Key Operating and Financial Results.

	2012	2013	2014
Operating data			
Turnover	15,583,895	20,375,904	24,301,493
Less : Commission expense	(198,399)	(353,707)	(267,068)
Sales (net)	15,385,496	20,022,197	24,034,425
Gross profit	2,252,618	3,630,687	2,487,947
Profit before tax	1,789,888	2,523,383	1,866,427
Profit after tax	1,571,477	2,547,734	1,996,643
Financial data			
Gross assets employed	10,938,552	12,698,532	20,272,036
Return on equity	21.28%	28.51%	18.75%
Current assets	4,311,122	5,826,529	9,316,161
Shareholders equity	7,384,527	8,936,904	10,646,575
Long term debts and deferred liabilities	1,187,985	808,605	2,395,176
Current liabilities	2,366,040	2,950,413	7,227,675
Key ratios			
Gross profit ratio	14.64%	18.13%	10.35%
Net profit ratio	10.21%	12.72%	8.31%
Debt / equity ratio	07 : 93	12 : 88	16 : 84
Current ratio	1.82	1.97	1.29
Earning per share (basic and diluted)	86.95	140.96	110.47
Dividend (percentage)			
- Cash	350%	100% Int	150%
- Stock	-	-	-
- Specie dividend	-	100 : 09	-
Statistics			
Production volume (tons)	42,057	52,894	63,821

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Indus Dyeing & Manufacturing Company Limited** (the Holding Company) and its subsidiary companies (together the Group) as at June 30, 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Holding Company and a subsidiary company namely Indus Lyallpur Limited. The financial statements of a subsidiary Indus Home Limited which were audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such subsidiary is based solely on the report of such other auditors. The financial statements of a subsidiary, Indus Home USA Inc. (Subsidiary of Indus Home Limited) are unaudited. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards of Auditing and accordingly included such tests of accounting records and such other audit procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Group as at June 30, 2014 and the results of their operations for the year then ended.

Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Date: October 03, 2014
Place: Karachi

INDUS DYEING & MANUFACTURING COMPANY LIMITED
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2014

	Note	2014	2013
		Rupees in '000	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised			
45,000,000 ordinary shares of Rs. 10 each		450,000	450,000
Issued, subscribed and paid up capital	6	180,737	180,737
Reserves	7	5,022,400	5,022,432
Unappropriated profit		5,443,438	3,733,735
		10,646,575	8,936,904
SHARE OF ASSOCIATE'S SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax		2,610	2,610
Non current liabilities			
Long-term financing	8	2,162,009	690,369
Deferred liabilities	10	233,167	118,236
		2,395,176	808,605
Current liabilities			
Trade and other payables	11	1,350,904	838,134
Interest / mark-up payable	12	124,960	31,200
Short-term borrowings	13	5,011,046	1,847,512
Current portion of:			
long-term financing	8	740,765	231,345
liabilities against assets subject to finance lease	9	-	2,222
		7,227,675	2,950,413
CONTINGENCIES AND COMMITMENTS	14		
		20,272,036	12,698,532

	Note	2014	2013
		Rupees in '000	
ASSETS			
Non current assets			
Property, plant and equipment	15	10,916,339	5,470,659
Long-term investments	16	24,198	1,396,305
Long-term deposits	17	15,338	5,039
		10,955,875	6,872,003
Current assets			
Stores, spares and loose tools	18	586,753	231,354
Stock-in-trade	19	5,712,763	4,027,035
Trade debts	20	1,954,394	1,129,122
Loans and advances	21	285,637	114,251
Trade deposits and short-term prepayments	22	4,786	7,784
Other receivables	23	93,702	26,364
Other financial assets	24	164,223	13,464
Tax refundable	25	429,263	132,916
Cash and bank balances	26	84,640	144,239
		9,316,161	5,826,529
		20,272,036	12,698,532

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Shahzad Ahmed
Chief Executive

Naveed Ahmed
Director

INDUS DYEING & MANUFACTURING COMPANY LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013 (Restated)
		Rupees in '000	
Sales - net	27	**24,034,425**	20,022,197
Cost of goods sold	28	**(21,546,478)**	(16,391,510)
Gross profit		**2,487,947**	3,630,687
Other income	29	**222,332**	22,395
		2,710,279	3,653,082
Distribution cost	30	**(606,333)**	(430,696)
Administrative expenses	31	**(301,257)**	(208,304)
Other operating expenses	32	**(105,440)**	(281,043)
Finance cost	33	**(520,077)**	(343,136)
		(1,533,107)	(1,263,179)
		1,177,172	2,389,903
Share of loss from joint venture - net of tax	16.1	**(41,525)**	61,469
Share of profit from associate - net of tax	16.2	**2,796**	74,109
Gain on remeasurement of previously held interest in IHL	5.2	**389,056**	-
Bargain purchase gain on acquisition of IHL	5	**338,928**	
Loss on investment in associate distributed to owners as specie dividend		**-**	(2,098)
		689,255	133,480
Profit before taxation		**1,866,427**	2,523,383
Taxation	34	**130,216**	24,351
Profit for the year- attributable to ordinary equity holders of the Holding company		**1,996,643**	2,547,734
			(Restated)
Earnings per share - basic and diluted	35	**110.47**	140.96

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Shahzad Ahmed
Chief Executive

Naveed Ahmed
Director

INDUS DYEING & MANUFACTURING COMPANY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013 (Restated)
	Rupees in '000	
Profit for the year (as restated)	**1,996,643**	2,547,734
Items that may be reclassified subsequently to profit and loss		
Exchange loss on translation of foreign subsidiary	**(32)**	-
Items that will not be reclassified subsequently to profit and loss		
Remeasurement of defined benefit liability -net of tax	**(15,779)**	(13,923)
Total other comprehensive income for the year- attributable to ordinary equity holders of the Holding company	**1,980,832**	2,533,811

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Shahzad Ahmed
Chief Executive

Naveed Ahmed
Director

INDUS DYEING & MANUFACTURING COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

		Reserves					
		Capital		Revenue			
	Issued, subscribed and paid up capital	Share premium	Merger reserve	General reserve	Exchange transalation reserve	Unappropriated profit	Total
	Rupees in '000						
Balance at June 30, 2012	180,737	10,920	11,512	5,000,000	-	2,181,358	7,384,527
Comprehensive income for the year;							
Profit for the year (as restated)	-	-	-	-	-	2,547,734	2,547,734
Other comprehensive income for the year (as restated) Note 4.21	-	-	-	-	-	(13,923)	(13,923)
Total comprehensive income for the year	-	-	-	-	-	2,533,811	2,533,811
Associate's share of surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	-	-	-	1,469	1,469
Transactions with owners recorded directly in equity;							
Final cash dividend for the year ended June 30, 2012 @ Rs. 20 per share	-	-	-	-	-	(361,475)	(361,475)
Interim dividend in specie for the period ended December 31, 2012 in 100:09 ratio (note 16.2)	-	-	-	-	-	(439,191)	(439,191)
Interim cash dividend for the period ended March 31, 2013 @ Rs. 10 per share		-	-	-	-	(180,737)	(180,737)
Cost of issue of shares	-	-	-	-	-	(1,500)	(1,500)
Balance at June 30, 2013	180,737	10,920	11,512	5,000,000	-	3,733,735	8,936,904
Comprehensive income for the year;							
Profit for the year	-	-	-	-	-	1,996,643	1,996,643
Exchange loss on translation of foreign subsidiary	-	-	-	-	(32)	-	(32)
Other comprehensive income for the year	-	-	-	-	-	(15,779)	(15,779)
Total comprehensive income for the year	-	-	-	-	(32)	1,980,864	1,980,832
Associate's share of surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	-	-	-	246	246
Transactions with owners recorded directly in equity:							
Interim cash dividend for the period ended September 31, 2013 @ Rs. 5 per share	-	-	-	-	-	(90,369)	(90,369)
Interim cash dividend for the period ended December 31, 2013 @ Rs. 10 per share	-	-	-	-	-	(180,737)	(180,737)
Cost of issue of shares						(301)	(301)
Balance at June 30, 2014	180,737	10,920	11,512	5,000,000	(32)	5,443,438	10,646,575

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Shahzad Ahmed
Chief Executive

Naveed Ahmed
Director

INDUS DYEING & MANUFACTURING COMPANY LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

		Note	2014	2013 (Restated)
			Rupees in '000	
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
	Cash generated from operations	36	**821,243**	2,045,800
	Taxes paid - net		**(110,700)**	(237,481)
	Finance cost paid		**(426,317)**	(346,525)
	Gratuity paid		**(62,900)**	(21,458)
	Net cash generated from operating activities		**221,326**	1,440,336
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
	Payment for acquisition of subsidiary - net of cash and running finance acquired		**(1,611,522)**	-
	Payment for purchase of items of property, plant and equipment		**(2,652,726)**	(1,064,420)
	Proceeds from disposal of items of property, plant and equipment	15.2	**58,055**	11,437
	Purchase of other financial assets		**(123,361)**	-
	Proceeds from disposal of other financial assets		**-**	2,000
	Payment for long-term deposits		**(3,585)**	(446)
	Dividend received		**1,151**	19,440
	Net cash used in investing activities		**(4,331,988)**	(1,031,989)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
	Long term finance obtained / repaid -net		**1,021,551**	(99,664)
	Loans from directors - net		**(9,490)**	4,026
	Repayment of liabilities against assets subject to finance lease		**(2,222)**	(4,646)
	Cost of issue of shares		**(301)**	(1,500)
	Dividend paid		**(298,019)**	(521,079)
	Net cash generated / (used in) from financing activities		**711,519**	(622,863)
	Net decrease in cash and cash equivalents (A+B+C)		**(3,399,143)**	(214,516)
	Cash and cash equivalents at beginning of the year		**(1,693,783)**	(1,479,267)
	Effects of exchange rate changes on cash and cash equivalent		**166,520**	-
	Cash and cash equivalents at end of the year	37	**(4,926,406)**	(1,693,783)

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Shahzad Ahmed
Chief Executive

Naveed Ahmed
Director

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of Indus Dyeing & Manufacturing Company Limited (the Holding Company), its subsidiaries and an associate.

1.1.1 Holding Company

Indus Dyeing & Manufacturing Company Limited (the Holding Company) was incorporated in Pakistan on July 23, 1957 as a public limited Company under the Companies Act 1913 repealed by the Companies Ordinance, 1984. Registered office of the Holding Company is situated at Office No. 508, 5th floor, Beaumont Plaza, Civil Lines, Karachi. The Holding Company is currently listed on Karachi Stock Exchange Limited. The principal activity of the Holding Company is manufacturing and sale of yarn. The manufacturing facilities of the Holding Company are located in Karachi, Hyderabad and Muzaffargarh. The Holding Company is also operating two ginning units including one on leasing arrangements in District Multan.

1.1.2 Subsidiary Companies

Indus Lyallpur Limited - 100% owned

Indus Lyallpur Limited (the Subsidiary Company) is an unlisted public company limited by shares, incorporated in Pakistan on April 25, 1992 under the Companies Ordinance, 1984. Principal business of the Subsidiary Company is manufacturing and sale of yarn. Mill is located at 38th kilometer, Shaikhupura road, District Faisalabad in the province of Punjab. Registered office of the Subsidiary Company is situated at Office No. 508, 5th floor, Beaumont Plaza, Civil Lines, Karachi. The Holding Company acquired 71,540,000 ordinary shares representing hundred percent of paid up capital of the Subsidiary Company @ 6.85 per share for aggregate consideration of Rs. 490 million on January 31, 2012.

Indus Home Limited - 100% owned

Indus Home Limited (the Subsidiary Company) was incorporated in Pakistan as a public limited Company on May 18, 2006 under the Companies Ordinance 1984. The registered office of the Company is located at 174 Abu Bakar Block, New Garden Town, Lahore. Principal business activities of the Subsidiary Company are to manufacture and export the greige and finished terry cloth and other textile products. The manufacturing facility of the Company is located at Manga Mandi, Lahore. On November 21, 2013, the Holding Company acquired 75 million shares of Indus Home Limited from WestPoint Pakistan LLC for an aggregate purchase consideration of USD 12 million. As a result of the acquisition, the Holding Company acquired controlling interest in Indus Home Limited by way of 100% ownership.

Indus Home USA Inc. (100% owned through Indus Home Limited)

Indus Home USA Inc. has been established during the year. The principal business activities of the Company is to act as commission agent to generate sales order in textile sector.

1.1.3 Associated Company

Sunrays Textile Mills Limited was incorporated in Pakistan on August 27, 1987 as a public limited company under the Companies Ordinance, 1984 and its shares are quoted on the Karachi Stock Exchange. The Company is principally engaged in trade, manufacture and sale of yarn. The Company is also operating a ginning unit and an ice factory on leasing arrangements. The registered office of the Company is situated at Karachi. The mill is located at District Muzaffargarh, Dera Ghazi Khan Division, in the province of Punjab. The Holding Company has 0.99% voting rights in the Company and it is regarded associate due to common directorship.

1.2 Basis of Consolidation

- The consolidated financial statements include the financial statements of the Holding Company, its subsidiaries and an associate company together - "the Group".
- Subsidiary companies are fully consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and excluded from consolidation from the date of disposal or when the control is lost.
- The financial statements of the subsidiaries are prepared for the same reporting year as of the Holding Company for the purpose of consolidation, using consistent accounting policies.
- The assets, liabilities, income and expenses of subsidiary companies are consolidated on a line by line basis.
- Material inter-group balances and transactions have been eliminated.
- Non-Controlling Interest in equity of the subsidiary companies are measured at fair value as of the acquisition date of the subsidiaries.

1.3 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Holding Company, liabilities incurred by the Holding Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss account as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit and loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation is measured at fair value at the date of the acquisition.

2. STATEMENT OF COMPLIANCE

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

2.2 Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention as modified by:

- recognition of certain employee retirement benefits at net present value;
- certain financial instruments at fair value.

New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2014:

The following standards, amendments and interpretations are effective for the year ended June 30, 2014. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's consolidated financial statements other than certain additional disclosures.

Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	**Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	**Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	**Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities | **Effective from accounting period beginning on or after January 01, 2013**

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities | **Effective from accounting period beginning on or after January 01, 2013**

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine | **Effective from accounting period beginning on or after January 01, 2013**

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

New accounting standards and IFRS interpretations that are not yet effective:

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's consolidated financial statements other than certain additional disclosures.

Amendments to IAS 38 - "Intangible Assets" and IAS 16 " Property, plant and Equipment" | **Effective from accounting period beginning on or after January 01, 2016**

These amendments 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 are 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.

Amendments to IAS 41 - "Agriculture" and IAS 16 " Property, plant and Equipment" | **Effective from accounting period beginning on or after January 01, 2016**

Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, an entity can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 'Agriculture'. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

Amendments to IAS 19 Employee Benefits: Employee contributions | **Effective from accounting period beginning on or after July 01, 2014**

This amendment clarifies the application of IAS 19, 'Employee benefits' (2011) – referred to as 'IAS 19R', to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions. The 2011 revisions to IAS 19 distinguished between employee contributions related to service and those not linked to service. The current amendment further distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided.

IAS 27 (Revised 2011) – Separate Financial Statements — **Effective from accounting period beginning on or after January 01, 2015. IAS 27 (Revised 2011) will concurrently apply with IFRS 10.**

The revised Standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous Standard. The IASB has issued recently the amendment to IAS 27 wherein it has allowed to follow the equity method in the separate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed.

IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures — **Effective from accounting period beginning on or after January 01, 2015**

Similar to the previous Standard, the new Standard deals with how to apply the equity method of accounting. However, the scope of the revised Standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities — **Effective from accounting period beginning on or after January 01, 2014**

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

IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets — **Effective from accounting period beginning on or after January 01, 2014**

The amendments:

- remove the requirement to disclose the recoverable amount of a cash-generating unit (or group of cash-generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognized (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13; and

- introduce additional disclosure requirements in respect of assets for which an impairment has been recognized or reversed and for which the recoverable amount is determined using fair value less costs of disposal.

IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting — **Effective from accounting period beginning on or after January 01, 2014**

The amendment allows the continuation of hedge accounting (under IAS 30 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counterparty and certain conditioned are met.

IFRS 10 – Consolidated Financial Statements — **Effective from accounting period beginning on or after January 01, 2014**

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change is to remove the perceived inconsistency between the previous version of IAS 27 and SIC 12; the former used a control concept while the latter placed greater emphasis on risks and rewards. IFRS 10 includes a more robust definition of control in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27. Specific transitional provisions are given for entities that apply IFRS 10 for the first time. Specifically, entities are required to make the 'control' assessment in accordance with IFRS 10 at the date of initial application, which is the beginning of the annual reporting period for which IFRS 10 is applied for the first time. No adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is the same before and after the application of IFRS 10. However, adjustments are required when the 'control' conclusion made at the date of initiaapplication of IFRS 10 is different from that before t

IFRS 11 – Joint Arrangements | **Effective from accounting period beginning on or after January 01, 2015**

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

IFRS 12 – Disclosure of Interests in Other Entities | **Effective from accounting period beginning on or after January 01, 2015**

IFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12). IFRS 12 aims to provide users of financial statements with information that helps evaluate the nature of and risks associated with the reporting entity's interest in other entities and the effects of those interests on its financial statements.

IFRS 13 – Fair Value Measurement | **Effective from accounting period beginning on or after January 01, 2015**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied.

IFRIC 21 - Levies | **Effective from accounting period beginning on or after January 01, 2014**

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with the approved accounting standards as applicable in Pakistan, requires management to make estimates, assumptions and use of judgment that affect the application of policies and the reported amount of assets, liabilities, income and expenses.

Estimates and judgments, if any, are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the consolidated financial statements or where judgment was exercised in application of accounting policies are as follows:

- Provision for current tax and deferred tax (Note 10.1 and 34)
- Provision for staff retirement benefits (Note 10.2-10.4)
- Depreciation rates of property, plant and equipment (Note 15.1)
- Classification and impairment of investment (Note 16 and 24)
- Net realisable value of stock-in-trade (Note 19)
- Provision for impairment of trade debts and other receivables (Note 20.4)
- Fair value of net assets acquired in business combination (Note 5)

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

4.1 Taxation

Current

Provision for current taxation is based on taxability of certain income streams of the Group under presumptive / final tax regime at the applicable tax rates remaining taxable income at the current rates of taxation under normal tax regime after taking into account tax credits and rebates available, if any, or on turnover at the specified rate or Alternative Corporate Tax as defined in section 113C of Income Tax Ordinance, 2001, whichever is higher.

Deferred

Deferred income tax is recognised using balance sheet liability method for all major temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that tax profits and taxable temporary differences will be available against which deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits and taxable temporary differences will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. The effect of deferred taxation of the portion of the income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of Institute of Chartered Accountants of Pakistan.

4.2 Staff retirement benefit

4.2.1 Defined benefit plan

The Holding Company

The Holding Company operates unfunded gratuity scheme covering all its employees who have completed minimum qualifying period. Provisions are determined based on the actuarial valuation conducted by a qualified actuary using Projected Unit Credit Method. Under this method cost of providing for gratuity is charged to profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Past-service costs are recognised immediately in profit and loss account and actuarial gains and losses are recognised immediately in other comprehensive income.

Indus Lyallpur Limited

The Company operates unfunded gratuity scheme covering all its employees who have completed minimum qualifying period. Provisions are determined based on the actuarial valuation conducted by a qualified actuary using Projected Unit Credit Method. Under this method cost of providing for gratuity is charged to profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Past-service costs are recognised immediately in profit and loss account and actuarial gains and losses are recognised immediately in other comprehensive income.

Indus Home Limited

The Company operates an unfunded gratuity scheme for all its employees who are eligible under the scheme. Provision is made annually to cover the liability under the scheme. Future contribution rate of this scheme includes allowances for surplus and deficit. The latest actuarial valuation was carried on 30 June 2014, using projected unit credit method. The company's policy with regard to actuarial gains / losses is to follow minimum recommended approach under IAS 19 "Employee Benefits".

4.2.2 Compensated absences

The Group provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

4.3 Trade and other payables

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

4.4 Property, plant and equipment

4.4.1 Owned

Property, plant and equipment owned by the Group are stated at cost less accumulated depreciation and impairment loss if any, except freehold and leasehold land. Depreciation is charged to income using the reducing balance method whereby cost of an asset is written-off over its estimated useful life at the rates given in note 15.1 .

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in the profit and loss account in the year the asset is derecognised.

In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the disposal respectively.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the year in which they are incurred.

Gains and losses on disposal of assets, if any, are recognized as and when incurred.

Depreciation methods, useful lives and residual values are reviewed periodically and adjusted, if appropriate, at each balance sheet date.

4.4.2 Capital work-in-progress

Capital work-in-progress (CWIP) is stated at cost. All expenditures connected to the specific assets incurred during the installation and construction period are carried under CWIP. These are transferred to specific assets as and when assets are ready for their intended use.

4.4.3 Assets subject to finance lease

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, over the term of the relevant lease.

4.5 Impairment

4.5.1 Financial assets

The Group assesses at each reporting date whether there is an indication that an asset or a group of asset is impaired. If any indication exists or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is higher of an asset's fair value less cost to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discontinued to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the assets. In determining fair value less cost to sell, an appropriate valuation model is used.

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an i incurred ``loss event``) and that loss event has an impact on the estimated future cash flows of thefinancial asset or the group of financial assets carried at amortized cost are recognized in profit and loss account.

4.5.2 Non-financial assets

The Group assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and inventories may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 amortisation, if no impairment loss had been recognised.

4.6 Leases

As lessee

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

4.7 Stores, spares and loose tools

These are valued at lower of cost and net realizable value, determined on moving average cost method less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

4.8 Stock in trade

Stock in trade is valued at cost accumulated to the balance sheet date, is valued at lower of cost and net realizable value applying the following basis:

	Basis of valuation
Raw material	Weighted average cost
Work in progress	Weighted average cost of material and share of applicable overheads
Finished goods	Weighted average cost of material and share of applicable overheads
Packing material	Moving average cost
Waste and scrap	Net realizable value
Stock in transit	Accumulated cost till balance sheet date

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

4.9 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of indicators as discussed in note 4.5.2. Balances considered bad and irrecoverable are written off when identified.

4.9.1 Provision for doubtful receivables

Provision for doubtful debts and receivables are estimated at each year end on the basis of events and conditions surrounding their recoverability and are being set-off from their respective amounts.

4.10 Investments

4.10.1 Regular way purchase or sale of investments

All purchases and sales of investments are recognised using settlement date accounting. Settlement date is the date that the investments are delivered to or by the Group.

4.10.2 Investment in associate

Associate is an entity over which the Holding Company has significant influence, but not control, generally accompanying a shareholding of 20% to 50% of the voting rights or common directorship.

Such investments are accounted for using equity method of accounting and initially are recognized at cost and subsequently adjusted to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses exceeds its interest, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

4.10.3 Investment in joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

The Group recognises its interest in the joint venture using equity method of accounting. Investment in joint venture is initially recognized at cost and subsequently adjusted to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's shares of losses exceeds its interest, the carrying amount of that interest is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments

4.10.4 Financial assets at fair value through profit or loss - held for trading

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as "fair value through profit or loss - held-for-trading".

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss account upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's risk management; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the profit and loss account.

Subsequent to initial recognition, equity securities designated by the management as 'at fair value through profit or loss' are valued on the basis of closing quoted market prices available at the stock exchange.

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the profit and loss account.

4.10.5 Derivative financial instruments

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. Derivatives with positive impact at balance sheet date are included in 'other financial assets' and with negative impacts in 'trade and other payable' in the balance sheet. The resultant gains and losses are included in other income/ other operating expenses.

Derivatives financial instruments entered into by the Group do not meet the hedging criteria as defined by IAS 39, Financial Instruments: 'Recognition and Measurement'. Consequently hedge accounting is not used by the Group.

4.11 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit and loss account in the period in which they are incurred.

4.12 Foreign currencies

These consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. Transactions in other than Pakistani Rupee are translated into reporting currency at the rates of exchange prevailing on the date of transactions except for those covered by forward contracts, which are translated at contracted rates. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except for those covered by forward contracts, which are stated at contracted rates.

Gains and losses arising on retranslation are included in profit or loss account.

4.13 Provisions

Provisions are recognized when the Group 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 the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.14 Revenue recognition

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

- Sales are recorded when the significant risk and rewards of ownership of the goods have passed to the customers which concide with the dispatch of goods to the customers.
- Income on bank deposits are recorded on time proportionate basis using effective interest rate.
- Dividend income is recognised when the right to receive the dividend is established.

4.15 Financial instruments

All financial assets and liabilities are recognized at the time when the Group becomes party to the contractual provisions of the instrument and derecognised when the Group loses control of the contractual rights that comprise of the financial assets and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Other particular recognition methods adopted by the Group are disclosed in the individual policy statements associated with each item of financial instruments.

4.16 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and net amount is reported in the balance sheet if the Group has a legal right to offset the recognized amounts and also intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

4.17 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash, balances with banks on current, savings and deposit accounts and short-term borrowings excluding loans from directors and their spouses.

4.18 Dividend distribution

4.18.1 Cash dividend

Dividend distribution to the Group's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Group's shareholders/directors as appropriate.

4.18.2 Specie dividend

Distribution of specie dividend to the Group's shareholders is recognised as a liability in these consolidated financial statements in the period in which the dividends are approved by the Group's shareholders/ directors at the fair value of the assets to be distributed. At the end of the reporting period, the management reviews and adjusts the carrying value of the dividend payable, with any changes in carrying amount to be recognised in equity. When the Group settles the liability, any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable is recognised in profit and loss account.

4.19 Export rebate, research and development support and local taxes rebate

Export rebate and research and development support are recognized when these become due and there is reasonable assurance that these will be received.

4.20 Earnings per share

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

4.21 Change in accounting policy

IAS 19 - Employee Benefits (as revised in 2011)

In the current year, the group has adopted IAS 19 Employees Benefits (as revised in 2011) along with related consequential amendments.

The revised IAS 19 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the gratuity assets or liability recognized in the balance sheet to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or assets. In addition, IAS 19 (as revised in 2011) introduce certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to the first-time application of IAS 19 (as revised in 2011). The Group has applied the relevant transitional provisions and restated the comparative amounts on retrospective basis in accordance with IAS 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors'. Previously the Group recognised actuarial gains / losses in profit and loss account. However, as a result of adoption of revised IAS-19, the effect of remeasurement is directly recognised in other comprehensive income. The effect of change in accounting policy for the year ended June 30, 2012 was not material, therefore, third balance sheet for the year 2012 has not been presented. The effect of retrospective application of change in accounting policy is as follows:

	Amount as reported earlier	Effect of change in accounting policy	Amount as restated
	Rupees in '000		
For the year ended June 30, 2013			
Effect on profit and loss account			
Cost of goods sold	16,402,510	(11,000)	16,391,510
Administrative expenses	211,227	(2,923)	208,304
	16,613,737	**(13,923)**	**16,599,814**
Profit after taxation	2,533,811	13,923	2,547,734
Earnings per share	140.19	0.74	140.93
Effect on Statement of Comprehensive Income			
Other comprehensive income for the year	-	13,923	(13,923)

The effect of restatement has not been incorporated from Indus Home Limited because the company was acquired during the year. The effect of restatement in Indus Lyallpur Limited was not material, therefore not effect has been incorporated.

5. BUSINESS COMBINATION

During the year the Holding Company has acquired the entire shareholding of WestPoint Pakistan LLC in Indus Home Limited (The Joint venture) comprising of 75 million ordinary shares of Rs. 10 each representing 50% of total issued share capital of Indus Home Limited at aggregate purchase consideration of USD 12 million (Rs. 1,293 million) thus making it a wholly owned subsidiary. The fair value of the identifiable assets and liabilities of the subsidiary as at the date of acquisition date i.e. November 21, 2013 and corresponding carrying values immediately before the acquisition were as follows:

	Fair value recognized on acquisition	Carrying value
	Rupees in '000	
Non current assets		
Property plant and equipment	3,651,588	2,873,337
Long term deposit and deferred cost	6,714	6,715
	3,658,302	2,880,051
Current assets		
Stock in trade	859,581	859,581
Stores, spares and loose tools	240,238	240,238
Trade debtors	48,464	48,464
Advances, deposits, prepayment and other receivables	219,450	219,450
Sales tax refundable	92,849	92,849
Cash and bank balances	6,578	6,578
	1,467,160	1,467,160

	Fair value recognized on acquisition	Carrying value
	Rupees in '000	
Current liabilities		
Short term bank borrowings	324,980	324,980
Current portion of long term loans	306,259	306,259
Creditors, accrued and other liabilities	326,063	235,768
Provision for taxation	82,549	82,549
	1,039,851	949,556
Non current liabilities		
Long term loans	959,511	959,511
Less current maturity of loan term loans	(306,259)	(306,259)
	653,252	653,252
Deferred liabilities -Staff Gratuity	78,268	78,268
- Taxation	387	387
	78,655	78,655
Net assets	**3,353,704**	**2,665,748**

5.1 Gain on bargain purchase arising on the acquisition has been recognized as follows:

	Rupees in '000
Consideration transferred	1,293,120
Fair value of previously held interest in Indus Home Limited	1,721,656
	3,014,776
Fair value of net assets acquired and liabilities assumed	3,353,704
Gain on bargain purchase	**338,928**

5.2 **Net cash outflow on acquisition of subsidiary**

Consideration paid in cash	1,293,120
Cash acquired	(6,578)
Short term borrowings	324,980
	1,611,522

5.3 **Re-measurement of previously held interest in Indus Home Limited**

Fair value on date of acquisition	1,721,655
Less: Carrying value on date of acquisition (note 5.4)	(1,332,599)
Gain on re-measurement of previously held interest	**389,056**

5.4 **Previous investment in joint venture**

Carrying amount as at July 01, 2013	1,374,124
Share of loss for the period from July 01, 2013 to November 21, 2013	(41,525)
Carrying amount on the date of acquisition	**1,332,599**

5.5 **Provisional values**

The Company is in the process to determine the fair values of the assets and liabilities of Indus Home Limited. Therefore, the amounts reported for the fair values of the assets and liabilities are provisional and will be updated, if required, when the process will be completed

5.6 In order to ensure early cash realisation and to expedite the exit process, the previous investor WestPoint Pakistan LLC sold its interest in Indus Home Limited to the Holding Company at value considerably lower than the fair value net assets of the subsidiary. As a result of the transaction executed at discounted terms, the Holding Company has recognized bargain purchase gain amounting to Rs. 389.056 million (Refer note 5.3).

6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		Note	2014	2013
No. of shares				Rupees in '000	
9,637,116	9,637,116	Ordinary shares of Rs.10/- each fully paid in cash		**96,371**	96,371
		Other than cash:			
5,282,097	5,282,097	Issued to the shareholders of YTML	6.1	**52,821**	52,821
3,154,519	3,154,519	Issued as bonus shares		**31,545**	31,545
18,073,732	18,073,732			**180,737**	180,737

6.1 These shares were issued pursuant to the Scheme of Amalgamation with Yousuf Textile Mills Limited (YTML), determined as at October 01, 2004, in accordance with the share-swap ratio.

6.2 There is no movement in issued, subscribed and paid-up capital during the year.

6.3 The Holding Company has only one class of ordinary shares which carry no right to fixed income. The holders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Holding Company. All shares rank equally with regard to the Holding Company's residual assets.

6.4 The Holding Company has no reserved shares for issuance under options and sales contracts.

7. RESERVES

	Note	2014	2013
		Rupees in '000	
Capital			
Share premium	7.1	**10,920**	10,920
Merger reserve	7.2	**11,512**	11,512
		22,432	22,432
Revenue			
General reserve		**5,000,000**	5,000,000
Exchange translation reserve		**(32)**	-
		5,022,400	5,022,432

7.1 This represents share premium received in year 2001 in respect of the issue of 3,639,960 right shares at a premium of Rs. 3/- per share.

7.2 Merger reserve represents excess of (a) assets of YTML over its liabilities merged with the Holding Company over (b) consideration to shareholders of YTML as per the Scheme of Amalgamation (Refer note 6.1).

8. LONG-TERM FINANCING

	Note	2014	2013
		Rupees in '000	
Secured			
From banking companies	8.1 & 8.2	**2,902,774**	921,714
Less: Payable within one year		**(740,765)**	(231,345)
		2,162,009	690,369

8.1 The particulars of above long-term loans are as follows:

Type and nature of loan	2014			
	Amount outstanding	Sanctioned amount	Mark up rate per annum	Terms of repayments
	Rupees in '000			
Demand finance loans	3,176	117,942	6 month KIBOR + 1.25%	Half yearly
Fixed assets finances	257	2,058	6 month KIBOR + 1.25%	Half yearly
Term finances	1,546,900	2,410,000	1 month KIBOR + 0.5 % to 3 month KIBOR + 1.5%	Quarterly
Long term financing - Export oriented projects	834,339	3,609,000	6% to 12.6%	Quarterly and half yearly
Musharikah agreement	518,102	900,000	3 month KIBOR + 1%	Quarterly
	2,902,774	7,039,000		

Type and nature of loan	2013			
	Amount outstanding	Sanctioned amount	Mark up rate per annum	Terms of repayments
	Rupees in '000			
Demand finance loans	4,374	120,000	6 month KIBOR + 1.25%	Half yearly
Fixed assets finances	772	2,058	6 month KIBOR + 1.25%	Half yearly
Term finances	815,859	1,460,000	3 month KIBOR + 1% to 3 month KIBOR + 1.25%	Quarterly and half yearly
Long Term Financing - Export Oriented Projects	43,211	120,000	6% to 9.7%	Quarterly and half yearly
Musharakah Agreement	57,498	300,000	3 month KIBOR + 1%	Quarterly
	921,714	2,002,058		

8.2 These finances are secured by charge over property, plant and equipment and land and buildings of the Group.

8.3 There is no significant non compliance of the financing agreements with banking companies which may expose the Group to penalties or early repayment.

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The future minimum lease payments to which the Group is committed as at the balance sheet date are as follows:

	2014		2013	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	Rupees in '000		Rupees in '000	
Within one year	-	-	2,231	2,222
After one year but not more than five years	-	-	-	-
Total minimum lease payments	-	-	2,231	2,222
Less: Amount representing finance charges	-	-	(9)	-
Present value of minimum lease payments	-	-	2,222	2,222
Less: Current portion	-	-	(2,222)	(2,222)
	-	-	-	-

9.1 These represent finance lease arrangement entered into with a financial institution for generator. During the year, the Group has excersized the option to purchase the leased asset.

	Note	2014	2013
		Rupees in '000	
10. DEFERRED LIABILITIES			
Deferred taxation	10.1	1,461	-
Staff retirement gratuity:			
- the Holding Company	10.2	140,757	112,239
- Indus Lyallpur Limited	10.3	10,307	5,997
- Indus Home Limited	10.4	80,642	-
		233,167	118,236

10.1 Deferred taxation

10.1.1 The Holding Company

As the Holding Company's export sales were more than 80% of the total sales, management opted for the Income Tax Circular No. 20 of 1992, according to which local sales of goods (manufactured) as well as waste material, not constituting more than 20% of such production, may also be treated as export sales if the assessee opts to pay tax on such sales at the rate applicable to export sales. As a result, management recognized the provision for taxation for local sale at rate applicable to export sales. Consequently, no deferred tax has been recognised by the Company in respect of assets and liabilities pertaining to income under Final Tax Regime.

10.1.2 Indus Lyallpur Limited - the Subsidiary Company

Management of the Subsidiary Company has restricted the benefit of deferred tax asset only to the extent of taxable temporary differences amounting to Rs. 83.904 million (2013: 93.404 million) and remaining net deferred tax asset of Rs. 26.584 million (2013: Rs. 60.641 million) has not been recognized in the books. The taxable temporary differences include temporary differences arising on fair value adjustments at the time of acquisition.

10.1.3 Indus Home Limited - the Subsidiary Company

The deferred tax liability recongized in these consolidated financial statements represents deferred tax liability in respect of unrealized export debtors relating to Indus Home Limited. The income of the subsidiary falls under Final Tax Regime; accordingly no deferred tax in respect of fair value adjustments of assets and liabilities has been recognized in these consolidated financial statements.

10.2 Staff retirement gratuity - the Holding Company

The Holding Company operates unfunded gratuity scheme for all its confirmed employees who have completed the minimum qualifying period of service. Provision is made to cover obligations under the scheme on the basis of valuation conducted by a qualified actuary. The last such valuation was conducted on June 30, 2014 using Projected Unit Credit Method. Details assumptions used and the amounts charged in these consolidated financial statements are as follows:

Significant actuarial assumptions

	2014	2013
Discount rate	**13.25%**	10.50%
Expected rate of increase in salary level	**12.25%**	9.50%
Average expected remaining working life of employees	**6 years**	6 years

Mortality rates assumed were based on the SLIC 2001-2005 mortality table.

The rates for withdrawal from service and retirement on ill-health grounds are based on industry / country experience.

	2014	2013 (Restated)
	Rupees in '000	
Present value of defined benefit obligation	**140,757**	112,239
Movement in net defined liability		
Balance at the beginning of the year	**112,239**	84,869
Recognized in profit and loss account		
Current service cost	**37,602**	22,834
Interest cost	**10,327**	11,882
	47,929	34,716
Recognized in other comprehensive income		
Actuarial loss on remeasurement of obligation	**8,370**	13,923
Benefits paid	**(27,781)**	(21,269)
Present value of defined benefit obligation as at 30 June 2014	**140,757**	112,239
Actuarial gains and losses		
Actuarial (gain) / losses from changes in demographic assumptions	**-**	-
Experience adjustments	**8,370**	13,923
	8,370	13,923

Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below:

	Impact on defined benefit obligation		
	Change in assumptions	Increase	Decrease
		-------- (Rupees in '000) --------	
Discount rate	1%	(8,062)	9,336
Salary growth rate	1%	9,819	(8,646)

10.3 Staff retirement gratuity - Indus Lyallpur Limited

Significant actuarial assumptions

	2014	2013
Discount rate	12%	-
Expected rate of increase in salary level	11%	-

Mortality rates assumed were based on the SLIC 2001-2005 mortality table.

The rates for withdrawal from service and retirement on ill-health grounds are based on industry / country experience.

	2014	2013
	Rupees in '000	
Present value of defined benefit obligation	10,307	5,997
Movement in net defined liability		
Balance at the beginning of the year	5,997	-
Recognized in profit and loss account		
Current service cost	5,613	-
Interest cost	720	6,186
	6,333	6,186
Recognized in other comprehensive income		
Actuarial loss on remeasurement of obligation	(200)	-
Benefits paid	(1,823)	(189)
Present value of defined benefit obligation as at 30 June 2014	10,307	5,997
Actuarial gains and losses		
Actuarial (gain) / losses from changes in demographic assumptions	-	-
Experience adjustments	(200)	-
	(200)	-

Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below:

	Impact on defined benefit obligation		
	Change in assumptions	Increase	Decrease
		(Rupees in '000)	
Discount rate	1%	(531)	653
Salary growth rate	1%	653	(540)

10.4 Staff retirement gratuity - Indus Home Limited

Significant actuarial assumptions

	2014	2013
Discount rate	**13.25%**	11.00%
Expected rate of increase in salary level	**12.25%**	10.00%
Average expected remaining working life of employees	**7 years**	6 years

Mortality rates assumed were based on the SLIC 2001-2005 mortality table.

The rates for withdrawal from service and retirement on ill-health grounds are based on industry / country experience.

	2014	2013
	Rupees in '000	
Present value of defined benefit obligation	**80,642**	65,103
Movement in net defined liability		
Balance at the beginning of the year	**65,103**	57,871
Recognized in profit and loss account		
Current service cost	**21,599**	27,557
Interest cost	**6,075**	7,523
	27,674	35,080
Recognized in other comprehensive income		
Actuarial loss on remeasurement of obligation	**7,609**	3,867
Benefits paid	**(19,744)**	(31,715)
Present value of defined benefit obligation as at 30 June 2014	**80,642**	65,103
Actuarial gains and losses		
Actuarial (gain) / losses from changes in demographic assumptions	-	-
Experience adjustments	**7,609**	3,867
	7,609	3,867

Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below:

	Impact on defined benefit obligation		
	Change in assumptions	**Increase**	**Decrease**
		-------- (Rupees in '000) --------	
Discount rate	1%	(5,026)	5,835
Salary growth rate	1%	6,106	(5,362)

	Note	2014	2013
		Rupees in '000	

11. TRADE AND OTHER PAYABLES

	Note	2014	2013
Creditors	11.1	**557,390**	135,389
Accrued liabilities		**277,289**	301,761
Foreign bills payable		**67,227**	-
Infrastructure cess	11.2	**190,609**	143,891
Workers' Profit Participation Fund	11.3	**62,273**	133,317
Advance from customers		**23,682**	14,801
Due to directors and associate		**5,385**	-
Unclaimed dividend / dividend payable		**27,217**	54,130
Withholding tax payable		**2,781**	1,962
Unrealised loss on derivative financial instruments		**-**	441
Others		**137,051**	52,442
		1,350,904	838,134

11.1 This includes Rs. Nil (2013: Rs. 2.27 million) due to related parties.

11.2 It represents infrastructure cess payable to Excise and Taxation Officer (ETO) in respect of imported goods under the Sindh Finance Ordinance 2001. In the year 2010-11, the High Court of Sindh has passed an interim order to return the bank guarantees in respect of infrastructure cess payable on goods imported before December 28, 2006. Further the Honorable Court has also ordered to pay off 50% of the infrastructure cess payable on goods imported on and after December 28, 2006 and to submit bank guarantees for balance 50%.

	Note	2014	2013
		Rupees in '000	

11.3 Workers' Profit Participation Fund

	Note	2014	2013
Balance at beginning of the year		**133,317**	73,398
Allocation for the year		**62,273**	133,317
Interest charged during the year on the funds utilized by the Group	33	**5,329**	5,648
		200,919	212,363
Payments made during the year		**(138,646)**	79,046
Balance at end of the year		**62,273**	133,317

12. INTEREST / MARK-UP PAYABLE

	2014	2013
On secured loans from banking companies		
- Long-term financing	**84,304**	19,180
- Short-term borrowings	**40,656**	12,020
	124,960	31,200

13. SHORT-TERM BORROWINGS

	Note	2014	2013
From banking companies - secured			
Running finance / cash finance arrangements	13.1	**675,182**	1,001,568
Finance against import / export	13.2	**4,335,864**	836,454
	13.3	**5,011,046**	1,838,022
From related parties - unsecured			
Directors and their spouses	13.4	**-**	9,490
		5,011,046	1,847,512

13.1 These carry mark-up ranging from 3 month KIBOR + 0.15% to 1 month KIBOR + 2.00% (2013: 1 month KIBOR + 0.5% to 3 month KIBOR + 1%). These are secured against charge over current assets of the Group.

13.2 These carry mark-up ranging from 1 month LIBOR + 0.4% to 1 month LIBOR + 2.5% (2013: 1 month LIBOR + 0.5% to 1 month LIBOR + 1.1%) on foreign currency borrowing amounts. These arrangements are secured against charge over current assets of the Group and lien on import and export documents.

13.3 The Group has aggregate short-term borrowing facilities amounting to Rs. 14,848 million (2013: Rs. 9,074 million) from various commercial banks. These are secured against current assets with upto 25% margin.

13.4 These are interest free and are payable within one year.

14. CONTINGENCIES AND COMMITMENTS

		2014	2013
		Rupees in '000	
14.1	**Contingencies**		
14.1.1	Claim of arrears of social security contribution not acknowledged, appeal is pending in honorable High Court of Sindh. The management is hopeful for favorable outcome.	**453**	453
14.1.2	Guarantees issued by banks on behalf of the Group	**49,820**	49,820
14.1.3	Guarantees issued by banks in favour of gas distribution companies	**114,227**	37,586
14.1.4	Bank guarantees against payment of infrastructure cess	**144,695**	103,042
14.2	**Commitments**		
	Letters of credit against property, plant and equipment, stores and spares and raw cotton purchases	**753,013**	1,635,029
	Civil work contracts	**70,000**	176,350
	Foreign currency forward contracts	**803,586**	99,660

		Note	2014	2013
			Rupees in '000	
15.	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating fixed assets	15.1	**10,812,951**	5,371,700
	Capital work-in-progress	15.3	**103,388**	98,959
			10,916,339	5,470,659

15.1 Operating fixed assets

Particulars	Cost at July 1, 2013	Additions/ (disposal) during the year	Cost at June 30, 2014	Accumulated depreciation at July 1, 2013	Depreciation/ (adjustment) for the year	Accumulated depreciation at June 30, 2014	Carrying value at June 30, 2014	Dep. Rate
	2014							
	< - - - Rupees in '000' - - - >							%
Owned								
Freehold land	85,001	135,700	220,701	-	-	-	220,701	-
Leasehold land	49,371	1,664	51,035	-	-	-	51,035	-
Factory buildings	1,127,543	907,960	2,035,503	317,971	75,467	393,438	1,642,065	10
Non-factory buildings	117,088	1,520	118,608	71,320	4,631	75,951	42,657	10
Office building	50,687	59,629	110,316	2,574	3,652	6,226	104,090	5
Plant and machinery	6,696,906	4,489,152	11,040,356	2,760,863	628,358	3,302,895	7,737,461	10
		(145,702)			(86,326)			
Electric installations	116,625	94,361	210,986	65,505	8,354	73,859	137,127	10
Power generators	373,994	381,957	775,524	179,685	37,005	224,686	550,838	10
		19,573 *			7,996 *			
Factory equipment	2,500	141,783	144,251	272	8,380	8,636	135,615	10-20
		(32)			(16)			
Office equipment	2,240	34,998	35,904	86	3,935	2,944	32,960	30
		(1,334)			(1,077)			
Furniture and fixtures	17,940	19,111	37,015	6,672	2,270	8,923	28,092	10
		(36)			(19)			
Vehicles	179,399	37,299	208,231	54,419	29,721	77,921	130,310	20
		(8,467)			(6,219)			
	8,819,294	6,305,134	14,988,430	3,459,367	801,773	4,175,479	10,812,951	
		(155,571)			(93,657)			
Leased								
Power generator	19,573	- *	-	7,800	196	-	-	10
		(19,573)			(7,996)			
June 30, 2014	8,838,867	6,305,134	14,988,430	3,467,167	801,969	4,175,479	10,812,951	
		(155,571)			(93,657)			

* These assets represent assets transferred from leased assets to owned assets

Operating fixed assets

Particulars	Cost at July 1, 2012	Additions/ (disposal) during the year	Cost at June 30, 2013	Accumulated depreciation at July 1, 2012	Depreciation/ (adjustment) for the year	Accumulated depreciation at June 30, 2013	Carrying value at June 30, 2013	Dep. Rate
	2013							
	< ------------	------------	------------	Rupees in '000'	------------	------------ >		%
Owned								
Freehold land	85,001	-	85,001	-	-	-	85,001	-
Leasehold land	49,371	-	49,371	-	-	-	49,371	-
Factory buildings	984,549	142,994	1,127,543	278,834	39,137	317,971	809,572	10
Non-factory buildings	106,874	10,214	117,088	66,991	4,329	71,320	45,768	10
Office building	32,001	18,686	50,687	533	2,041	2,574	48,113	5
Plant and machinery	5,801,990	959,871 (64,955)	6,696,906	2,421,283	396,492 (56,912)	2,760,863	3,936,043	10
Electric installations	116,393	232	116,625	59,850	5,655	65,505	51,120	10
Power generators	356,094	17,900	373,994	159,108	20,577	179,685	194,309	10
Factory equipment	2,500	-	2,500	208	64	272	2,228	10-20
Office equipment	2,654	- (414)	2,240	261	239 (414)	86	2,154	10
Furniture and fixtures	15,853	6,050 (3,963)	17,940	9,440	1,154 (3,922)	6,672	11,268	10
Vehicles	97,959	84,009 (2,569)	179,399	35,733	20,388 (1,702)	54,419	124,980	20
	7,651,239	1,239,956 (71,901)	8,819,294	3,032,241	490,076 (62,950)	3,459,367	5,359,927	
Leased								
Power generator	19,573	-	19,573	6,492	1,308	7,800	11,773	10
June 30, 2013	7,670,812	1,239,956 (71,901)	8,838,867	3,038,733	491,384 (62,950)	3,467,167	5,371,700	

15.1.1 **Allocation of depreciation**

		2014	2013
		--------Rupees in '000'--------	
Manufacturing expense	28.2	**762,428**	467,557
Administrative expense	31	**39,345**	23,827
		801,773	491,384

15.1.2 Additioins include operating fixed assets of the subsidiary acquired during the year

15.2 **Disposals of operating fixed assets:**

	Particulars	Cost	Accumulated depreciation	Net book value	Sale proceed	Gain / (loss)	Particulars of buyers	Mode of disposal
		Rupees in '000'						
1	Plant and machinery	79,280	(60,123)	19,157	20,000	843	Crescent Fibres Ltd.	Negotiation
2	Plant and machinery	4,000	(365)	3,635	2,960	(675)	EFU House	Insurance Claim
3	Plant and machinery	8,961	(8,805)	156	215	59	Mohammad Ikram	Negotiation
4	Plant and machinery	2,136	(1,957)	179	200	21	Mohammad Khursheed	Negotiation
5	Plant and machinery	2,324	(1,499)	825	1,450	625	Zahid Jee Textile Mills Ltd.	Negotiation
6	Plant and machinery	49,000	(13,577)	35,423	30,340	(5,083)	Adamjee Insurance	Insurance Claim
7	Vehicle	269	(261)	8	50	42	M. Rashid Khan	Negotiation
8	Vehicle	483	(369)	114	150	36	M. Rashid Khan	Negotiation
9	Vehicle	306	(295)	11	50	39	M. Rashid Khan	Negotiation
10	Vehicle	46	(3)	43	38	(5)	Adamjee Insurance	Insurance Claim
11	Vehicle	38	(23)	15	25	10	Adamjee Insurance	Insurance Claim
12	Vehicle	41	(30)	11	4	(7)	Mr. Nadeem ul Haq	Negotiation
13	Vehicle	56	(53)	3	2	(1)	Mr. Abdul Ghaffar	Negotiation
14	Vehicle	47	(38)	9	5	(4)	Mr. Imran Saeed An employee	As per Company polic
15	Vehicle	3,101	(2,448)	653	800	147	Sh. Zeeshan Rauf An employee	Negotiation
16	Vehicle	504	(419)	85	150	65	Mr. Zafar Saleh An employee	As per Company polic
17	Vehicle	48	(38)	10	4	(6)	Mr. Aamir Patni An employee	As per Company polic
18	Vehicle	1,439	(991)	448	500	52	Mr. Hasnain Iqbal An employee	Negotiation
19	Vehicle	765	(424)	341	416	75	Irfan Khan	Negotiation
20	Vehicle	1,326	(826)	500	650	150	Sarfraz Ali	Negotiation
21	Other (Asset having individual cost less than 50,000)	1,401	(1,113)	288	46	(242)		
	2014	**155,571**	**(93,657)**	**61,914**	**58,055**	**(3,859)**		
	2013	71,901	(62,950)	8,951	11,437	2,486		

	Note	2014	2013
		Rupees in '000	

16.2 **Investment in associate**
- Sunrays Textile Mills Limited

	Note	2014	2013
Cost		**1,716**	42,382
Share of post acquisition profits			
Opening		**20,465**	361,226
Dividend received		**(1,025)**	(18,326)
Share of revaluation of property, plant and equipment		**-**	2,610
Share of surplus on property, plant and equipment on account of incremental depreciation - net of deferred tax		**246**	1,469
Share of profit from associate for the year		**2,796**	74,109
Share of post acquisition profits distributed as specie dividend		**-**	(400,623)
		22,482	20,465
Cost of shares distributed as specie dividend		**-**	(40,666)
	16.2.1	**24,198**	22,181
Number of shares held		**68,654**	68,654
Ownership interest		**0.99%**	0.99%
Market value (Rupees in '000)		**16,651**	13,319
Cost of investment (Rupees in '000)		**1,716**	1,716

16.2.1 The principal business of the Company is to manufacture and sale of yarn. The registered office of Sunrays Textile Mills Limited is located in Karachi and the place of business is located at District Muzaffargarh, Dera Ghazi Khan Division, in the province of Punjab.

16.2.2 Due to common directorship, the investment has been classified as investment in associates.

16.2.3 Summarized financial highlights as at and for the period ended June 30 are as follows:

	Note	2014	2013
		Rupees in '000	
Total assets		**3,572,356**	2,673,897
Total liabilities		**1,164,054**	444,589
Revenue		**4,731,619**	4,385,980
Profit for the year		**282,460**	531,267

17. LONG-TERM DEPOSITS

		2014	2013
Electricity		**11,118**	3,754
Others		**4,220**	1,285
		15,338	5,039

18. STORES, SPARES AND LOOSE TOOLS

		2014	2013
Stores, spares and loose tools	18.1	**616,408**	232,354
Less: provision for slow moving and obsolete stock		**(29,655)**	(1,000)
		586,753	231,354

18.1 It include stores and spares in transit amounting to Rs. 60.96 million (2013: Rs 12.746 million).

	Note	2014	2013
		Rupees in '000	

19. STOCK-IN-TRADE

	Note	2014	2013
Raw material			
- in hand		**3,603,313**	3,316,147
- in transit		**163,490**	137,593
		3,766,803	3,453,740
Work-in-process		**789,693**	234,495
Finished goods		**1,020,058**	234,809
Packing material		**47,512**	37,982
Waste		**88,697**	66,009
		5,712,763	4,027,035

20. TRADE DEBTS

	Note	2014	2013
Considered good			
Secured			
Foreign debtors		**1,335,957**	505,109
Local debtors		**16,453**	401,562
	20.1	**1,352,410**	906,671
Unsecured			
Foreign debtors		**105,440**	-
Local debtors	20.2	**496,544**	222,451
		1,954,394	1,129,122
Considered doubtful		**5,230**	8,393
		1,959,624	1,137,515
Less: provision for doubtful debts	20.3	**(5,230)**	(8,393)
	20.4	**1,954,394**	1,129,122

20.1 These are secured against letters of credit in favour of the Group.

20.2 This includes balances from the following related parties which are not past due:

	2014	2013
	Rupees in '000	
Indus Home Limited	-	13,205
Sunrays Textile Mills Limited (Associate)	-	58
	-	13,263

	2014	2013
	Rupees in '000	
20.3 Movement of provision		
Opening balance	**8,393**	3,493
Charge for the year	**-**	4,900
Reversal	**(3,163)**	-
Closing balance	**5,230**	8,393

20.4 Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of credit customers.

			2014	2013
			Rupees in '000	
21.				
	Considered good			
	Loans to staff		**14,908**	9,508
	Advance income tax - net	21.1	**218,211**	63,918
	Advances to:			
	- Suppliers		**40,827**	29,255
	- Others		**11,691**	11,570
			52,518	40,825
			285,637	114,251
21.1	**Advance income tax - net**			
	Advance income tax		**258,001**	300,852
	Less: Provision for taxation		**-**	(138,063)
	Less: Workers' Welfare Fund	21.1.1	**(39,790)**	(98,871)
			218,211	63,918

21.1.1 Prior to certain amendments made through the Finance Acts of 2006 & 2008, Worker Welfare Fund (WWF) was levied at 2% of the total income assessable under the Income Tax Ordinance, 2001 excluding incomes falling under the Final Tax Regime (FTR). Through Finance Act, 2008, an amendment was made in Section 4(5) of the WWF Ordinance, 1971 (the Ordinance) whereby WWF liability is applicable at 2% of the higher of the profit before taxation as per the accounts or declared income as per the return.

Aggrieved by the amendments made through the Finance Act, certain stakeholders filed petition against the changes in the Lahore High Court which struck down the aforementioned amendments to the WWF Ordinance in 2011. However, the Holding Company together with other stakeholders also filed the petition in the Sindh High Court which, in 2013, decided the petition against the Holding Company and other stakeholders. Management has filed a petition before the Supreme Court of Pakistan against the decision of the Sindh High Court. On prudent basis, the Group has recognized aggregate provision amounting to Rs.144.482 million for the years from 2010 to 2014, although management based on advice of the legal advisor is confident that the ultimate decision would be in favor of the Group.

		Note	2014	2013
			Rupees in '000	
22.	**TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**			
	Considered good			
	Security deposits:			
	- Lease		-	979
	- Others		683	-
	Prepayments		4,103	6,805
			4,786	7,784

		Note	2014	2013
			Rupees in '000	
23.	**OTHER RECEIVABLES**			
	Considered good			
	Cotton claims		14,233	14,241
	Rebate refundable		58,945	-
	Others		20,524	12,123
			93,702	26,364

24. OTHER FINANCIAL ASSETS

	Note	2014	2013
At fair value through profit and loss - held for trading			
Investment in ordinary shares of listed companies	24.1	**18,536**	12,880
Investment in units of mutual funds	24.1	**126,027**	584
Derivative financial asset		**19,660**	-
		164,223	13,464

24.1 Market value of other financial assets

2014	2013		2014	2013
No. of shares / units			Rupees in '000	
Investment in ordinary shares of listed companies				
30,000	30,000	Fauji Fertilizer Company Limited	**3,367**	3,223
11,088	1,728	Pakistan State Oil Company Limited	**4,312**	2,243
60,500	195	United Bank Limited	**10,198**	6,508
100,000	-	Pakistan International Airlines Corporation Limited	**659**	906
			18,536	**12,880**
Investment in units of mutual funds				
1,884	7,904	HBL Money Market Fund	**189**	175
236	7,000	Meezan Sovereign Fund	**12**	48
8,533	100,000	NAFA Government Security Liquid Fund	**86**	79
1,247,392	60,500	Askari Sovereign Cash Fund	**125,436**	-
3,029	2,811	UBL Liquidity Plus Fund	**304**	282
			126,027	584
			144,563	13,464

25. TAX REFUNDABLE

	Note	2014	2013
		Rupees in '000	
Sales tax refundable		**208,807**	87,316
Income tax refundable		**219,296**	44,440
Others		**1,160**	1,160
		429,263	132,916

26. CASH AND BANK BALANCES

	Note	2014	2013
		Rupees in '000	
With banks			
- in deposit accounts	26.1	-	7,676
- in current accounts		**78,531**	131,481
		78,531	139,157
Cash in hand		**6,109**	5,082
		84,640	144,239

26.1 This includes term deposit receipts amounting to Rs. Nil (2013: Rs. 7.67 million).

	Note	2014	2013
		Rupees in '000	
27. SALES - net			
Export sales	27.1 & 27.2	**20,247,300**	16,673,632
Less: Commission		**(207,563)**	(291,832)
		20,039,737	16,381,800
Local sales			
Yarn		**3,848,431**	3,476,108
Waste		**360,442**	287,441
		4,208,873	3,763,549
Less:			
Sales tax @ 2% on local sales		**154,680**	61,277
Brokerage		**59,505**	61,875
		(214,185)	(123,152)
		24,034,425	20,022,197

27.1 It include exchange loss of Rs. 19.6 million (2013: exchange gain of Rs. 10.21 million) and indirect export of Rs. 3,432 million (2013: Rs. 3,542.36 million).

27.2 It include indirect exports to related undertakings of Rs. Nil (2013: Rs. 167.61 million).

	Note	2014	2013 (Restated)
		Rupees in '000	
28. COST OF GOODS SOLD			
Raw material consumed	28.1	**17,985,349**	13,329,158
Manufacturing expenses	28.2	**5,259,729**	3,029,291
Outside purchases - yarn		**(335,465)**	19,530
		22,909,613	16,377,979
Work in process			-
- Opening		**234,495**	213,916
- Closing		**(789,693)**	(234,495)
		(555,198)	(20,579)
Cost of goods manufactured		**22,354,415**	16,357,400
Finished goods			-
- Opening		**300,818**	334,928
- Closing		**(1,108,755)**	(300,818)
		(807,937)	34,110
		21,546,478	16,391,510

	Note	2014	2013
		Rupees in '000	

28.1 Raw material consumed

Opening stock		**3,316,147**	1,585,691
Purchases		**18,459,297**	15,132,533
		21,775,444	16,718,224
Cost of raw cotton sold		**(186,782)**	(72,919)
Closing stock		**(3,603,313)**	(3,316,147)
		17,985,349	13,329,158

28.2 Manufacturing expenses

	Note	2014	2013
Salaries, wages and benefits	28.2.1	**1,192,385**	785,377
Fuel, water and power		**1,933,356**	982,929
Packing material consumed		**456,125**	290,949
Stores and spares consumed		**747,610**	405,648
Repairs and maintenance		**57,171**	29,716
Insurance		**53,882**	27,161
Rent, rates and taxes		**2,538**	2,167
Depreciation on operating fixed assets	15.1.1	**762,428**	467,557
Other		**54,234**	37,787
		5,259,729	3,029,291

28.2.1 It includes staff retirement benefits Rs. 65.831 million (2013: Rs. 50.417 million).

	Note	2014	2013
		Rupees in '000	

29. OTHER INCOME

	Note	2014	2013
Gross profit on trading of raw cotton	29.1	**4,498**	8,310
Other income	29.2	**217,834**	14,085
		222,332	22,395

29.1 Gross profit on trading of raw cotton

	2014	2013
Sales		
- Export	**-**	71,549
- Local	**191,280**	9,680
	191,280	81,229
Less: Cost of goods sold		
- Export	**-**	(63,348)
- Local	**(186,782)**	(9,571)
	(186,782)	(72,919)
	4,498	8,310

29.2 Other income

		2014	2013
Income from non-financial assets:			
Scrap sale		**7,017**	6,163
Storage income		**-**	416
Reversal of provision for obsolescence		**13,829**	2,486
Gain on disposal of operating fixed assets		**1,196**	
	Note	Rupees in '000	
Income from financial assets:			
Gain on disposal of other financial assets		**-**	3,027
Unrealised gain on other financial assets		**26,374**	1,114
Dividend income		**1,151**	879
Profit on fixed deposits		**1,715**	-
Unrealised gain on revaluation of foreign currency loans		**166,552**	-
		217,834	14,085

30. DISTRIBUTION COST

Export			
Ocean freight		**164,106**	131,173
Export development surcharge		**35,291**	32,714
Other export charges		**236,778**	174,169
		436,175	**338,056**
Local freight		**80,502**	77,169
Salaries and wages		**19,580**	-
Commission		**30,006**	-
Travelling and conveyance		**6,456**	-
Telephone and postage		**5,195**	-
Insurance		**14,888**	13,302
Other		**13,531**	2,169
		606,333	**430,696**

	Note	2014	2013 (Restated)
		Rupees in '000	
31. ADMINISTRATIVE EXPENSES			
Salaries and benefits	31.1	**88,285**	51,298
Director's remuneration		**51,839**	45,160
Meeting fees		**234**	278
Repairs and maintenance		**4,270**	3,267
Postage and telephone		**9,464**	7,585
Traveling and conveyance		**14,526**	10,319
Vehicles running		**9,369**	10,950
Printing and stationery		**6,142**	5,786
Rent, rates and taxes		**13,325**	8,270
Utilities		**12,995**	8,399
Entertainment		**3,716**	2,184
Fees and subscription		**11,125**	5,955
Insurance		**7,858**	3,768
Legal and professional		**6,727**	3,870
Charity and donations	31.2	**2,993**	1,243
Auditors' remuneration	31.3	**2,830**	2,419
Depreciation on operating fixed assets	15.1.1	**39,345**	23,827
Provision for doubtful debts		**-**	4,900
Advertisement		**1,417**	1,367
Others		**14,797**	7,459
		301,257	208,304

31.1 It includes staff retirement benefits Rs.16.105 million (2013: Rs.4.41 million).

31.2 None of the directors and their spouses have any interest in the donees fund.

	2014	2013
	Rupees in '000	
31.3 Auditors' remuneration		
Indus Home Limited (Ernst & Young Ford Rhodes Sidat Hyder)		
Audit fee	**450**	-
Out of pocket expenses	**119**	-
	569	-
Indus Dyeing & Manufacturing Company Limited and Indus Lyallpur Limited (M.Yousuf Adil Saleem & Co.)		
Audit fee	**1,600**	1,543
Half year limited review fee	**300**	298
Fee for certifications and other	**280**	252
Out of pocket expenses	**81**	165
	2,261	2,258

32. OTHER OPERATING EXPENSES

	2014	2013
Workers' Profit Participation Fund	**62,273**	133,317
Workers' Welfare Fund	**26,800**	126,761
Loss on disposal of fixed assets	**5,100**	-
Exchange loss on foreign currency forward contracts	-	20,524
Exchange loss on foreign currency transactions	-	441
Unrealised loss on derivative financial instrument	**11,267**	-
	105,440	281,043

33. FINANCE COST

	2014	2013
Mark-up on:		
- long-term finance	**249,698**	110,142
- liabilities against assets subject to finance lease	**32**	415
- short-term borrowings	**230,181**	215,378
Discounting charges on letters of credit	**11,502**	1,395
Interest on Workers' Profit Participation Fund	**5,233**	5,648
Bank charges and commission	**23,431**	10,158
	520,077	343,136

34. TAXATION

	2014	2013 (Restated)
	Rupees in '000	
Current	**25,337**	144,689
Prior	**(157,014)**	(6,626)
Deferred	**1,461**	(162,414)
	(130,216)	(24,351)

34.1 Reconciliation between accounting profit and taxable income

Accounting profit before tax	**1,866,427**	2,523,383
Tax rate %	**34%**	35%
Tax on accounting profit	**634,585**	883,184
Effect of:		
Income chargeable to tax at reduced rates	**475,850**	28,993
Prior year charge	**(157,014)**	(6,626)
Income that is not taxable in determining tax liability	**(234,347)**	(46,718)
Tax impact of tax credit	**(214,705)**	-
Tax charge for the year as per accounts	**(130,216)**	(24,351)

35. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Group, which is based on:

		2014	2013 (Restated)
Profit for the year	**Rupees in '000**	**1,996,643**	2,547,734
Weighted average number of ordinary shares outstanding during the year	**No. of shares**	**18,073,732**	18,073,732
Earnings per share - Basic and diluted (Rupees)	**Rupees**	**110.47**	140.96

	Note	2014	2013 (Restated)
		Rupees in '000	

36. CASH GENERATED FROM OPERATIONS

	Note	2014	2013
Profit before taxation		1,866,427	2,523,383
Adjustments for:			
Depreciation	15.1.1	801,773	491,384
Provision for gratuity	10.2 - 10.4	81,936	40,902
(Reversal)/ provision for doubtful debts	20	(3,163)	4,900
Unrealised (gain) / loss on other financial assets	29.2	(26,374)	(3,027)
Unrealised gain on revaluation of foreign currency loan		(166,552)	-
Unrealised loss on derivative financial instrument	32	11,267	441
Gain on disposal of operating fixed assets		(1,196)	(2,486)
Gain from bargain purchase		(338,928)	-
Gain on remeasurement of previously held interest in IHL		(389,056)	-
Dividend income		(1,151)	(1,114)
Share of profit from associate	16.2	(2,796)	(74,109)
Share of loss/ (profit) from joint venture	16.1	41,525	(61,469)
Loss on distribution of specie dividend		-	2,098
Finance cost	33	520,077	343,136
Cash generated before working capital changes		2,393,789	3,264,039
Working capital changes:			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(115,161)	(45,806)
Stock-in-trade		(826,147)	(1,123,809)
Trade debts		(773,645)	(299,595)
Loans and advances		(215,056)	52,204
Trade deposits and short term prepayments		2,998	(5,421)
Other receivables		152,112	(13,286)
		(1,774,899)	(1,435,713)
Increase / (decrease) in current liability			
Trade and other payables		202,353	217,474
Cash generated from operations		821,243	2,045,800

37. CASH AND CASH EQUIVALENTS

	Note	2014	2013
Cash and bank balances	26	84,640	144,239
Short-term borrowings	13	(5,011,046)	(1,838,022)
		(4,926,406)	(1,693,783)

38. **REMUNERATION TO CHIEF EXECUTIVE OFFICER AND DIRECTORS**

The aggregate amounts charged in the accounts for remuneration, including all benefits to chief executive officer and directors of the Group are given below:

2014

Particulars	Chief Executive Officer	Directors - Executive	Directors - Non-Executive	Executives	Total
	Rupees in '000				
Remuneration including benefits	24,285	23,480	12,600	78,092	138,457
Medical	580	730	-	1,920	3,230
Utilities	904	1,094	-	735	2,733
Travelling	3,431	-	-	4,364	7,795
Vehicle running	300	-	-	2,977	3,277
Retirement benefits	-	-	-	12,564	12,564
Bonus and others	-	-	-	64,152	64,152
Meeting fee	40	120	74	-	234
Total	29,540	25,424	12,674	164,804	232,442
Number of persons	2	6	5	75	

2013

Particulars	Chief Executive Officer	Directors - Executive	Directors - Non-Executive	Executives	Total
	Rupees in '000				
Remuneration	6,480	34,164	-	17,547	58,191
Utilities	549	951	-	-	1,500
House rent	720	3,796	-	1,755	6,271
Retirement benefits	-	-	-	10,856	10,856
Meeting fees	38	153	63	24	278
Total	7,787	39,064	63	30,182	77,096
Number of persons	1	6	3	25	35

38.1 Group maintained cars and cellular phones are provided to Chief Executive Officer and directors.

39. **TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise of an associate (Sunrays Textiles Mills Limited), entities with common directorship, key management personnel and post employment benefit scheme. The Group carries out transactions with related parties on agreed terms. Short-term loan obtained from directors are disclosed in note 13 to the consolidated financial statements. Remuneration of key management personnel is disclosed in note 38 to the consolidated financial statements and amount due in respect of staff retirement benefits is disclosed in note 10.3. Other significant transactions with related parties are as follows:

Relationship	Nature of transactions	2014	2013
		Rupees in '000	
Associate	Sale of yarn	753,766	-
	Purchase of yarn	12,871	12,285
	Processing charges	7,255	-
	Quality claims	5,501	-
Joint Venture	Sale of yarn	-	234,765
	Contract manufacturing cost	-	10,302
	Purchase of generator	-	4,000
	Purchase of cotton	-	1,208
	Rental income	-	-
Directors	Amount paid	155,377	113,248
	Amount received	151,263	117,515
Other related parties (common directorship)			
	Godown Rent	476	-
	Expenses adjusted / reimbursed	5	1,979

Relationship	Nature of transactions	2014	2013
		Rupees in '000	
Balances with related parties:			
Associate - payable		137	627
Joint Venture - receivable		-	13,205
Directors and their spouses - payable		-	9,490
Directors and their spouses - receivable		5,376	-
Other related parties- Due to common directorship:			
- Receivable		-	58
- Payable		3,170	2,641

40. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management. The responsibility includes developing and monitoring the Group's risk management policies. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Group's financial risk exposures.

The Group's principal financial liabilities, comprise long-term financing, short-term borrowings, liabilities against assets subject to finance lease, trade and other payables and financial guarantee contracts. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has loans and advances, trade and other receivables, cash and bank balances and short-term deposits that arrive directly from its operations. The Group also holds long-term and short term investments, and enters into derivative transactions.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's exposure to the risks associated with the financial instruments and the risk management policies and procedures are summarised as follows:

40.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. The Group's does not have any significant exposure to customers from any single country or single customer.

Credit risk of the Group arises principally from the long-term investments, trade debts, loans and advances, and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2014	2013
	Rupees in '000	
Long-term deposits	**15,338**	5,039
Trade debts	**1,954,394**	1,129,122
Loans to staff	**14,908**	9,508
Trade deposits	**683**	979
Other receivables	**93,702**	26,364
Bank balances	**78,531**	139,157
	2,157,556	1,310,169

Trade debts are due from foreign and local customers for export and local sales respectively. Trade debts from foreign customers are secured against letters of credit. Management assesses the credit quality of local and foreign customers, taking into account their financial position, past experience and other factors. As at the balance sheet date, there are no past due trade debt balances.

Credit risk related to equity investments and cash deposits

The Group limits its exposure to credit risk of investments by only investing in listed securities of highly reputed Companies having good stock exchange rating. Credit risk from balances with banks and financial institutions is managed by Finance Director in accordance with the Group's policy.

The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating the names and credit rating of major banks where the Company maintains its bank balances are as follows:

Name of bank	Rating agency	Credit rating Long-term	Short-term
Allied Bank Limited	PACRA	AA+	A1+
Askari Commercial Bank Limited	PACRA	AA	A1+
Bank Al-Habib Limited	PACRA	AA+	A1+
Bank Alfalah Limited	PACRA	AA	A1+
Bank Islami Pakistan Limited	PACRA	A	A1
Barclays Bank	Moody's	A2-	P-1
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A	A1
Faysal Bank Limited	PACRA	AA	A1+
Habib Bank Limited	JCR-VIS	AAA	A1+
Habib Metro Bank Limited	PACRA	AA+	A1+
Industrial and Commercial Bank of China	Moody's	A1	P-1
J.S. Bank Limited	PACRA	A+	A1
KASB Bank Limited	PACRA	BBB	A3
Meezan Bank Limited	JCR-VIS	AA	A1+
MCB Bank Limited	PACRA	AAA	A1+
National Bank of Pakistan	JCR-VIS	AAA	A1+
Soneri Bank Limited	PACRA	AA-	A1+
Standard Chartered Bank Pakistan Limited	PACRA	AAA	A1+
The Bank of Punjab Limited	PACRA	AA	A1+
United Bank Limited	JCR-VIS	AA+	A1+

40.2 Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected or would have difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Group'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 Group's reputation. The Group ensures that it has sufficient cash on demand to meet expected working capital requirements (refer note 13). Following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

40.2.1 Liquidity and interest risk table

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Carrying Values	Contractual C	Less than 1 month	1 to 3 mor	3 month:	1 - 5 years
	Rupees in '000'					
Trade and other payables	1,071,559	1,071,559	1,071,559	-	-	-
Long-term financing	2,902,774	3,369,946	3,485	10,314	875,131	2,481,016
Short-term borrowings	5,011,046	5,076,318	1,721,453	3,121,607	233,258	-
Interest / mark-up payable	124,960	124,960	122,508	2,452	-	-
2014	9,110,339	9,642,783	2,919,005	3,134,373	1,108,389	2,481,016
Trade and other payables	544,163	544,163	544,163	-	-	-
Long-term financing	921,714	927,374	2,529	46,267	182,549	696,029
Liabilities against assets subject to finance lease	2,222	2,222	-	2,222	-	-
Short-term borrowings	1,847,512	2,232,976	1,957,962	-	275,014	-
Interest / mark-up payable	31,200	31,200	31,200	-	-	-
2013	3,346,811	3,737,935	2,535,854	48,489	457,563	696,029

The effective rate of interests on non derivative financial liabilities are disclosed in respective notes.

40.2.2 The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2014	2013
	Rupees in '000	
6 months or less		
- Short-term borrowings	**5,011,046**	1,847,512
- Long-term loans	**2,880,390**	878,503
- Liabilities against assets subject to finance lease	-	2,222

40.3 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.

40.3.1 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate risk arises from long and short-term borrowings from financial institutions. At the balance sheet date the interest rate risk profile of the Group's interest-bearing financial instruments is:

	Carrying amount	
	2014	2013
	Rupees in '000	
Fixed rate instruments		
Financial assets	-	7,676
Financial liabilities	**975,137**	-
Variable rate instruments		
Financial liabilities		
- KIBOR based	**3,495,787**	1,882,293
- LIBOR based	**3,442,896**	836,454

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Group's profit before tax for the year ended June 30, 2014 would decrease / increase by Rs. 29.808 million (2012: Rs. 13.59 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings determined on outstanding balance at year end.

40.3.2 Foreign exchange risk management

Exposure to currency risk

	2014 Rupees	US Dollar	2013 Rupees	US Dollar
Trade debts	**1,296,776**	**13,156**	505,109	5,112
Foreign currency loans	**3,442,896**	**34,928**	836,454	8,466
	4,739,672	**48,084**	1,341,563	13,578

	2014	**2013**
	Rupees	
Average rate	102.89	95.72
Balance sheet date rate	98.57	98.80

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Group is exposed to foreign currency risk on sales, purchases and borrowings, which, are entered in a currency other than Pak Rupees. The Group enters into forward foreign exchange contracts to cover its exposure to foreign currency sales and receivables.

At June 30, 2014, if the Rupee had weakened / strengthened by 5% against the US dollar with all other variables held constant, profit for the year would have been higher / lower by Rs. 124.667 million (2013: Rs. 16.57 million) determined on the outstanding balance at year end. Profit / (loss) is more sensitive to movement in Rupee / foreign currency exchange rates in 2014 than 2013 because of high fluctuation in foreign currency exchange rate.

40.3.3 Equity price risk management

The Group's listed securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.
At the balance sheet date, the Group has exposure of Rs. 19.64 million (2013: Rs. 19.64 million) to listed equity securities of an associate which is held for strategic rather than trading purpose. The Group does not actively trade these securities.

At the balance sheet date, the Company have exposure of Rs. 3,576 million (2013: Rs. 990 million) to unlisted equity securities of subsidiaries which are held for strategic rather than trading purpose.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 144.56 million (2013: Rs. 13.46 million). A decrease / increase of 5% on the KSE market index would have an impact of approximately Rs. 7.23 million (2013: Rs. 0.67 million) determined based on market value of investment at year end.

40.4 Determination of fair values

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

40.5 Financial instruments by category

	Loan & advances	Fair value through profit & loss	Total
	----- Rupees in '000 -----		
Assets as per balance sheet			
- June 30, 2014			
Long-term deposits	**15,338**	**-**	**15,338**
Trade debts	**1,954,394**	**-**	**1,954,394**
Loans	**14,908**	**-**	**14,908**
Trade deposits	**683**	**-**	**683**
Other receivables	**93,702**	**-**	**93,702**
Other financial assets	**-**	**164,223**	**164,223**
Bank balances	**84,640**	**-**	**84,640**
	2,163,665	**164,223**	**2,327,888**
Assets as per balance sheet			
- June 30, 2013			
Long-term deposits	5,039		5,039
Long-term investments	-	-	-
Trade debts	1,129,122	-	1,129,122
Loans	9,508	-	9,508
Trade deposits	979	-	979
Other receivables	26,364	-	26,364
Other financial assets	-	13,464	13,464
Bank balances	144,239	-	144,239
	1,315,251	13,464	1,328,715

	Financial liabilities measured at amortized cost	Total
	Rupees in '000	
Liabilities as per balance sheet		
- June 30, 2014		
Long-term financing	**2,902,774**	**2,902,774**
Trade and other payables	**1,071,559**	**1,071,559**
Short-term borrowings	**5,011,046**	**5,011,046**
Interest / mark-up payable	**124,960**	**124,960**
	9,110,339	**9,110,339**
Liabilities as per balance sheet		
- June 30, 2013		
Long-term financing	921,714	921,714
Trade and other payables	544,163	544,163
Short-term borrowings	1,847,512	1,847,512
Liabilities against assets subject to finance lease	2,222	2,222
Interest / mark-up payable	31,200	31,200
	3,346,811	3,346,811

40.6 Fair value hierarchy

The fair values of the financial instruments have been analysed in various fair value levels as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Other financial assets	164,223	19,660	-	183,883
Other financial liability	-	-	-	-
Total	164,223	19,660	-	183,883

41. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital, i.e., its shareholders' equity is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratios at June 30, 2014 and 2013 were as follows:

	2014	2013
	Rupees in '000	
Total borrowings (note 8,9 & 13)	**7,913,820**	2,771,448
Less: cash and bank balances (note 26)	**(84,640)**	(144,239)
Net debt	**7,829,180**	2,627,209
Total equity	**10,646,575**	8,936,904
Total capital	**18,475,755**	11,564,113
Gearing ratio	**42%**	23%

42. CAPACITY AND PRODUCTION

Spinning units	**2014**	**2013**
Total number of spindles installed	**197,672**	171,072
Total number of spindles worked per annum (average)	**190,028**	162,603
Number of shifts worked per day	**3**	3
Installed capacity of yarn converted into 20 counts based on 365 days (lbs.)	**134,046,800**	128,046,015
Actual production for the year after conversion into 20 counts (lbs.)	**134,317,644**	116,610,778

Ginning units

	2014	2013
Installed capacity to produce cotton bales	**135,000**	135,000
Actual production of cotton bales	**19,723**	19,108
Number of shifts	**2**	2
Capacity attained in (%)	**14.61%**	14.15%

The reason for shortfall in the production of cotton bales is limited availability of raw cotton.

Weaving unit

	2014 Lbs	2013 Lbs
Normal capacity - Weaving	40,953,000	-
Actual Production - Weaving	19,377,882	-

43. **NUMBER OF EMPLOYEES**

The total average number of employees during the year as at June 30 are as follows:

	No. of employees	
	2014	2013
Average number of employees during the year	**2,349**	2,654
Number of employees as at 30 June 2014	**4,384**	2,662

44. **SEGMENT REPORTING**

The Group's core business is manufacturing and sale of yarn and it generates more than 90% of its revenue and profit from the production and sale of yarn. Decision making process is centralized at head office lead by Chief Executive Officer who continuously involves in day to day operations and regularly reviews operating results and assesses its performance and makes necessary decisions about resources to be allocated to the segments. Currently the Group has five yarn manufacturing units at Hyderabad, Karachi, Muzafargarh, Faisalabad and Lahore. Owing to the similarity in nature of the products and services, nature of the production processes, type or class of customers for the products and services, the methods used to distribute the products and the nature of the regulatory environment, all the yarn producing units are aggregated into a single operating segment and the Group's performance is evaluated by the management on an overall basis, therefore these operational segments by location are not separately reportable segments. The Group also has two ginning units including one on leasing arrangement in District Multan. The Group also holds investments in equity shares of listed companies, long-term strategic investments in an associated company results of which are disclosed in note 16.1 and note 16.2 to these consolidated financial statment.

45. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements have been authorised for issue on October 03, 2014 by the Board of Directors of the Group.

46. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Shahzad Ahmed
Chief Executive

Naveed Ahmed
Director