arises in respect of variable markup / interest bearing long term and short borrowings from banks. The Company's net exposure to markup/interest rate risk is as follows:

	June 2014	June 2013
	Rupees in '000'	
Long term finance	**1,500,000**	1,500,000
Short term borrowings	**2,896,001**	2,385,064
Worker's profit participation fund	**10,640**	24,121
Bank balances	**(8)**	(81)
	4,406,633	3,909,104

The Company is significantly subject to variable mark-up / interest rates risk on long and short term financing. The company actively monitors the markup / interest rate fluctuations and take appropriate actions to cover any adverse effect these fluctuations.

Cash flow sensitivity analysis

As at the balance sheet date, if the interest rates would have been 1% higher / lower with all other variables held constant, post tax profit for the year and shareholders equity would have been Rs 14.543 million (2013: 25.410 million) lower / higher, mainly as a result of higher / lower interest expense on the net exposure.

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 or loss. Therefore, a change in interest rate at the balance sheet would not effect profit or loss of the Company.

c) Other price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest or currency rate risk), whether those changes are caused by factors specified to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since there are no investment in equity securities. The Company is also not exposed to commodity price risk since it has a diverse portfolio of commodity supplier.

39.4 Fair value of Financial Assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value except those which are described in policy notes.

39 CAPITAL RISK MANAGEMENT

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company finance its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. In order to maintain or adjust capital structure, the company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt. Consistent with others in industry , the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of shareholders.

During year the Company's strategy was to maintain gearing. The gearing ratio as at balance sheet date is as follows:

	June 2014	June 2013
	Rupees in '000'	
Total borrowings	**4,821,001**	4,560,064
Cash and bank	**(89,310)**	(19,325)
Net debt / (cash)	**4,731,691**	4,540,739
Total equity	**2,225,431**	2,145,195
Total capital	**6,957,122**	6,685,934
Gearing ratio	**68.01%**	67.91%

40 SUBSEQUENT EVENT

The Board of Directors at their meeting held on September 10, 2014 have recommended cash dividend of Rs. 5/- per share (2013: Rs 5/- per share) for the year ended June 30, 2014, amounting to Rs. 30.938 million (2013: 30.938 million), and transfer to general reserve of Rs. 85 million (2013: 400 million) subject to the approval of members at the annual general meeting to be held on October 31, 2014. Since it is a non-adjusting event, the financial statements for the year ended June 30, 2014 do not include the effect of the recommendations of the board.

41 RECLASSIFICATION

For correct and better presentation, following reclassification have been made in the comparative financial statements:

RECLASSIFICATION FROM COMPONENTS	RECLASSIFICATION TO COMPONENTS		
Sales Tax Refunds Due from Government	***Income Tax Refundable - Payments less Provision***		
Income Tax Refundable	Income Tax Refundable	**4,706**	
COST OF SALES, ADMIN & DISTRIBUTION EXPENSES	***COST OF SALES, ADMIN & DISTRIBUTION EXPENSES***		
Salaries, wages & other benefits	Staff retirement benefits	**29,182**	22,117

42 NO OF EMPLOYEES

As on balance sheet date	**766**	761
Average during the year	**741**	753

43 DATE OF AUTHORIZATION FOR ISSUE

These Financial Statements were authorized for issue by the Board of Directors on September 10, 2014.

44 GENERAL

Figures have been rounded off to the nearest thousand rupees.

Chairman

Chief Executive

Karachi : September 10, 2014

Form of Proxy

The Company Secretary
FAZAL TEXTILE MILLS LTD.
LA-2/B Block # 21, Rashid Minhas Road,
Federal 'B' Area, Karachi - 75950.

I / We ____
of ____(full address)

being a member of **FAZAL TEXTILE MILLS LTD.** hereby appoint ______________________
of ____(full address)
or failing him ____
of ____(full address)

another member of the Company to attend and vote for me / us and on my / our behalf at the 52nd Annual General Meeting of the Company to be held on October 31, 2014 at 02:00 Hrs and at any adjournment thereof.

As witness my / our hand this ____________ day of ________________ 2014.

Witness No.1

Name ______________________

Address ______________________
____
____

NIC No.______________________

Rs.5/-
Revenue
Stamp

____
Signature of Member(s)

Witness No. 2

Name ______________________

Address ______________________
____
____

NIC No.______________________

____
(Name in Block letters)

Folio No ______________________

Participant ID No ______________________

Account No. in CDS ______________________

Important:

1. A member entitled to attend a General Meeting is entitled to appoint a proxy to attend and vote instead of him / her. No person shall act as a Proxy (except for a corporation) unless he / she is entitled to be present and vote in his / her own right.
2. Members are requested:
   (a) to affix Revenue Stamp of Rs. 5/- at the place indicated above.
   (b) to sign across the Revenue Stamp in the same style of signature as is registered with the Company.
   (c) to write down their Folio Numbers/Participant ID Numbers/Account Numbers in CDS(as applicable) at the place indicated above.
3. The instrument appointing a proxy, together with the Board of Directors' resolution / Power of Attorney (if any) under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office not less than 48 hours before the time for holding the meeting.
4. CDC Account Holders are requested to strictly follow the guidelines mentioned in Circular No.1 dated January 26, 2000 of SECP.
5. CDC Account Holders or their proxies are each requested to attach an attested photocopy of their National Identity Card or Passport to this proxy form when submitting the same to the Company.

If undelivered please return to:

FAZAL TEXTILE MILLS LIMITED

LA-2/B Block-21, Rashid Minhas Road, Fedral 'B' Area, Karachi, Pakistan.
Tel : (92-21) 36321311, Fax : (92-21) 36313372
Email : finance@fazaltextile.com
www.fazaltextile.com

CORPORATE