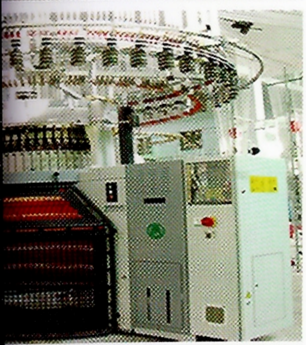
# ANNUAL REPORT 2014





## Masood Textile Mills Limited

بسم الله الرحمن الرحيم

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# COMPANY INFORMATION

| | | |
|---|---|---|
| **CHAIRMAN** | : | MR. NASEER AHMAD SHAH |
| **CHIEF EXECUTIVE OFFICER** | : | MR. SHAHID NAZIR AHMAD |
| **DIRECTORS** | : | MR. MUHAMMAD ARSHAD |
| | : | MR. MATLOOB HUSSAIN |
| | : | MR. SHAHID IQBAL |
| | : | MR. FAZAL AHMAD |
| | : | MR. SHOAIB AHMAD KHAN (NIT-Nominee) |
| **COMPANY SECRETARY** | : | MIAN ABDUL BARI |
| **CHIEF FINANCIAL OFFICER** | : | MR. TANVEER AHMAD SIDDIQUI |
| **AUDIT COMMITTEE** | : | MR. FAZAL AHMAD (Chairman) |
| | : | MR. MATLOOB HUSSAIN |
| | : | MR. SHAHID IQBAL |
| **HR & REMUNERATION COMMITTEE** | : | MR. MUHAMMAD ARSHAD (Chairman) |
| | : | MR. NASEER AHMAD SHAH |
| | : | MR. SHAHID IQBAL |
| **AUDITORS** | : | M/S. RIAZ AHMAD & COMPANY<br>CHARTERED ACCOUNTANTS |
| **SHARE REGISTRAR** | : | ORIENT SOFTWARE & MANAGEMENT<br>SERVICES (PVT) LIMITED<br>35-Z, AMEER PLAZA, OPP: MUJAHID HOSPITAL,<br>COMMERCIAL CENTRE, MADINA TOWN,<br>FAISALABAD.<br>PHONE: 041-8711930-8715759 FAX: 041-8711930 |
| **REGISTERED OFFICE** | : | UNIVERSAL HOUSE, WEST CANAL ROAD,<br>FAROOQABAD, FAISALABAD.<br>PHONE: 041-8734910 -12 FAX: 041-8731180 |
| **MILLS** | : | 32-K.M., SHEIKHUPURA ROAD, FAISALABAD. |

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 30th Annual General Meeting of the members, holding Ordinary Shares of Masood Textile Mills Limited, will be held at its Registered Office, Universal House, West Canal Road, Farooqabad, Faisalabad on Friday, 31st October, 2014 at 11.00 A.M. to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on 31st October, 2013.
2. To receive and adopt the Audited Accounts of the Company for the financial year ended 30th June, 2014.
3. To approve the payment of cash dividend @ 15% (Rs. 1.50 per ordinary share), as recommended by the Board of Directors.
4. To appoint Auditors and to fix their remuneration for the financial year ending 30th June, 2015. M/s Riaz Ahmad & Company, Chartered Accountants, retire and being eligible offer themselves for their re-appointment.
5. To consider any other business that may be placed before the meeting with the permission of the chair.

**FOR AND ON BEHALF OF THE BOARD**

**Faisalabad: 09 October, 2014** **(COMPANY SECRETARY)**

**NOTES:**

1. Share Transfer Books for Ordinary Shares of the Company will remain closed from 29th October to 05th November, 2014 (both days inclusive) for the determination of entitlement of cash dividend on Ordinary Shares. Physical transfers / CDS Transactions IDs, received in order at Registered Office of the Company or our Share Registrar, by the close of business on 28th October, 2014 will be treated in time.

2. Share Transfer Books for Preference Shares of the Company will remain closed from 29th October to 05th November, 2014 (both days inclusive) for determining the entitlement of Preferred Dividend calculated at average six months KIBOR+200 bps p.a. (Rupees 1.16 per share). Physical transfers / CDS Transactions IDs, received in order at Registered Office of the Company or our Share Registrar, by the close of business on 28th October, 2014 will be treated in time.

3. A shareholder entitled to attend and vote at this meeting may appoint another shareholder as his/her proxy to attend and vote on his/her behalf. The instrument appointing a Proxy and Power of Attorney or other authority under which it is signed or notarially certified copy of the Power of Attorney must be received at the Registered Office of the Company, duly stamped, signed and witnessed not later than 48 hours before the meeting. An instrument of Proxy applicable for meeting is attached herewith. However, Preference Shareholders are not entitled to attend the meeting, since Preference Shares carry no voting rights.

4. Share holders whose shares are deposited with Central Depository System (CDS) are requested to bring their Computerized National Identity Card (CNIC) along with their Account Number in CDS for verification. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures of the nominee shall be produced (unless provided earlier) at the time of the meeting.

5. Share holders are requested to notify any change in their addresses immediately. The share holders claiming exemption from Zakat are required to file their Declaration with our Share Registrar. Moreover, the share holders who have not yet submitted their Computerized National Identity Cards to the Company are requested once again to send them at their earliest, in compliance to the instructions of Securities & Exchange Commission of Pakistan for printing CNIC # on Dividend Warrants.

# DIRECTORS' REPORT TO THE MEMBERS

It is a matter of satisfaction for the Directors of Masood Textile Mills Limited to present their 30th Annual Report, comprising of Annual Accounts of the Company for the financial year ended 30th June, 2014 along with Auditors' Report thereon and other required information prescribed under the Code of Corporate Governance. The financial results of the Company for the year under discussion reflect that our sales were increased from Rupees 22.744 Billion to Rupees 24.371 Billion as compared to previous year. The Gross Profit was increased from Rupees 3.906 Billion to Rupees 3.936 Billion as compared with the corresponding previous year. The resultant profit for the year before taxation was enhanced from Rupees 1,129.196 Million to Rupees 1,174.144 Million, thus earning per share-basic was improved from Rupees 14.27 to Rupees 14.95 during the financial year under review. During the year under review the cost of sales increased on account of inflationary trend of higher prices of raw material, comprising of cotton and yarn which affected gross margins to a greater extent. Other negative factors included additional cost on account of prevailing shortage of electricity & gas, coupled with general rising trend of other cost components. Despite all, the management employed its aggressive efforts to enhance efficiency and reduction in cost by better utilization of available resources at all stages of production to boost exports in most competitive International Markets. The comparative financial results of the Company are reproduced, hereunder:

| | 2014 | 2013 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| SALES | 24,371,128 | 22,744,589 |
| COST OF SALES | (20,435,316) | (18,838,816) |
| GROSS PROFIT | 3,935,812 | 3,905,773 |
| DISTRIBUTION COST | (1,159,311) | (1,270,852) |
| ADMINISTRATIVE EXPENSES | (443,232) | (385,512) |
| OTHER EXPENSES | (61,996) | (59,613) |
| | (1,664,539) | (1,715,977) |
| | 2,271,273 | 2,189,796 |
| OTHER INCOME | 45,327 | 45,486 |
| PROFIT FROM OPERATION | 2,316,600 | 2,235,282 |
| FINANCE COST | (1,142,456) | (1,105,926) |
| SHARE OF LOSS FROM ASSOCIATE | - | (160) |
| PROFIT BEFORE TAXATION | 1,174,144 | 1,129,196 |
| TAXATION | (235,845) | (222,838) |
| PROFIT AFTER TAXATION | 938,299 | 906,358 |
| EARNINGS PER SHARE - BASIC (RUPEES) | 14.95 | 14.27 |
| - DILUTED (RUPEES) | 11.50 | 10.97 |

Pursuant to availing fruits of GSP-plus status granted by European Union to Pakistan, effective since First January, 2014 we have increased our export volume with existing European customers while searching for new customers also to boost our profitability. Accordingly, expansion was made under BMR through installation of modern plant and machinery for enhancing production facilities to meet the requirements of our customers. It was carried out by accelerating our efforts to attract more customers by availing further business opportunities to produce better financial results. Likewise, other necessary measures were also taken to achieve cost effective production. We are confident enough to attain better financial results in view of cheaper cotton prices during the first quarter of next financial year.

Keeping in view the profitability and in line with continuous payout history of the Company, your Directors have recommended 15 % cash dividend (Rs. 1.50 per ordinary share) for holders of Ordinary Shares for the financial year, under review.

In addition to Ordinary Shares, the Company had originally issued 60.000 million Preference Shares of the value of Rupees 600.000 million to the financial institutions to meet its funds requirements. After expiry of their maturity, the process of their redemption continued at the option of the Company. During the financial year under review, fifth redemption of 4,166,666 Preference Shares was affected, as per our obligation. Under the agreed terms and conditions, Preferred Dividend of Rupees 1.16 per share has been computed against balance 35,333,334 Preference Shares on the basis of average six months KIBOR+200 bps p.a.

During the last financial year, the Company had formed an associated public limited company, namely "Biomass Power Generation Limited" for setting up 12 Mega-Watt Biomass Based Power Generation Plant, at Faisalabad. Under the authority of a Special Resolution, the Company had initially invested Rupees 160,000 in the equity of its associated company. After realizing the financial constraints and practical difficulties, your Directors decided to withdraw the initial investment. Accordingly, the Company has disposed off its investment in its associated company during the financial year under discussion.

During the financial year under review, a public announcement was conveyed to the respective stock exchanges while expressing the intention to acquire up to 52% shares of Masood Textile Mills Ltd. by Chinese Company, namely "Shandong Ruyi Technology Group Company Ltd." along with other acquirers, under the applicable takeover laws. After obtaining the requisite approvals / clearance from the concerned authorities of Pakistan and China, the formal tender offer was awaited for acquisition of shares from general public. We regret to inform our members that we have now received Notice of Withdrawal of Public Announcement of Intention to acquire major shareholding of the Company under the relevant regulations through letter dated September 30, 2014 as conveyed by the Manager to the Offer.

Keeping in view the relevant provisions of Corporate Governance-2012, the Directors are pleased to state that financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity. Proper books of accounts have been maintained. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained. The Directors further state that the system of internal control is sound in design and has been effectively implemented and monitored. There are no significant doubts upon the Company's ability to continue as a going concern.

Four meetings of the Board of Directors were held during the financial year, with the following attendance:

| S.No | Name fo Directors | No. of Meetings Attended |
|---|---|---|
| 1. | Mr. Naseer Ahmad Shah | 4 |
| 2. | Mr. Shahid Nazir Ahmad | 4 |
| 3. | Mr. Muhammad Arshad | 4 |
| 4. | Mr. Matloob Hussain | 4 |
| 5. | Mr. Shahid Iqbal | 4 |
| 6. | Mr. Fazal Ahmad | 4 |
| 7. | Mr. Shoaib Ahmad Khan (NIT-Nominee) | 2 |

Likewise, five meetings of the Audit Committee were held during the financial year, with the following attendance:

| S.No | Name fo Directors | No. of Meetings Attended |
|---|---|---|
| 1. | Mr. Fazal Ahmad | 5 |
| 2. | Mr. Matloob Hussain | 5 |
| 3. | Mr. Shahid Iqbal | 5 |

M/s Riaz Ahmed & Company, Chartered Accountants, retire and being eligible, offer themselves for their re-appointment. As advised by the Audit Committee, the Board of Directors has recommended their re-appointment as auditors of the Company for the next financial year ending 30th June, 2015.

The Statement of Compliance with the Code of Corporate Governance is enclosed. Annexed to the Directors' Report, we are enclosing our comparative financial data for the last six years. We are also enclosing Form-34 containing the pattern of share holding along with prescribed additional information, as on 30th June, 2014.

The Board expresses its appreciation for maintaining healthy atmosphere and good relations among the workers for achieving their high targets successfully. We also convey our thanks to our customers, suppliers, bankers, advisers and shareholders for their patronage and support while expressing their confidence in the Company. We continue to remain optimistic and committed with bright future of our Company.

**FOR AND ON BEHALF OF THE BOARD**

**Faisalabad: 09 October, 2014**

**(MUHAMMAD ARSHAD)**
**Director**

# SIX YEARS FINANCIAL RESULTS

(RUPEES IN THOUSAND)

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| SALES | 24,371,128 | 22,744,589 | 19,274,793 | 18,524,930 | 14,720,830 | 10,946,180 |
| COST OF SALES | (20,435,316) | (18,838,816) | (16,052,482) | (15,552,188) | (12,085,511) | (8,851,416) |
| GROSS PROFIT | 3,935,812 | 3,905,773 | 3,222,311 | 2,972,742 | 2,635,319 | 2,094,764 |
| DISTRIBUTION COST | (1,159,311) | (1,270,852) | (910,442) | (828,796) | (836,458) | (605,061) |
| ADMINISTRATIVE EXPENSES | (443,232) | (385,512) | (310,523) | (283,558) | (219,050) | (160,057) |
| OTHER EXPENSES | (61,996) | (59,613) | (65,641) | (53,016) | (94,351) | (71,077) |
| | (1,664,539) | (1,715,977) | (1,286,606) | (1,165,370) | (1,149,859) | (836,195) |
| | 2,271,273 | 2,189,796 | 1,935,705 | 1,807,372 | 1,485,460 | 1,258,569 |
| OTHER INCOME | 45,327 | 45,486 | 62,863 | 60,649 | 14,242 | 11,397 |
| PROFIT FROM OPERATIONS | 2,316,600 | 2,235,282 | 1,998,568 | 1,868,021 | 1,499,702 | 1,269,966 |
| FINANCE COST | (1,142,456) | (1,105,926) | (999,338) | (923,074) | (595,274) | (719,855) |
| SHARE OF LOSS FROM ASSOCIATE | - | (160) | - | - | - | - |
| PROFIT BEFORE TAXATION | 1,174,144 | 1,129,196 | 999,230 | 944,947 | 904,428 | 550,111 |

# VISION STATEMENT

- A leading producer of textile products by providing the highest quality of products and services to its customers.
- To strive excellence through commitment, integrity, honesty and team work.
- Highly ethical company and be respected corporate citizen to continue playing due role in the social and environmental sectors of the company.
- To develop and extremely motivated and professional trained work force, which would drive growth through innovation and renovation.
- Sustained growth in earning in real terms.

# MISSION STATEMENT

Our mission is to be a dynamic, profitable and growth oriented company by providing good return on investment to its shareholders and investors, quality products to its customers, a secured and friendly environment place of work to its employees and to project Pakistan's image in the international market.

# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2014

This statement is being prescribed to comply with the Code of Corporate Governance contained in Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the code in the following manner:

1. The Company encourages representation of independent non-executive directors representing minority interests on its Board of Directors. At present the Board includes.

| Category | Names |
|---|---|
| Independent Director : | Mr. Shoaib Ahmad Khan |
| Executive Director : | Mr. Shahid Nazir Ahmad |
| Non-Executive Directors : | Mr. Naseer Ahmad Shah, Mr. Muhammad Arshad |
| | Mr. Shahid Iqbal, Mr. Fazal Ahmad, Mr. Matloob Hussain |

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

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

4. A casual vacancy was occurred on the Board during the financial year due to substitution of NIT-Nominee Director. Accordingly, Mr. Shoaib Ahmad Khan was appointed in place of the outgoing Director. Other Directors continued to conduct the business of the company.

5. The Company has prepared a 'Code of Conduct' and will ensure that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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

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

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

9. The Board arranged the prescribed training programme for its Chairman / Director, from the University of Lahore to carry out Orientation Course, to acquaint him with the code, applicable laws, his duties and responsibilities to enable him to effectively manage the affairs of the Company.

10. The Board has already approved appointments of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

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

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

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

15. The Board has formed an Audit Committee. It comprises of three non-executive directors including the Chairman of the Committee.

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

17. The Board has formed an HR and Remuneration Committee. It comprises of three non- executive directors including the Chairman of the Committee.

18. The Board has set up an effective internal audit function.

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

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

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

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

23. We confirm that all other material principles enshrined in the CCG have been complied with, except those towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

**For Masood Textile Mills Limited**

**Faisalabad:**
**09 October, 2014**

**(MUHAMMAD ARSHAD)**
**Director**

# REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **MASOOD TEXTILE MILLS LIMITED** ("the Company") for the year ended 30 June 2014, to comply with the requirements of Listing Regulations of the respective Stock Exchanges where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2014.

**RIAZ AHMAD & COMPANY**
**Chartered Accountants**

**Name of Engagement Partner:**
**Mubashar Mehmood**

**Date: 09 October, 2014**
**FAISALABAD**

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MASOOD TEXTILE MILLS LIMITED** as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

  i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for change stated in Note 2.2 to the financial statements with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

**RIAZ AHMAD & COMPANY**
**Chartered Accountants**

**Name of Engagement Partner:**
**Mubashar Mehmood**

**Date: 09 October, 2014**
**FAISALABAD**

## BALANCE SHEET AS

| | NOTE | 2014 | 2013 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| | | | Restated |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| **Authorized share capital** | | | |
| 125 000 000 (2013 : 65 000 000 ) ordinary shares of Rupees 10 each | | 1,250,000 | 650,000 |
| 60 000 000 (2013 : 60 000 000 ) preference shares of Rupees 10 each | | 600,000 | 600,000 |
| | | 1,850,000 | 1,250,000 |
| **Issued, subscribed and paid up share capital** | 3 | 953,333 | 995,000 |
| **Reserves** | 4 | 4,865,452 | 4,082,253 |
| **Total equity** | | 5,818,785 | 5,077,253 |
| **Surplus on revaluation of freehold land** | 5 | 606,233 | 606,262 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term financing | 6 | 1,523,918 | 2,182,436 |
| Liabilities against assets subject to finance lease | 7 | 87,331 | 115,227 |
| Deferred liability for gratuity | 8 | 426,889 | 344,074 |
| | | 2,038,138 | 2,641,737 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 9 | 2,445,831 | 2,278,636 |
| Accrued mark-up | 10 | 224,442 | 184,305 |
| Short term borrowings | 11 | 9,933,466 | 7,590,117 |
| Current portion of non-current liabilities | 12 | 810,797 | 729,873 |
| Provision for taxation | | 235,845 | 222,712 |
| | | 13,650,381 | 11,005,643 |
| **TOTAL LIABILITIES** | | 15,688,519 | 13,647,380 |
| **CONTINGENCIES AND COMMITMENTS** | 13 | | |
| **TOTAL EQUITY AND LIABILITIES** | | 22,113,537 | 19,330,895 |

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

### Statement under section 241 (2) of the Companies Ordinance, 1984:

The Chief Executive officer of the Company is presently out of the Country. Therefore these financial statements have been signed by two Directors as required under section 241 (2) of the Companies Ordinance, 1984.

DIRECTOR

## AT 30 JUNE 2014

| | NOTE | 2014 | 2013 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 14 | 5,772,898 | 5,522,095 |
| Investment in an associate | 15 | - | - |
| Long term advances | 16 | 3,819 | 6,054 |
| Long term security deposits | | 50,707 | 35,104 |
| | | 5,827,424 | 5,563,253 |
| **CURRENT ASSETS** | | | |
| Stores, spare parts and loose tools | 17 | 1,137,030 | 932,663 |
| Stock in trade | 18 | 7,215,963 | 6,501,520 |
| Trade debts | 19 | 5,415,608 | 3,832,218 |
| Loans and advances | 20 | 574,559 | 719,235 |
| Short term deposits and prepayments | 21 | 497,242 | 384,940 |
| Other receivables | 22 | 1,000,862 | 871,434 |
| Cash and bank balances | 23 | 444,849 | 525,632 |
| | | 16,286,113 | 13,767,642 |
| **TOTAL ASSETS** | | 22,113,537 | 19,330,895 |

**DIRECTOR**

# PROFIT AND LOSS ACCOUNT

## FOR THE YEAR ENDED 30 JUNE 2014

| | NOTE | 2014 | 2013 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| SALES | 24 | 24,371,128 | 22,744,589 |
| COST OF SALES | 25 | (20,435,316) | (18,838,816) |
| GROSS PROFIT | | 3,935,812 | 3,905,773 |
| DISTRIBUTION COST | 26 | (1,159,311) | (1,270,852) |
| ADMINISTRATIVE EXPENSES | 27 | (443,232) | (385,512) |
| OTHER EXPENSES | 28 | (61,996) | (59,613) |
| | | (1,664,539) | (1,715,977) |
| | | 2,271,273 | 2,189,796 |
| OTHER INCOME | 29 | 45,327 | 45,486 |
| PROFIT FROM OPERATIONS | | 2,316,600 | 2,235,282 |
| FINANCE COST | 30 | (1,142,456) | (1,105,926) |
| SHARE OF LOSS FROM ASSOCIATE | | - | (160) |
| PROFIT BEFORE TAXATION | | 1,174,144 | 1,129,196 |
| TAXATION | 31 | (235,845) | (222,838) |
| PROFIT AFTER TAXATION | | 938,299 | 906,358 |
| EARNINGS PER SHARE - BASIC (RUPEES) | 32 | 14.95 | 14.27 |
| - DILUTED (RUPEES) | 32 | 11.50 | 10.97 |

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

**Statement under section 241 (2) of the Companies Ordinance, 1984:**

The Chief Executive officer of the Company is presently out of the Country. Therefore these financial statements have been signed by two Directors as required under section 241 (2) of the Companies Ordinance, 1984.

DIRECTOR DIRECTOR

# STATEMENT OF COMPREHENSIVE INCOME
# FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 | 2013 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| | | Restated |
| **PROFIT AFTER TAXATION** | 938,299 | 906,358 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Recongnition of actuarial gain/(loss) on defined benefit plan | 332 | (18,659) |
| Items that may be reclassified subsequently to profit or loss | - | - |
| | 332 | (18,659) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | 938,631 | 887,699 |

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

**Statement under section 241 (2) of the Companies Ordinance, 1984:**

The Chief Executive officer of the Company is presently out of the Country. Therefore these financial statements have been signed by two Directors as required under section 241 (2) of the Companies Ordinance, 1984.

DIRECTOR — DIRECTOR

# CASH FLOW STATEMENT
## FOR THE YEAR ENDED 30 JUNE 2014

| | NOTE | 2014 | 2013 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Cash generated from operations** | 33 | 601,455 | 11,654 |
| Finance cost paid | | (1,102,319) | (1,095,539) |
| Income tax paid | | (316,532) | (277,418) |
| Dividend paid to ordinary shareholders | | (104,606) | (104,763) |
| Dividend paid to preference shareholders | | (50,431) | (61,612) |
| Gratuity paid | | (82,078) | (58,470) |
| Net decrease/(increase) in long term advances | | 2,235 | (1,046) |
| Net increase in long term security deposits | | (15,603) | (8,845) |
| **Net cash used in operating activities** | | (1,067,879) | (1,596,039) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of property, plant and equipment | | 15,567 | 14,801 |
| Capital expenditure on property, plant and equipment | | (693,823) | (919,283) |
| Proceeds from sale of investment in associate | | 160 | - |
| Investment made in associate | | - | (160) |
| **Net cash used in investing activities** | | (678,096) | (904,642) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from long term financing | | 87,597 | 367,924 |
| Repayment of long term financing | | (668,530) | (707,417) |
| Repayment of preference shares | | (41,667) | (13,333) |
| Repayment of liabilities against assets subject to finance lease | | (55,557) | (47,455) |
| Short term borrowings - net | | 2,343,349 | 2,501,210 |
| **Net cash from financing activities** | | 1,665,192 | 2,100,929 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | (80,783) | (399,752) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | | 525,632 | 925,384 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 23)** | | 444,849 | 525,632 |

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

### Statement under section 241 (2) of the Companies Ordinance, 1984:

The Chief Executive officer of the Company is presently out of the Country. Therefore these financial statements have been signed by two Directors as required under section 241 (2) of the Companies Ordinance, 1984.

**DIRECTOR** **DIRECTOR**

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2014

| | SHARE CAPITAL | RESERVES | | | | | | | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|---|
| | | CAPITAL | | | REVENUE | | | TOTAL | |
| | | Share Premium | Redemption Fund | Sub Total | General | Unappropriated Profit | Sub Total | | |
| | (RUPEES IN THOUSAND) | | | | | | | | |
| **Balance as at 30 June 2012** | 1,008,333 | 400,000 | 141,666 | 541,666 | 214,500 | 2,616,055 | 2,830,555 | 3,372,221 | 4,380,554 |
| Effect of changes in accounting policy (Note 2.2) | - | - | - | - | - | (11,056) | (11,056) | (11,056) | (11,056) |
| **Balance as at 30 June 2012 - Restated** | 1,008,333 | 400,000 | 141,666 | 541,666 | 214,500 | 2,604,999 | 2,819,499 | 3,361,165 | 4,369,498 |
| Preference shares repaid | (13,333) | - | - | - | - | - | - | - | (13,333) |
| Transferred from capital redemption reserve fund | - | - | (13,333) | (13,333) | - | 13,333 | 13,333 | - | - |
| Transferred to capital redemption reserve fund | - | - | 5,000 | 5,000 | - | (5,000) | (5,000) | - | - |
| Transferred to general reserve | - | - | - | - | 500,000 | (500,000) | - | - | - |
| Dividend at the rate of Rupees 1.75 per share (Ordinary shares) | - | - | - | - | - | (105,000) | (105,000) | (105,000) | (105,000) |
| Dividend at the rate of Rupees 1.49 per share (Preference shares) | - | - | - | - | - | (61,612) | (61,612) | (61,612) | (61,612) |
| Profit for the year | - | - | - | - | - | 906,358 | 906,358 | 906,358 | 906,358 |
| Other comprehensive loss for the year | - | - | - | - | - | (18,659) | (18,659) | (18,659) | (18,659) |
| Total comprehensive income for the year | - | - | - | - | - | 887,699 | 887,699 | 887,699 | 887,699 |
| **Balance as at 30 June 2013** | 995,000 | 400,000 | 133,333 | 533,333 | 714,500 | 2,834,419 | 3,548,919 | 4,082,252 | 5,077,252 |
| Preference shares repaid | (41,667) | - | - | - | - | - | - | - | (41,667) |
| Transferred from capital redemption reserve fund | - | - | (41,667) | (41,667) | - | 41,667 | 41,667 | - | - |
| Transferred to capital redemption reserve fund | - | - | 41,667 | 41,667 | - | (41,667) | (41,667) | - | - |
| Dividend at the rate of Rupees 1.75 per share (Ordinary shares) | - | - | - | - | - | (105,000) | (105,000) | (105,000) | (105,000) |
| Dividend at the rate of Rupees 1.27 per share (Preference shares) | - | - | - | - | - | (50,431) | (50,431) | (50,431) | (50,431) |
| Profit for the year | - | - | - | - | - | 938,299 | 938,299 | 938,299 | 938,299 |
| Other comprehensive income for the year | - | - | - | - | - | 332 | 332 | 332 | 332 |
| Total comprehensive income for the year | - | - | - | - | - | 938,631 | 938,631 | 938,631 | 938,631 |
| **Balance as at 30 June 2014** | 953,333 | 400,000 | 133,333 | 533,333 | 714,500 | 3,617,619 | 4,332,119 | 4,865,452 | 5,818,785 |

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

**Statement under section 241 (2) of the Companies Ordinance, 1984:**

The Chief Executive officer of the Company is presently out of the Country. Therefore these financial statements have been signed by two Directors as required under section 241 (2) of the Companies Ordinance, 1984.

**DIRECTOR** **DIRECTOR**

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2014

### 1. THE COMPANY AND ITS OPERATIONS

Masood Textile Mills Limited is a public limited company incorporated under the Companies Act, 1913 (Now Companies Ordinance, 1984) and listed on the stock exchanges in Pakistan. Its registered office is situated at Universal House, West Canal Road, Faisalabad. The main objects of the Company are manufacturing and sale of cotton / synthetic fiber yarn, knitted / dyed fabrics and garments.

Messrs Shandong Ruyi Science and Technology Group Company Limited of China and Mr. Shahid Nazir and Mrs. Nazia Nazir ( existing shareholders ) executed an agreement with the major shareholders of the Company on 09 January 2014 to acquire 51.01% ordinary shares of the Company plus such additional shares as may be required to be purchased from the general public to comply with the takeover laws. However, as the time period prescribed for undertaking the public offer as extended by the SECP will be lapsed on 05 October 2014 and the conditions required to be fulfilled under the Share Purchase Agreement (SPA) have not been fulfilled for proceeding with the acquisition transaction within the agreed time-lines, completion of the transaction is no longer possible under the terms of the SPA. The Sellers and the Acquirers have decided not to pursue the sale/purchase transaction any further and to mutually terminate the SPA.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of Preparation

#### a) Statement of Compliance

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

#### b) Accounting Convention

These financial statements have been prepared under the historical cost convention except for the

- Deferred liability for the staff retirement benefits which is recognized on the basis of actuarial valuation (Note 8).
- Land grouped in operating fixed assets which is carried at revalued amount (Note 14.1).

#### c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

**Deferred liability for staff retirement benefits**

The cost of the defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and monthly rates. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

**Taxation**

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

**Useful lives, patterns of economic benefits and impairments**

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

**Inventories**

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

**Provision for doubtful debts / receivables**

The Company reviews its receivable balances against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

**d) Amendments to published approved standards that are effective in current year and are relevant to the Company**

Following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2013:

International Accounting Standard (IAS) 19 (Amendments) 'Employee Benefits' (effective for annual periods beginning on or after 01 January 2013). The amendments have eliminated the corridor approach which permitted to recognize actuarial gains / losses in profit and loss account using the corridor method, whereby actuarial gains / losses are recognized when the cumulative unrecognized amount thereof at the beginning of the year exceed the corridor limit, where corridor limit has been prescribed as 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets. Pursuant to this change, the Company has recognized immediately all actuarial gains or losses in other comprehensive income and past service cost in profit and loss account.

The adoption of the aforesaid amendment resulted in change in the Company's accounting policy related to recognition of actuarial gains and losses and past service cost pertaining to employees retirement gratuity as notified in Note 2.2.

IFRS 7 (Amendment) 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The IASB has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

On 17 May 2012, IASB issued Annual Improvements to IFRS: 2009 – 2011 Cycle, incorporating amendments to five IFRS more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial instruments: Presentation' that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

**e) Amendments to published approved standards that are effective in current year but not relevant to the Company**

There are other amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2013 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) **Standards and amendments to published approved standards that are not yet effective but relevant to the Company**

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2014 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2015). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard is not expected to have a material impact on the Company's financial statements.

Amendments to IFRS 12 (effective for annual periods beginning on or after 01 January 2013) provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2017). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 32 (Amendments) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements. However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 – 2012 Cycle, incorporating amendments to seven IFRSs more specifically in IFRS 8 'Operating Segments' and IFRS 13 'Fair Value Measurement', which are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2011 – 2013 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 13 'Fair Value Measurement', that is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

IFRIC 21 'Levies' (effective for annual periods beginning on or after 01 January 2014). The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. However, the interpretation is not expected to have a material impact on the Company's financial statements.

**g) Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Company**

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2014 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

**2.2 Staff retirement benefits**

The company operates unfunded gratuity scheme for its employees. Provision is made in the books of account on the basis of actuarial computation subject to a maximum of 8.33 percent of salary of the employees. Latest actuarial valuation has been made as at 30 June 2014 by the consulting actuaries using Projected Unit Credit Actuarial Cost Method.

**Change in accounting policy**

During the year, the Company has adopted IAS 19 (Amendment) 'Employee benefits' and changed its basis for recognition of actuarial gains and losses on its defined benefit plan. According to new policy actuarial gains and losses are recognized in other comprehensive income in the period in which they occur. Amounts recognized in profit and loss account are limited to current and past service costs, gains and losses on settlements, and net interest income/expense. Previously, the company recognized actuarial gains and losses over the expected average remaining working lives of the employees, to the extent that unrecognized actuarial gains / losses exceeds 10 percent of present value of defined benefit obligation.This change in accounting policy has been accounted for retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Had there been no change in this accounting policy, the amount recognized in these financial statements for the year ended 30 June 2014 and financial statements for the year ended 30 June 2013 would have been different as follows:

| | 2014 | 2013 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| Decrease in deferred liability for gratuity | 29,382 | 29,714 |
| Increase in unappropriated profit | 29,382 | 29,714 |
| (Decrease) / increase in other comprehensive income | (332) | 18,659 |

### 2.3 Foreign currency

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date or at the contracted rates, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. The Company charges all the exchange differences to profit and loss account.

### 2.4 Taxation

**Current**

The Company falls in the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made in the financial statements accordingly. However, provision for tax on other income is based on taxable income at the current rates after considering the rebates and tax credits available, if any.

**Deferred**

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

### 2.5 Property, plant, equipment and depreciation

**Owned**

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss except freehold land which is stated at cost / appreciated value less any identified impairment loss. Capital work-in-progress is stated at cost less any identified impairment loss. Cost of property, plant and equipment signifies historical cost, applicable exchange differences (upto 30 September 2004), appreciated value, borrowing cost pertaining to erection / construction period as referred in Note 2.8 and directly attributable cost of bringing the assets to working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the

Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized.

**Leased – Finance Lease**

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to profit and loss account over the lease term.

Gain on sale and lease back of operating fixed assets is deferred and amortized over the lease term and loss on sale and lease back of operating fixed assets is recognized in profit and loss account. Assets so acquired are depreciated over their expected useful life.

**Leased – Operating lease**

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss account on a straight line basis over the lease term.

**Depreciation**

Depreciation on property, plant and equipment is charged to income on reducing balance method at the rates given in Note 14.1 to write off the cost over their expected useful life. The Company charges depreciation on additions from the date when the asset is available for use and on deletions up to the date when asset is derecognized. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

**De-recognition**

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

**2.6 Investment in an associate**

The Company's investment in its associate is accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate. The profit and loss account reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

The reporting dates of the associate and the Company are identical and the associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

**2.7 Inventories**

Inventories, except for stock in transit and waste stock / rags are stated at lower of cost and net realizable value. Cost is determined as follows:

**Stores, spare parts and loose tools**

Useable stores and spare parts are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

**Stock in trade**

Cost of raw material, work-in-process and finished goods is determined as follows:

| | | |
|---|---|---|
| i) For raw materials | - | Annual average basis. |
| ii) For work-in-process and finished goods | - | Average manufacturing cost including a portion of production over heads. |

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon, waste stock / rags are valued at net realizable value.

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

### 2.8 Borrowing cost

Interest, mark-up and other charges on long term liabilities are capitalized upto the date of commissioning of respective fixed assets acquired out of the proceeds of such long term liabilities. All other interest, mark-up and other charges are charged to profit and loss account.

### 2.9 Provisions

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

### 2.10 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account except for the property, plant and equipment stated under revaluation model in which case it is adjusted against the revaluation surplus. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account except for the property, plant and equipment stated under revaluation model in which case it is adjusted against the revaluation surplus.

### 2.11 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sales is recognized on delivery of goods to customers.
- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

### 2.12 Share capital

Ordinary and preference shares are classified as equity.

**2.13 Financial instruments**

Financial instruments carried on the balance sheet include long term and short term deposits, trade debts, loans and advances, other receivables, cash and bank balances, long term financing, liabilities against assets subject to finance lease, short term borrowings, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instrument at fair value through profit or loss" which is measured initially at fair value.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is charged to the profit and loss account currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item:

**2.14 Trade and other receivables**

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

**2.15 Borrowings**

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

**2.16 Trade and other payables**

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

**2.17 Off setting**

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

**2.18 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

**2.19 Dividend and transfer of reserves**

Dividend and transfers among reserves are treated as post balance sheet non-adjusting events. Hence, do not qualify for provision in the financial statements in accordance with the requirements of IAS-10 'Events after the reporting period'. These transfers are, therefore, recorded in the next year's financial statements.

**2.20 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its segments separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has three reportable operating segments: i) Spinning (Producing different qualities of yarn), ii) Knitting (Producing knitted fabric from yarn), iii) Processing and Garments (Processing of greige fabric for production of dyed and white fabric and manufacturing of variety of garments from processed fabric).

Transactions among the operating segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

## 3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

| 2014 | 2013 | | 2014 | 2013 |
|---|---|---|---|---|
| (NUMBER OF SHARES) | | | (RUPEES IN THOUSAND) | |
| 60 000 000 | 60 000 000 | Ordinary shares of Rupees 10 each fully paid in cash | 600,000 | 600,000 |
| 35 333 334 | 39 500 000 | Cumulative preference shares (non-voting) of Rupees 10 each fully paid in cash (Note 3.1 & 3.2) | 353,333 | 395,000 |
| 95 333 334 | 99 500 000 | | 953,333 | 995,000 |

### 3.1 Movement during the year

| | | | | |
|---|---|---|---|---|
| 39 500 000 | 40 833 334 | As at 01 July | 395,000 | 408,333 |
| 4 166 666 | 1 333 334 | Cumulative preference shares (non-voting) of Rupees 10 each repaid during the year | 41,667 | 13,333 |
| 35 333 334 | 39 500 000 | | 353,333 | 395,000 |

**3.2** The Company issued cumulative preference shares as at 30 June 2005, which are listed on Lahore Stock Exchange, to finance the working capital requirements and fixed capital expenditure.

**Terms of redemption**

**a) Conversion option**

Preference shareholders have the option to serve a notice to the Company to convert one third of the preference shares along with accumulated dividend into ordinary shares of the Company after the expiry of four years from the date of issuance in any conversion year at a discount of 15 percent to immediately preceding 30 calendar days' average market value. Upon receiving the conversion notice, the Company will have the option to repay the preference shares along with the accumulated dividend for which conversion notice has been issued within one month of receiving thereof or issue ordinary shares to preference shareholders.

**b) Call option**

The Company has the option to redeem the preference shares after four years of the issuance in part in multiples of 10 percent upto 100 percent from the preference shareholders. The call price would be Rupees 10 per share plus the entire accumulated preference share dividend, if any.

**c) Rate of dividend**

The preference dividend is payable at the average rate of six months KIBOR plus 2 percent per annum on cumulative basis. According to the terms of issuance, dividend to ordinary shareholders could only be paid after the payment of preference dividend to preference shareholders.

**d) Sinking fund reserve**

The Company has created a sinking fund reserve (capital redemption reserve fund) from the profits of the Company to make payments against any call option. The Company has built-up this sinking fund reserve to ensure that at the end of the fourth year from the issuance date, the reserve is equal to one third of the total amount of preference shares. This reserve account will subsequently be replenished to ensure that one third of the outstanding preference shares amount is available in the reserve account.

| | | 2014 | 2013 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| | | | Restated |
| **4.** | **RESERVES** | | |
| | **Composition of reserves is as follows:** | | |
| | **Capital** | | |
| | Share premium (Note 4.1) | 400,000 | 400,000 |
| | Capital redemption reserve fund (Note 4.2) | 133,333 | 133,333 |
| | | 533,333 | 533,333 |
| | **Revenue** | | |
| | General | 714,500 | 714,500 |
| | Unappropriated profit | 3,617,619 | 2,834,420 |
| | | 4,332,119 | 3,548,920 |
| | | 4,865,452 | 4,082,253 |

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

4.2 The Company has created this reserve from its profits to make payments against any call option of preference shares.

| | | 2014 | 2013 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **5.** | **SURPLUS ON REVALUATION OF FREEHOLD LAND** | | |
| | Opening balance | 606,262 | 379,332 |
| | Add : Surplus on revaluation of freehold land | - | 226,930 |
| | Less : Surplus realized on sale of freehold land | 29 | - |
| | | 606,233 | 606,262 |
| **6.** | **LONG TERM FINANCING - SECURED** | | |
| | Long term loans (Note 6.1) | 2,277,732 | 2,858,665 |
| | Less: Current portion shown under current liabilities (Note 12) | 753,814 | 676,229 |
| | | 1,523,918 | 2,182,436 |

6.1 Long term loans

| LENDER | 2014 | 2013 | RATE OF INTEREST PER ANNUM | NUMBER OF INSTALMENTS | DATE OF REPAYMENT OF FIRST INSTALLMENT | INTEREST PAYABLE | SECURITY |
|---|---|---|---|---|---|---|---|
| | (RUPEES IN THOUSAND) | | | | | | |
| **6.1.1 Demand Finances / Long Term Finances for Export Oriented Projects:** | | | | | | | |
| United Bank Limited | 2,425 | 12,127 | 7.00% | Twenty four, quarterly | 15 February 2008 | Quarterly | First charge on specific machinery |
| United Bank Limited | 937 | 2,811 | 7.00% | Twenty four, quarterly | 31 March 2008 | Quarterly | First charge on specific machinery |
| United Bank Limited | - | 14,831 | 6 Months KIBOR+2.00% | Ten, half yearly | 30 December 2009 | Half yearly | First charge on specific machinery |
| United Bank Limited | 5,067 | 7,319 | 10.00% | Twenty four, quarterly | 19 December 2010 | Quarterly | First charge on specific machinery |
| United Bank Limited | 5,533 | 7,746 | 10.00% | Twenty four, quarterly | 20 January 2011 | Quarterly | First charge on specific machinery |
| United Bank Limited | 1,544 | 2,105 | 10.25% | Twenty four, quarterly | 10 May 2011 | Quarterly | First charge on specific machinery |
| United Bank Limited | 1,133 | 1,587 | 10.25% | Twenty four, quarterly | 03 June 2011 | Quarterly | First charge on specific machinery |
| United Bank Limited | 1,385 | 2,078 | 10.50% | Twenty , quarterly | 29 July 2011 | Quarterly | First charge on specific machinery |
| United Bank Limited | 8,607 | 11,256 | 10.50% | Twenty four, quarterly | 12 October 2011 | Quarterly | First charge on specific machinery |
| United Bank Limited | - | 11,801 | 11.00% | Eight , quarterly | 01 March 2012 | Quarterly | First charge on specific machinery |
| United Bank Limited | 31,216 | 42,566 | 12.60% | Sixteen, quarterly | 12 April 2013 | Quarterly | First charge on specific machinery |
| United Bank Limited | 19,489 | 25,986 | 12.60% | Sixteen, quarterly | 10 September 2013 | Quarterly | First charge on specific machinery |
| United Bank Limited | 16,572 | 20,396 | 12.60% | Sixteen, quarterly | 03 October 2013 | Quarterly | First charge on specific machinery |
| United Bank Limited | 34,572 | 39,511 | 11.10% | Sixteen, quarterly | 18 January 2014 | Quarterly | First charge on specific machinery |
| United Bank Limited | 26,315 | 28,069 | 10.90% | Sixteen, quarterly | 02 April 2014 | Quarterly | First charge on specific machinery |
| Habib Bank Limited | 7,182 | 11,970 | 10.00% | Twenty one, quarterly | 09 January 2011 | Quarterly | First charge on specific machinery |
| Habib Bank Limited | 22,626 | 35,555 | 10.00% | Twenty one, quarterly | 22 February 2011 | Quarterly | First charge on specific machinery |
| Habib Bank Limited | 9,088 | 13,128 | 10.00% | Twenty one, quarterly | 18 August 2011 | Quarterly | First charge on specific machinery |
| Habib Bank Limited | 9,784 | 13,045 | 10.50% | Twenty one, quarterly | 26 May 2012 | Quarterly | First charge on specific machinery |
| Habib Bank Limited | 33,796 | 44,195 | 10.50% | Twenty one, quarterly | 29 July 2012 | Quarterly | First charge on specific machinery |
| Habib Bank Limited | 18,027 | 23,573 | 10.50% | Twenty one, quarterly | 06 August 2012 | Quarterly | First charge on specific machinery |
| Habib Bank Limited | 24,834 | 32,476 | 10.50% | Twenty one, quarterly | 17 September 2012 | Quarterly | First charge on specific machinery |
| Habib Bank Limited | 1,917 | 2,465 | 10.50% | Twenty one, quarterly | 21 October 2012 | Quarterly | First charge on specific machinery |
| Habib Bank Limited | 3,202 | 4,056 | 11.20% | Twenty one, quarterly | 28 March 2013 | Quarterly | First charge on specific machinery |
| Standard Chartered Bank (Pakistan) Limited | 16,487 | 27,478 | 10.40% | Eight, half yearly | 30 January 2012 | Quarterly | First charge on specific machinery |
| Standard Chartered Bank (Pakistan) Limited | 22,484 | 37,620 | 11.10% | Eight, half yearly | 30 January 2012 | Quarterly | First charge on specific machinery |
| Standard Chartered Bank (Pakistan) Limited | - | 8,237 | 11.00% | Four, half yearly | 11 May 2012 | Quarterly | First charge on specific machinery |
| Pak Oman Investment Company Limited | 7,848 | 10,089 | 11.20% | Twenty two, quarterly | 15 July 2012 | Quarterly | First charge on specific machinery |
| Pak Oman Investment Company Limited | - | 9,042 | 11.00% | Twelve, quarterly | 03 March 2011 | Quarterly | First charge on specific machinery |
| Pak Oman Investment Company Limited | - | 8,475 | 12.50% | Twelve, quarterly | 14 July 2011 | Quarterly | First charge on specific machinery |
| Pak Kuwait Investment Company (Private) Limited | 15,844 | 18,724 | 10.00% | Thirty eight, quarterly | 24 July 2010 | Quarterly | First charge on specific machinery |
| Pak Kuwait Investment Company (Private) Limited | 10,727 | 12,675 | 10.25% | Thirty eight, quarterly | 05 September 2010 | Quarterly | First charge on specific machinery |
| Pak Kuwait Investment Company (Private) Limited | 25,382 | 29,998 | 10.25% | Thirty eight, quarterly | 20 September 2010 | Quarterly | First charge on specific machinery |
| Pak Kuwait Investment Company (Private) Limited | 5,746 | 7,842 | 12.60% | Eighteen , quarterly | 13 December 2012 | Quarterly | First charge on specific machinery |
| Pak Kuwait Investment Company (Private) Limited | 41,660 | 55,588 | 12.60% | Eighteen , quarterly | 03 January 2013 | Quarterly | First charge on specific machinery |
| Pak Kuwait Investment Company (Private) Limited | 28,659 | 37,479 | 12.60% | Eighteen , quarterly | 18 April 2014 | Quarterly | First charge on specific machinery |
| NIB Bank Limited | 225,248 | 240,264 | 10.90% | Sixteen , quarterly | 08 April 2014 | Quarterly | First charge on specific machinery |
| NIB Bank Limited | 16,991 | - | 10.90% | Sixteen , quarterly | 01 November 2014 | Quarterly | First charge on specific machinery |
| Habib Metropolitan Bank Limited | 3,752 | 5,116 | 10.25% | Twenty eight , quarterly | 11 May 2010 | Quarterly | First charge on specific machinery |
| Habib Metropolitan Bank Limited | 2,952 | 3,466 | 10.25% | Thirty two , quarterly | 19 June 2012 | Quarterly | First charge on specific machinery |
| Habib Metropolitan Bank Limited | 2,780 | 3,244 | 10.50% | Thirty two , quarterly | 28 July 2012 | Quarterly | First charge on specific machinery |
| Habib Metropolitan Bank Limited | 13,478 | 15,725 | 10.50% | Thirty two , quarterly | 24 August 2012 | Quarterly | First charge on specific machinery |
| Habib Metropolitan Bank Limited | 49,757 | 57,720 | 10.50% | Thirty two , quarterly | 20 October 2012 | Quarterly | First charge on specific machinery |
| The Bank of Punjab | 14,544 | 26,178 | 10.40% | Sixteen , quarterly | 31 October 2011 | Quarterly | First charge on specific machinery |
| The Bank of Punjab | 19,832 | 33,053 | 11.10% | Sixteen , quarterly | 15 January 2012 | Quarterly | First charge on specific machinery |
| The Bank of Punjab | 67,075 | - | 10.90% | Twenty , quarterly | 03 May 2014 | Quarterly | First charge on specific machinery |
| | 876,497 | 1,058,665 | | | | | |
| **6.1.2 Syndicate Term Finance - II:** | | | | | | | |
| Allied Bank Limited | 154,074 | 200,000 | 3 Months KIBOR+1.50% | Sixteen, quarterly unequal installments | 04 September 2013 | Quarterly | Acquired by the Company against permanent working capital requirements and is secured by way of first pari pasu charge over all present and future moveable fixed assets of the Company and mortgage over immovable fixed assets of the Company and personal guarantee of the Chief Executive Officer. |
| Bank Alfalah Limited | 115,556 | 150,000 | | | | | |
| The Bank of Punjab | 146,049 | 175,000 | | | | | |
| Dubai Islamic Bank Pakistan Limited | 155,556 | 200,000 | | | | | |
| Habib Bank Limited | 77,037 | 100,000 | | | | | |
| National Bank of Pakistan | 192,593 | 250,000 | | | | | |
| Pakistan Kuwait Investment Company (Private) Limited | 96,296 | 125,000 | | | | | |
| Standard Chartered Modaraba | 54,444 | 70,000 | | | | | |
| Standard Chartered Bank (Pakistan) Limited | 140,000 | 180,000 | | | | | |
| Summit Bank Limited | 77,037 | 100,000 | | | | | |
| United Bank Limited | 192,593 | 250,000 | | | | | |
| | 1,401,235 | 1,800,000 | | | | | |
| | 2,277,732 | 2,858,665 | | | | | |

| | 2014 | 2013 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |

## 7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Future rentals and year during which they fall due are as under:

| | 2014 | 2013 |
|---|---|---|
| 2014 | - | 68,262 |
| 2015 | 68,252 | 58,502 |
| 2016 | 40,627 | 33,381 |
| 2017 | 32,765 | 26,808 |
| 2018 | 20,344 | 10,914 |
| 2019 | 3,714 | - |
| | 165,702 | 197,867 |
| Less: Financial charges | 21,388 | 28,996 |
| Present value of minimum lease rental payments | 144,314 | 168,871 |
| Less: Current portion shown under current liabilities (Note 12) | 56,983 | 53,644 |
| | 87,331 | 115,227 |

7.1 The value of minimum lease payments has been discounted using implicit interest rate of 11.67 percent to 12.67 percent per annum (2013: 10.59 percent to 11.59 percent per annum). Balance rentals are payable in monthly / quarterly and semi-annual installments. In case of default in any payment, an additional charge at the rate of 0.1 percent per day shall be paid. Taxes, repairs and insurance costs are to be borne by the Company. In case of termination of the agreement, the Company shall pay entire amount of rentals for unexpired period of lease agreement. Lease agreement is renewable at the option of the lessor on such terms as may be agreed upon. Liabilities are secured against deposits of Rupees 16.542 million (2013: Rupees 19.385 million) included in long term security deposits and Rupees 5.862 million (2013: Rupees Nil) included in short term deposits and prepayments.

7.2 Minimum lease payments and their present values are regrouped as under:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Within One year | More than one year but less than five years | Within One year | More than one year but less than five years |
| | ----------(RUPEES IN THOUSAND)---------- | | | |
| Total of minimum lease payments | 68,252 | 97,450 | 68,262 | 129,605 |
| Less: Financial charges | 11,269 | 10,119 | 14,618 | 14,378 |
| Present value of minimum lease payments | 56,983 | 87,331 | 53,644 | 115,227 |

| | 2014 | 2013 |
|---|---|---|
| | (RUPEES IN THOUSAND) | Restated |

## 8. DEFERRED LIABILITY FOR GRATUITY

| | 2014 | 2013 |
|---|---|---|
| Opening balance | 344,074 | 268,127 |
| Add: Provision for the year (Note 8.1) | 171,957 | 110,088 |
| Actuarial (gain) / losses recognized in other comprehensive income | (332) | 18,659 |
| | 515,699 | 396,874 |
| Less: Payments made during the year | (82,078) | (58,470) |
| (Increase) / decrease in current liability - net | (6,732) | 5,670 |
| | (88,810) | (52,800) |
| | 426,889 | 344,074 |

| | 2014 | 2013 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| | | Restated |
| **8.1 Provision for the year:** | | |
| Current service cost | 87,282 | 75,232 |
| Interest cost | 40,160 | 34,856 |
| Past service cost | 44,515 | - |
| | 171,957 | 110,088 |

**8.2** Reconciliation of present value of defined benefit obligations as at 30 June is given below:

| | 2014 | 2013 |
|---|---|---|
| Present value of defined benefit obligations as at 01 July | 344,074 | 268,127 |
| Current service cost | 87,282 | 75,232 |
| Interest cost | 40,160 | 34,856 |
| Past service cost | 44,515 | - |
| Benefits paid during the year | (82,078) | (58,470) |
| (Increase) / decrease in current liability - net | (6,732) | 5,670 |
| Actuarial (gain) / loss on present value | (332) | 18,659 |
| Present value of defined benefit obligations as at 30 June | 426,889 | 344,074 |

**8.3** Principal actuarial assumptions:

| | 2014 | 2013 |
|---|---|---|
| Discount rate | 13.50% per annum | 10.50% per annum |
| Expected rate of increase in salary in future years | 12.50% per annum | 9.50% per annum |
| Average expected remaining life time of employees | 12 years | 13 years |

**8.4** The present value of defined benefit obligations is as follows:

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | (RUPEES IN THOUSAND) | | | | |
| Present value of defined benefit obligations | 426,889 | 344,074 | 268,127 | 233,150 | 192,905 |
| Experience adjustment arising on plan liabilities | (332) | 18,659 | 1,790 | 2,246 | 9,320 |

| | 2014 | 2013 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| **9. TRADE AND OTHER PAYABLES** | | |
| Creditors | 1,677,669 | 1,558,089 |
| Advances from customers | 23,762 | 46,068 |
| Accrued liabilities | 641,346 | 584,025 |
| Income tax deducted at source | 18,615 | 11,475 |
| Sales tax deducted at source | 13,680 | 10,997 |
| Workers' profit participation fund (Note 9.1) | 61,996 | 59,613 |
| Unclaimed dividend | 8,763 | 8,369 |
| | 2,445,831 | 2,278,636 |

| | 2014 | 2013 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |

**9.1 Workers' Profit Participation Fund**

| | 2014 | 2013 |
|---|---|---|
| Balance as at 01 July | 59,613 | 52,720 |
| Add: Provision for the year ( Note 28 ) | 61,996 | 59,613 |
| Interest for the year ( Note 30 ) | 3,774 | 3,290 |
| | 125,383 | 115,623 |
| Less: Payments during the year | 63,387 | 56,010 |
| | 61,996 | 59,613 |

9.1.1 The Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

**10. ACCRUED MARK-UP**

| | 2014 | 2013 |
|---|---|---|
| Long term financing | 37,869 | 43,892 |
| Short term borrowings | 186,573 | 140,413 |
| | 224,442 | 184,305 |

**11 SHORT TERM BORROWINGS - SECURED**

These represent the finances obtained from banking companies which are secured by way of first, second and third equitable mortgage on fixed assets of the Company, first joint pari pasu charge over current assets of the Company, pledge and personal guarantee of directors. Mark-up is paid at the rate of 2.66% per annum to 11.34% per annum (2013: 2.51% per annum to 12.35% per annum). The sanctioned credit facilities are Rupees 11,760 million (2013: Rupees 9,175 million).

**12. CURRENT PORTION OF NON-CURRENT LIABILITIES**

| | 2014 | 2013 |
|---|---|---|
| Long term financing (Note 6) | 753,814 | 676,229 |
| Liabilities against assets subject to finance lease (Note 7) | 56,983 | 53,644 |
| | 810,797 | 729,873 |

**13. CONTINGENCIES AND COMMITMENTS**

**a) Contingencies**

Guarantees of Rupees 68.029 million (2013: Rupees 68.104 million) have been given by the banks of the Company to Sui Northern Gas Pipelines Limited (SNGPL) against gas connections and Collector of Customs, Lahore for import licence fee.

**b) Commitments**

**i)** Contracts for capital expenditure are amounting to Rupees 24.608 million (2013: Rupees 56.445 million) and other than capital expenditure are Rupees 244.317 million (2013: Rupees 126.296 million).

**ii)** Ijarah (operating lease) commitments - Company as lessee

The Company obtained vehicles under ijarah (operating lease) agreement. The lease terms are three to five years. The Company has given undertaking to purchase the leased vehicles on agreed purchase price at maturity.

The future aggregate minimum lease payments under ijarah (operating lease) are as follows:

| | 2014 | 2013 |
|---|---|---|
| Not later than one year | 27,592 | 20,112 |
| Later than one year and not later than five years | 28,426 | 25,395 |
| | 56,018 | 45,507 |

**14. PROPERTY, PLANT AND EQUIPMENT**

| | 2014 | 2013 |
|---|---|---|
| Operating fixed assets | | |
| -Owned ( Note 14.1 ) | 5,436,360 | 5,248,413 |
| -Leased ( Note 14.1 ) | 214,378 | 208,666 |
| Capital work-in-progress (Note 14.2) | 122,160 | 65,016 |
| | 5,772,898 | 5,522,095 |

**14.1 OPERATING FIXED ASSETS**

| | OWNED | | | | | | | | | | | LEASED | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold land | Buildings on freehold land | Plant and machinery | Electric and gas installations | Factory equipment | Telephone installations | Furniture and fixtures | Office equipment | Computer equipment | Vehicles | Total | Plant and machinery | Vehicles | Total |
| | (RUPEES IN THOUSAND) | | | | | | | | | | | | | |
| **At 30 June 2012** | | | | | | | | | | | | | | |
| Cost / revalued amount | 741,711 | 852,663 | 4,031,932 | 322,085 | 72,371 | 18,386 | 146,996 | 3,854 | 185,754 | 164,910 | 6,540,662 | 84,289 | 166,706 | 250,995 |
| Accumulated depreciation | - | (217,127) | (1,374,564) | (110,893) | (40,588) | (11,936) | (73,615) | (2,378) | (110,564) | (77,413) | (2,019,078) | (32,072) | (45,492) | (77,564) |
| Net book value | 741,711 | 635,536 | 2,657,368 | 211,192 | 31,783 | 6,450 | 73,381 | 1,476 | 75,190 | 87,497 | 4,521,584 | 52,217 | 121,214 | 173,431 |
| **Year ended 30 June 2013** | | | | | | | | | | | | | | |
| Opening net book value | 741,711 | 635,536 | 2,657,368 | 211,192 | 31,783 | 6,450 | 73,381 | 1,476 | 75,190 | 87,497 | 4,521,584 | 52,217 | 121,214 | 173,431 |
| Revaluation surplus | 226,930 | - | - | - | - | - | - | - | - | - | 226,930 | - | - | - |
| Additions | 44,519 | 55,167 | 717,681 | 38,996 | 3,372 | 1,310 | 17,943 | 84 | 20,462 | 9,493 | 909,027 | 60,650 | 8,360 | 69,010 |
| Transfer: | | | | | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | - | - | 1,399 | 1,399 | - | (1,399) | (1,399) |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | (472) | (472) | - | 472 | 472 |
| | - | - | - | - | - | - | - | - | - | 927 | 927 | - | (927) | (927) |
| Deletions: | | | | | | | | | | | | | | |
| Cost | - | (1,250) | (21,095) | - | - | - | - | - | - | (8,435) | (30,780) | - | - | - |
| Accumulated depreciation | - | 307 | 12,561 | - | - | - | - | - | - | 3,754 | 16,622 | - | - | - |
| | - | (943) | (8,534) | - | - | - | - | - | - | (4,681) | (14,158) | - | - | - |
| Depreciation charge | - | (33,006) | (289,561) | (22,754) | (3,366) | (1,078) | (12,283) | (227) | (17,001) | (16,621) | (395,897) | (9,079) | (23,769) | (32,848) |
| Closing net book value | 1,013,160 | 656,754 | 3,076,954 | 227,434 | 31,789 | 6,682 | 79,041 | 1,333 | 78,651 | 76,615 | 5,248,413 | 103,788 | 104,878 | 208,666 |
| **At 30 June 2013** | | | | | | | | | | | | | | |
| Cost / revalued amount | 1,013,160 | 906,580 | 4,728,518 | 361,081 | 75,743 | 19,696 | 164,939 | 3,938 | 206,216 | 166,895 | 7,646,766 | 144,939 | 173,667 | 318,606 |
| Accumulated depreciation | - | (249,826) | (1,651,564) | (133,647) | (43,954) | (13,014) | (85,898) | (2,605) | (127,565) | (90,280) | (2,398,353) | (41,151) | (68,789) | (109,940) |
| Net book value | 1,013,160 | 656,754 | 3,076,954 | 227,434 | 31,789 | 6,682 | 79,041 | 1,333 | 78,651 | 76,615 | 5,248,413 | 103,788 | 104,878 | 208,666 |
| **Year ended 30 June 2014** | | | | | | | | | | | | | | |
| Opening net book value | 1,013,160 | 656,754 | 3,076,954 | 227,434 | 31,789 | 6,682 | 79,041 | 1,333 | 78,651 | 76,615 | 5,248,413 | 103,788 | 104,878 | 208,666 |
| Additions | 7,768 | 82,927 | 465,661 | 46,457 | 5,764 | 270 | 8,333 | 477 | 15,757 | 4,170 | 637,584 | 31,000 | - | 31,000 |
| Transfer from leased assets: | | | | | | | | | | | | | | |
| Cost | - | - | 3,126 | - | - | - | - | - | - | 805 | 3,931 | (3,126) | (805) | (3,931) |
| Accumulated depreciation | - | - | (2,129) | - | - | - | - | - | - | (466) | (2,595) | 2,129 | 466 | 2,595 |
| | - | - | 997 | - | - | - | - | - | - | 339 | 1,336 | (997) | (339) | (1,336) |
| Segregation in proper heads: | | | | | | | | | | | | | | |
| Cost | - | - | (8,870) | - | - | - | - | - | - | - | (8,870) | 8,870 | - | 8,870 |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | (8,870) | - | - | - | - | - | - | - | (8,870) | 8,870 | - | 8,870 |
| Deletions: | | | | | | | | | | | | | | |
| Cost / revalued amount | (150) | - | (4,980) | (1,135) | (787) | (295) | (1,110) | (60) | (404) | (11,464) | (20,385) | - | - | - |
| Accumulated depreciation | - | - | 1,357 | 741 | 133 | 200 | 505 | 17 | 206 | 7,357 | 10,516 | - | - | - |
| | (150) | | (3,623) | (394) | (654) | (95) | (605) | (43) | (198) | (4,107) | (9,869) | - | - | - |
| Depreciation charge | - | (34,820) | (324,401) | (24,907) | (3,419) | (1,014) | (12,438) | (243) | (17,252) | (13,740) | (432,234) | (13,596) | (19,226) | (32,822) |
| Closing net book value | 1,020,778 | 704,861 | 3,206,718 | 248,590 | 33,480 | 5,843 | 74,331 | 1,524 | 76,958 | 63,277 | 5,436,360 | 129,065 | 85,313 | 214,378 |
| **At 30 June 2014** | | | | | | | | | | | | | | |
| Cost / revalued amount | 1,020,778 | 989,507 | 5,181,326 | 406,403 | 80,720 | 19,671 | 172,162 | 4,355 | 221,569 | 159,940 | 8,256,431 | 181,683 | 172,862 | 354,545 |
| Accumulated depreciation | - | (284,646) | (1,974,608) | (157,813) | (47,240) | (13,828) | (97,831) | (2,831) | (144,611) | (96,663) | (2,820,071) | (52,618) | (87,549) | (140,167) |
| Net book value | 1,020,778 | 704,861 | 3,206,718 | 248,590 | 33,480 | 5,843 | 74,331 | 1,524 | 76,958 | 63,277 | 5,436,360 | 129,065 | 85,313 | 214,378 |
| **Annual rate of depreciation (%)** | - | 5 | 10 | 10 | 10 | 15 | 15 | 15 | 20 | 20 | | 10 | 20 | |

**14.1.1** Freehold land of the Company was revalued as at 28 June 2013 by an independent valuer using market value method and stated in note 14.1 at appreciated value. Previously, it was revalued by an independent valuer as at 30 June 2007 and 30 September 1995. Had there been no revaluation on that date, the value of freehold land would have been lower by Rupees 606.233 million (2013: Rupees 606.262 million). The book value of freehold land on cost basis is Rupees 414.545 million (2013: Rupees 406.898 million).

**14.1.2 Depreciation charge for the year has been allocated as follows:**

| | 2014 | 2013 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| **Owned:** | | |
| Cost of sales (Note 25) | 387,547 | 348,687 |
| Distribution cost (Note 26) | 580 | 614 |
| Administrative expenses (Note 27) | 44,107 | 46,596 |
| | 432,234 | 395,897 |
| **Leased:** | | |
| Cost of sales (Note 25) | 13,596 | 9,079 |
| Distribution cost (Note 26) | 4,627 | 5,930 |
| Administrative expenses (Note 27) | 14,599 | 17,839 |
| | 32,822 | 32,848 |
| | 465,056 | 428,745 |

**14.1.3 Detail of operating fixed assets, exceeding the book value of Rupees 50,000 disposed of during the year is as follows:**

| Description | Cost | Accumulated depreciation | Book value | Sale / Claim proceeds | Mode of disposal | Particulars of purchasers |
|---|---|---|---|---|---|---|
| | (RUPEES IN THOUSAND) | | | | | |
| **Freehold land** | | | | | | |
| 69/RB, 32 Kilometer, Sheikhupura Road, Faisalabad | 150 | - | 150 | 250 | Negotiation | Mr. Muhammad Akhtar Khan, Khurrianwala, Faisalabad |
| **Plant and machinery** | | | | | | |
| Thermo Oil Boiler | 4,095 | 849 | 3,246 | 4,095 | Insurance Claim | Jubilee General Insurace Company Limited. |
| Rack Beams/Upright Frames | 759 | 508 | 251 | 720 | Insurance Claim | Jubilee General Insurace Company Limited. |
| **Computer equipment** | | | | | | |
| Security Camera/Laptop | 346 | 187 | 159 | 167 | Insurance Claim | Jubilee General Insurace Company Limited. |
| **Electric and gas installations** | | | | | | |
| Generators | 905 | 659 | 246 | 164 | Negotiation | Mr. Noor-ud-Din, Bilal Ganj, Faisalabad. |
| **Telephone installations** | | | | | | |
| Telephone Lines & Installations | 295 | 200 | 95 | 280 | Insurance Claim | Jubilee General Insurace Company Limited. |
| **Vehicles** | | | | | | |
| FSB-1376, Suzuki Cultus | 439 | 304 | 135 | 333 | Negotiation | Mr. Amir Bashir, Lathianwala, Faisalabad. |
| FSC-7676, Daihatsu Cuore | 279 | 207 | 72 | 260 | Negotiation | Mr. Imran Khalid, Ali Town, Jaranwala Road, Faisalabad. |
| FSH-2676, Chevrolet | 290 | 151 | 139 | 170 | Negotiation | Mr. Malik Abdul Hanan, Peoples Colony No. 2, Faisalabad. |
| FSB-4476, Honda City | 424 | 308 | 116 | 446 | Negotiation | Mr. Zaid, Mansoora, Multan Road, Lahore. |
| FDA-08-3345, Suzuki Cultus | 730 | 472 | 258 | 704 | Insurance Claim | New Hampshire Insurace Company Limited. |
| FDK-13-5692,Motor Cycle CD70 | 71 | 10 | 61 | 68 | Insurance Claim | Jubilee General Insurace Company Limited. |
| LEE-09-1176,Toyota Corolla | 1,308 | 735 | 573 | 1,255 | Insurance Claim | The Universal Insurance Company Limited |
| FSA-1376, Daihatsu Cuore | 252 | 168 | 84 | 325 | Insurance Claim | Jubilee General Insurace Company Limited. |
| FSE-7876, Honda Civic | 503 | 299 | 204 | 425 | Negotiation | Mr Abdul Rauf, Gulgasht Colony, Faisalabad. |
| FDA-08-4122, Suzuki Cultus | 926 | 581 | 345 | 375 | Negotiation | Beacon Impex Private Limited, Civil line, Faisalabad. |
| FSA-1176, Suzuki Cultus | 388 | 274 | 114 | 150 | Negotiation | Beacon Impex Private Limited, Civil line, Faisalabad. |
| KFV-12-4368,Motor Cycle CD70 | 70 | 20 | 50 | 65 | Insurance Claim | The Universal Insurance Company Limited |
| FSE-6666, Daihatsu Cuore | 567 | 465 | 102 | 149 | Negotiation | Mr Asghar, Jinnah Colony, Faisalabad. |
| LEB-08-876, Honda Civic | 1,676 | 1,205 | 471 | 475 | Negotiation | Mr Muhammad Amin, Saifabad, Faisalabad. |

Book value of other assets disposed of during the year was less than Rupees 50,000.

| | | 2014 | 2013 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| 14.2 | **CAPITAL WORK-IN-PROGRESS** | | |
| | Buildings on freehold land | 11,466 | 10,422 |
| | Plant and machinery | 91,427 | 48,906 |
| | Advances against purchase of land | 15,688 | 5,688 |
| | Advances against purchase of machinery | 3,579 | - |
| | | 122,160 | 65,016 |

**14.3** Borrowing cost of Rupees 2.188 million (2013 : Rupees 5.408 million) was capitalized during the year using the capitalization rate of 10.90% per annum (2013 : 12.60% per annum).

## 15 INVESTMENT IN ASSOCIATE

| | 2014 | 2013 |
|---|---|---|
| **Biomass Power Geneartion Limited - unquoted** | | |
| **Nil ( 2013 : 16 000 ) ordinary shares of Rupees 10 each ( Note 15.1 )** | - | 160 |
| **Shares of post acquisition reserve:** | | |
| **As at 01 July** | - | - |
| **Share of loss after income tax** | - | (160) |
| **As at 30 June** | - | (160) |
| | - | - |

**15.1** The Company has disposed of the investment in Biomass Power Generation Limited during the year (2013: Held 40% equity). The summarized financial information of this company related to 2013 is as follows:

| | 2014 | 2013 |
|---|---|---|
| Associate's balance sheet : | | |
| Current assets | - | 12,922 |
| Non-current assets | - | 15,554 |
| Current liabilities | - | (515) |
| Non-current liabilities | - | (27,981) |
| Net liabilities | - | (20) |
| Associate's revenue and loss : | | |
| Revenue | - | - |
| Loss before taxation for the year | - | 420 |
| Loss after taxation for the year | - | 420 |

## 16. LONG TERM ADVANCES

| | 2014 | 2013 |
|---|---|---|
| **Considered good - secured** | | |
| Advances to employees | | |
| Executives (Note 16.1) | 4,079 | 9,673 |
| Other employees | 396 | 364 |
| | 4,475 | 10,037 |
| Less : Current portion shown under current assets (Note 20) | 656 | 3,983 |
| | 3,819 | 6,054 |

**16.1 Reconciliation of advances given to executives is given below:**

| | 2014 | 2013 |
|---|---|---|
| Opening balance as at 01 July | 9,673 | 6,728 |
| Add: Disbursement made during the year | - | 4,500 |
| | 9,673 | 11,228 |
| Less: Recovered during the year | 5,594 | 1,555 |
| Closing balance as at 30 June | 4,079 | 9,673 |

16.1.1 Maximum balance due from executives at the end of any month during the year was Rupees 9.673 million (2013 : Rupees 10.248 million).

16.2 These include the interest free advances to Company's employees recoverable in equal monthly installments and secured against the gratuity payable of these employees.

16.3 The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of advances to employees is not considered material and hence not recognized.

| | 2014 | 2013 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| **17. STORES, SPARE PARTS AND LOOSE TOOLS** | | |
| Stores (Note 17.1) | 931,586 | 763,838 |
| Spare parts | 204,460 | 167,522 |
| Loose tools | 984 | 1,303 |
| | 1,137,030 | 932,663 |

17.1 These include stores in transit of Rupees 59.333 million (2013: Rupees 26.029 million)

| | 2014 | 2013 |
|---|---|---|
| **18. STOCK IN TRADE** | | |
| Raw materials | 1,731,300 | 2,192,148 |
| Work-in-process | 2,312,186 | 1,754,040 |
| Finished goods (Note 18.1) | 3,156,903 | 2,527,997 |
| Waste | 15,574 | 27,335 |
| | 7,215,963 | 6,501,520 |

18.1 This includes stocks amounting to Rupees 132.198 million (2013 : Rupees 134.348 million) valued at net realizable value.

| | 2014 | 2013 |
|---|---|---|
| **19. TRADE DEBTS** | | |
| **Considered good:** | | |
| Secured ( against letters of credit ) | 1,591,898 | 888,990 |
| Unsecured | 3,823,710 | 2,943,228 |
| | 5,415,608 | 3,832,218 |
| **Considered doubtful:** | | |
| Others - unsecured | 24,832 | 24,832 |
| Less: Provision for doubtful debts | 24,832 | 24,832 |
| | - | - |

19.1 As at 30 June 2014, trade debts of Rupees 583.479 million (2013 : Rupees 302.336 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

| | 2014 | 2013 |
|---|---|---|
| Upto 1 month | 399,727 | 193,584 |
| 1 to 6 months | 136,327 | 77,559 |
| More than 6 months | 47,425 | 31,193 |
| | 583,479 | 302,336 |

| | 2014 | 2013 |
|---|---|---|
| **20. LOANS AND ADVANCES** | | |
| **Considered good:** | | |
| Employees - Interest free: | | |
| Against expenses | 24,949 | 25,576 |
| Against salary | 33,053 | 33,406 |
| | 58,002 | 58,982 |
| Current portion of long term advances (Note 16) | 656 | 3,983 |
| Advances to suppliers | 515,901 | 656,270 |
| | 574,559 | 719,235 |

| | | 2014 | 2013 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **21.** | **SHORT TERM DEPOSITS AND PREPAYMENTS** | | |
| | Letters of credit | 9,617 | 7,892 |
| | Short term prepayments | 19,114 | 10,712 |
| | Margin against letters of credit / guarantees | 4,832 | 4,832 |
| | Security deposits | 10,713 | 2,357 |
| | Income tax | 452,966 | 359,147 |
| | | 497,242 | 384,940 |
| **22.** | **OTHER RECEIVABLES** | | |
| | **Considered good:** | | |
| | Sales tax | 604,672 | 522,103 |
| | Export rebates | 246,967 | 209,039 |
| | Others | 149,223 | 140,292 |
| | | 1,000,862 | 871,434 |
| **23.** | **CASH AND BANK BALANCES** | | |
| | Cash in hand | 4,765 | 4,750 |
| | **With banks on:** | | |
| | Current accounts | 276,553 | 166,454 |
| | Saving accounts including US$ 24,622 (2013 : US$ 23,940) | 163,531 | 354,428 |
| | | 440,084 | 520,882 |
| | | 444,849 | 525,632 |

**23.1** Rate of profit on sving accounts ranges from 6% to 9% (2013: 7.50% to 11.%) per annum.

| | | 2014 | 2013 |
|---|---|---|---|
| **24.** | **SALES** | | |
| | Local | 2,200,413 | 725,789 |
| | Export ( Note 24.1 ) | 21,691,801 | 21,374,524 |
| | Waste | 468,019 | 593,634 |
| | Knitting / dyeing income | 107,460 | 83,077 |
| | | 24,467,693 | 22,777,024 |
| | Less: Sales tax | 96,565 | 32,435 |
| | | 24,371,128 | 22,744,589 |

**24.1** Exchange gain due to currency rate fluctuation relating to export sales amounting to Rupees 62.769 million (2013: Rupees 136.588 million) has been included in export sales.

| | | 2014 | 2013 |
|---|---|---|---|
| **25.** | **COST OF SALES** | | |
| | Raw material consumed | 10,524,140 | 10,706,874 |
| | Salaries, wages and other benefits | 3,160,210 | 2,889,541 |
| | Staff retirement benefits | 145,491 | 88,829 |
| | Fuel and power | 1,502,891 | 1,077,716 |
| | Dyes and chemicals | 1,076,158 | 1,033,620 |
| | Stores and spare parts | 541,781 | 447,414 |
| | Packing materials and other charges | 1,910,644 | 1,881,689 |
| | Outside knitting, dyeing and CMT charges | 1,094,665 | 893,578 |
| | Repair and maintenance | 537,310 | 527,715 |
| | Insurance | 58,430 | 58,448 |
| | Other factory overheads ( Note 25.1 ) | 657,744 | 528,083 |
| | Depreciation - owned assets (Note 14.1.2) | 387,547 | 348,687 |
| | Depreciation - leased assets (Note 14.1.2) | 13,596 | 9,079 |
| | | 21,610,607 | 20,491,273 |

| | 2014 | 2013 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| **Work-in-process:** | | |
| Opening stock | 1,754,040 | 1,506,975 |
| Closing stock | (2,312,186) | (1,754,040) |
| | (558,146) | (247,065) |
| Cost of goods manufactured | 21,052,461 | 20,244,208 |
| **Finished goods:** | | |
| Opening stock | 2,555,332 | 1,149,940 |
| Closing stock | (3,172,477) | (2,555,332) |
| | (617,145) | (1,405,392) |
| | 20,435,316 | 18,838,816 |

25.1 This includes ijarah ( operating lease ) rentals amounting to Rupees 34.023 million (2013 : Rupees 21.428 million) of vehicles.

## 26. DISTRIBUTION COST

| | 2014 | 2013 |
|---|---|---|
| Salaries, wages and other benefits | 88,391 | 62,685 |
| Staff retirement benefits | 6,900 | 5,410 |
| Commission to selling agents | 534,447 | 355,169 |
| Insurance | 3,458 | 3,201 |
| Traveling and conveyance | 24,150 | 16,389 |
| Vehicles' running | 5,759 | 4,533 |
| Printing and stationery | 780 | 627 |
| Communication | 16,249 | 11,592 |
| Outward freight and distribution | 473,970 | 804,702 |
| Depreciation - owned assets (Note 14.1.2) | 580 | 614 |
| Depreciation - leased assets (Note 14.1.2) | 4,627 | 5,930 |
| | 1,159,311 | 1,270,852 |

## 27. ADMINISTRATIVE EXPENSES

| | 2014 | 2013 |
|---|---|---|
| Salaries, wages and other benefits | 263,770 | 208,535 |
| Staff retirement benefits | 19,566 | 15,850 |
| Rent, rates and taxes (Note 27.1) | 12,595 | 7,991 |
| Traveling and conveyance | 11,140 | 11,085 |
| Entertainment | 9,778 | 9,355 |
| Repair and maintenance | 2,209 | 3,595 |
| Vehicles' running | 15,987 | 11,475 |
| Printing and stationery | 5,484 | 5,998 |
| Communication | 13,132 | 12,816 |
| Legal and professional | 1,940 | 1,464 |
| Newspapers and periodicals | 79 | 87 |
| Electricity & sui gas | 11,283 | 10,018 |
| Auditors' remuneration (Note 27.2) | 1,623 | 1,377 |
| Subscription and fee | 5,181 | 9,717 |
| Advertisement | 1,028 | 1,026 |
| Insurance | 7,995 | 8,296 |
| Miscellaneous | 1,736 | 2,392 |
| Depreciation - owned assets (Note 14.1.2) | 44,107 | 46,596 |
| Depreciation - leased assets (Note 14.1.2) | 14,599 | 17,839 |
| | 443,232 | 385,512 |

27.1 This includes ijarah (operating lease) rentals amounting to Rupees 3.219 million (2013 : Rupees 2.756 million) of vehicles.

| | | 2014 | 2013 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| 27.2 | **Auditors' remuneration** | | |
| | Annual audit fee | 1,250 | 1,100 |
| | Half yearly review fee | 250 | 175 |
| | Corporate governance compliance review fee | 50 | 50 |
| | Reimbursable expenses | 73 | 52 |
| | | 1,623 | 1,377 |
| 28. | **OTHER EXPENSES** | | |
| | Workers' profit participation fund (Note 9.1) | 61,996 | 59,613 |
| 29. | **OTHER INCOME** | | |
| | **Income from non-financial assets** | | |
| | Sale of stores and scrap | 8,264 | 4,806 |
| | Gain on sale of property, plant and equipment | 6,632 | 643 |
| | | 14,896 | 5,449 |
| | **Income from financial assets** | | |
| | Mark-up on saving accounts | 30,271 | 40,037 |
| | Gain on sale of investment in associate | 160 | - |
| | | 30,431 | 40,037 |
| | | 45,327 | 45,486 |
| 30. | **FINANCE COST** | | |
| | **Mark-up on:** | | |
| | Long term financing | 276,659 | 329,320 |
| | Short term borrowings | 733,594 | 615,722 |
| | Liabilities against assets subject to finance lease | 10,830 | 18,885 |
| | Interest on workers' profit participation fund (Note 9.1) | 3,774 | 3,290 |
| | Bank charges and commission | 117,599 | 138,709 |
| | | 1,142,456 | 1,105,926 |
| 31. | **TAXATION** | | |
| | Current | 235,688 | 222,712 |
| | Prior year adjustment | 157 | 126 |
| | | 235,845 | 222,838 |

31.1 The Company falls in the ambit of final tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. However, provision for tax on other income is made at current tax rates after considering the rebates and tax credits, if any, and accumulated tax losses. No provision for deferred taxation is required due to final tax on exports. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of final tax on export.

## 32. EARNINGS PER SHARE

**Basic earnings per share**

| | | | |
|---|---|---|---|
| Profit after taxation | (Rupees in thousand) | 938,299 | 906,358 |
| Dividend on preference shares | (Rupees in thousand) | (41,320) | (50,431) |
| | | 896,979 | 855,927 |
| Weighted average number of ordinary shares | (Numbers) | 60,000,000 | 60,000,000 |
| Earnings per share - Basic | (Rupees) | 14.95 | 14.27 |

**Diluted earnings per share**

| | | | |
|---|---|---|---|
| Profit after taxation | (Rupees in thousand) | 938,299 | 906,358 |
| Dividend on preference shares | (Rupees in thousand) | (41,320) | (50,431) |
| | | 896,979 | 855,927 |
| Weighted average number of shares | (Numbers) | 77,994,682 | 77,994,682 |
| Earnings per share - Diluted | (Rupees) | 11.50 | 10.97 |

## 33. CASH GENERATED FROM OPERATIONS

| | 2014 | 2013 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| **Profit before taxation** | 1,174,144 | 1,129,196 |
| **Adjustments for non-cash charges and other items:** | | |
| Depreciation | 465,056 | 428,745 |
| Provision for gratuity | 171,957 | 110,088 |
| Gain on sale of property, plant and equipment | (6,632) | (643) |
| Gain on sale of investment in associate | (160) | - |
| Finance cost | 1,142,456 | 1,105,926 |
| Share of loss from associate | - | 160 |
| Working capital changes (Note 33.1) | (2,345,366) | (2,761,818) |
| | 601,455 | 11,654 |

### 33.1 Working capital changes

| | 2014 | 2013 |
|---|---|---|
| **(Increase) / decrease in current assets** | | |
| Stores, spare parts and loose tools | (204,367) | (53,533) |
| Stock in trade | (714,443) | (1,854,937) |
| Trade debts | (1,583,390) | (282,102) |
| Loan and advances | 144,676 | (434,344) |
| Short term deposits and prepayments | (18,483) | 20,361 |
| Other receivables | (129,428) | (330,139) |
| | (2,505,435) | (2,934,694) |
| **Increase in current liabilities** | | |
| Trade and other payables | 160,069 | 172,876 |
| | (2,345,366) | (2,761,818) |

## 34. EVENTS AFTER THE REPORTING PERIOD

Board of Directors of the Company have proposed a cash dividend for the ordinary shareholders of the Company for the year ended 30 June 2014 amounting to Rupees 1.50 (2013: Rupees 1.75) per share and preference dividend for the preference shareholders of the Company amounting to Rupees 1.16 (2013: Rupees 1.27) per share at their meeting held on 09 October, 2014. However, these events have been considered as non-adjusting events under IAS-10 and have not been recognized in these financial statements.

### 35. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

Aggregate amount charged in the financial statements for the year for remuneration, allowances including all benefits to the Chief Executive Officer, Directors and Executives of the Company are as follows:

| DESCRIPTION | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Chief Executive Officer | Directors | Executives | Chief Executive Officer | Directors | Executives |
| | RUPEES IN THOUSAND | | | | | |
| Managerial remuneration | 3,200 | 2,076 | 77,811 | 2,550 | 2,060 | 51,143 |
| House rent | 1,280 | 831 | 31,125 | 1,020 | 644 | 21,194 |
| Other allowances | 320 | 208 | 7,781 | 255 | 437 | 15,635 |
| | 4,800 | 3,115 | 116,717 | 3,825 | 3,141 | 87,972 |
| Number of persons | 1 | 4 | 97 | 1 | 4 | 67 |

35.1 The Chief Executive Officer, some of the Directors and some of the Executives are provided free use of Company's maintained vehicles.

35.2 Meeting fee amounting to Rupees 0.100 million (2013: Rupees 0.080 million) has been paid to non-executive directors.

### 36. NUMBER OF EMPLOYEES

| | 2014 | 2013 |
|---|---|---|
| | (Number of Persons) | |
| Number of Employees as on 30 June | 18 320 | 17 667 |
| Average number of employees during the year | 16 950 | 17 223 |

### 37. PLANT CAPACITY AND ACTUAL PRODUCTION

| | | 2014 | 2013 |
|---|---|---|---|
| | | (FIGURES IN THOUSAND) | |
| **SPINNING** | | | |
| Production at normal capacity converted to 20s count based on three shifts per day. | (Kgs .) | 4 762 | 4 762 |
| Actual production converted to 20s count based on three shifts per day. | (Kgs .) | 4 382 | 4 385 |
| **KNITTING** | | | |
| Production at normal capacity based on three shifts per day. | (Kgs .) | 38 280 | 34 452 |
| Actual production based on three shifts per day. | (Kgs .) | 19 675 | 19 536 |
| **DYEING / FINISHING** | | | |
| Production at normal capacity on reactive dyeing basis at three shifts per day. | (Kgs .) | 34 080 | 34 020 |
| Actual production converted on reactive dyeing basis at three shifts per day. | (Kgs .) | 19 128 | 20 422 |
| **GARMENTS** | | | |
| Production at normal capacity of normal / basic garments capacity based on single shift per day. | (Dzn.) | 5 926 | 5 838 |
| Actual production of normal / basic garments capacity basis on single shift per day. | (Dzn.) | 4 009 | 4 304 |

### 37.1 REASONS FOR LOW PRODUCTION

Under utilization of available capacity is due to normal maintenance, gas/ electric supply shutdown and initial period of additional installations of production facilities. Knitting machines are available for different types of fabric for which orders are based on seasonal basis resulting under utilization of actual knitting capacity alongwith trial run effect of additional machines installed during the year under reference.

## 38. SEGMENT INFORMATION

| | Spinning | | Knitting | | Processing & Garments | | Elimination of intersegment transactions | | Total- Company | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | (RUPEES IN THOUSAND) | | | | | | | | | |
| Sales | 2,585,770 | 2,105,165 | 9,058,389 | 6,706,435 | 23,035,066 | 21,591,753 | (10,308,097) | (7,658,764) | 24,371,128 | 22,744,589 |
| Cost of sales | (2,423,292) | (1,979,468) | (8,789,701) | (6,479,828) | (19,530,420) | (18,038,284) | 10,308,097 | 7,658,764 | (20,435,316) | (18,838,816) |
| Gross Profit | 162,478 | 125,697 | 268,688 | 226,607 | 3,504,646 | 3,553,469 | - | - | 3,935,812 | 3,905,773 |
| Distribution cost | (33,828) | (28,239) | (104,952) | (108,961) | (1,020,531) | (1,133,652) | - | - | (1,159,311) | (1,270,852) |
| Administrative expenses | (25,485) | (19,110) | (66,022) | (61,745) | (351,725) | (304,657) | - | - | (443,232) | (385,512) |
| | (59,313) | (47,349) | (170,974) | (170,706) | (1,372,256) | (1,438,309) | - | - | (1,602,543) | (1,656,364) |
| Profit before taxation and unallocated income and expenses | 103,165 | 78,348 | 97,714 | 55,901 | 2,132,390 | 2,115,160 | - | - | 2,333,269 | 2,249,409 |
| Unallocated income and expenses: | | | | | | | | | | |
| Other expenses | | | | | | | | | (61,996) | (59,613) |
| Other income | | | | | | | | | 45,327 | 45,486 |
| Finance cost | | | | | | | | | (1,142,456) | (1,105,926) |
| Share of loss from associate | | | | | | | | | - | (160) |
| Taxation | | | | | | | | | (235,845) | (222,838) |
| Profit after taxation | | | | | | | | | 938,299 | 906,358 |

### 38.1 Reconciliation of reportable segment assets and liabilities

| | Spinning | | Knitting | | Processing & Garments | | Total- Company | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | (RUPEES IN THOUSAND) | | | | | | | |
| Segment Assets | 1,009,877 | 887,667 | 1,730,202 | 1,874,168 | 11,385,813 | 10,194,442 | 14,125,892 | 12,956,277 |
| Unallocated assets | | | | | | | 7,987,645 | 6,374,618 |
| | | | | | | | 22,113,537 | 19,330,895 |
| | | Restated | | Restated | | Restated | | Restated |
| Segment Liabilities | 126,574 | 91,288 | 644,941 | 682,935 | 2,254,884 | 1,964,812 | 3,026,399 | 2,739,035 |
| Unallocated Liabilities | | | | | | | 12,662,120 | 10,908,345 |
| | | | | | | | 15,688,519 | 13,647,380 |

### 38.2 Geographical Information

38.2.1 The company's revenue from external customers by geographical location is detailed below:

| | 2014 | 2013 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| America & Canada | 17,253,354 | 17,935,408 |
| Europe | 3,102,159 | 2,530,002 |
| Asia, Africa, and Australia | 1,336,288 | 909,114 |
| Pakistan | 2,679,327 | 1,370,065 |
| | 24,371,128 | 22,744,589 |

38.2.2 All non current assets of the company as at reporting dates are located and operating in Pakistan.

### 38.3 Revenue from major customers

Revenue from major customers of the Company's Garments segment represent Rupees 11,666 million (2013: Rupees 9,442 million). Revenue from other segments of the Company does not include any major customer.

## 39. FINANCIAL RISK MANAGEMENT

### 39.1 Financial risk factors

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

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, investment of excess liquidity and use of non-derivative financial instruments.

**(a) Market risk**

**(i) Currency risk**

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

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities. The Company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Company's exposure to currency risk was as follows:

| | 2014 | 2013 |
|---|---|---|
| Cash at banks - USD | 24,622 | 23,940 |
| Trade debts - USD | 44,607,297 | 37,018,165 |
| Trade and other payable - USD | (82,022) | (96,923) |
| Net exposure - USD | 44,549,897 | 36,945,182 |

Following exchange rates were applied during the year:

| | 2014 | 2013 |
|---|---|---|
| **Rupees per US Dollar** | | |
| Average rate | 102.54 | 96.47 |
| Reporting date rate | 98.55 | 98.60 |

**Sensitivity analysis**

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 208.544 million (2013: Rupees 173.033 million ) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

**(ii) Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

### (iii) Interest rate risk

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

The Company has no interest-bearing assets except for bank balances in saving accounts. The Company's interest rate risk arises from long term financing, liabilities against assets subject to finance lease and short term borrowings. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

| | 2014 | 2013 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| **Fixed rate instruments** | | |
| **Financial liabilities** | | |
| Long term financing | 876,497 | 1,043,834 |
| **Floating rate instruments** | | |
| **Financial assets** | | |
| Bank balances - saving accounts | 163,531 | 354,428 |
| **Financial liabilities** | | |
| Long term financing | 1,401,235 | 1,814,831 |
| Liabilities against assets subject to finance lease | 144,314 | 168,871 |
| Short term borrowings | 9,933,466 | 7,590,117 |

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

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

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

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, impact on profit after taxation for the year would have been Rupees 107.497 million (2013: Rupees 87.584 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming that amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

### (b) Credit risk

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

| | 2014 | 2013 |
|---|---|---|
| Trade debts | 5,415,608 | 3,832,218 |
| Loans and advances | 37,528 | 43,443 |
| Deposits | 43,848 | 22,908 |
| Other receivables | 149,223 | 140,292 |
| Bank balances | 440,084 | 520,882 |
| | 6,086,291 | 4,559,743 |

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate. The external credit rating of Company's bankers is given below:

| | Rating | | | 2014 | 2013 |
|---|---|---|---|---|---|
| | Short Term | Long term | Agency | (Rupees in thousand) | |
| **Banks** | | | | | |
| National Bank of Pakistan | A-1+ | AAA | JCR-VIS | 4,965 | 5,224 |
| Allied Bank Limited | A1+ | AA+ | PACRA | 15,943 | 50,178 |
| Askari Bank Limited | A1+ | AA | PACRA | 4,000 | 3,041 |
| Bank Alfalah Limited | A1+ | AA | PACRA | 2,049 | 1,729 |
| First Women Bank Limited | A2 | BBB+ | PACRA | 117 | 112 |
| Habib Bank Limited | A-1+ | AAA | JCR-VIS | 42,638 | 8,493 |
| Habib Metropolitan Bank Limited | A1+ | AA+ | PACRA | 147,256 | 182,971 |
| Bank Al-Habib Limited | A1+ | AA+ | PACRA | 2,051 | 337 |
| MCB Bank Limited | A1+ | AAA | PACRA | 24,561 | 11,124 |
| NIB Bank Limited | A1+ | AA - | PACRA | 26,328 | 56,681 |
| The Bank of Punjab | A1+ | AA - | PACRA | 20,869 | 33,436 |
| Dubai Islamic Bank Pakistan Limited | A-1 | A+ | JCR-VIS | 1,464 | 979 |
| Standard Chartered Bank (Pakistan) Limited | A1+ | AAA | PACRA | 6,649 | 3,669 |
| United Bank Limited | A-1+ | AA+ | JCR-VIS | 38,529 | 13,134 |
| Burj Bank Limited | A-1 | A | JCR-VIS | 22 | 8,314 |
| Summit Bank Limited | A-3 | A- | JCR-VIS | 95,348 | 124,801 |
| HSBC Bank Middle East Limited | F1+ | AA- | Fitch | 3,005 | 1,059 |
| Soneri Bank Limited | A1+ | AA- | PACRA | 41 | - |
| Barclays Bank Pakistan | P-1 | A1 | Moody's | 450 | - |
| Meezan Bank Limited | A-1+ | AA | JCR-VIS | 3,799 | 15,600 |
| | | | | 440,084 | 520,882 |

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 19.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2014, the Company had Rupees 1,827 million (2013: Rupees 1,585 million) available borrowing limits from financial institutions and Rupees 444.849 million (2013: Rupees 525.632 million) cash and bank balances. Management believes the liquidity risk to be low.

The following are the contractual maturities of financial liabilities as at 30 June 2014:

| | Carrying Amount | Contractual Cash flows | 6 months or less | 6-12 months | 1-2 Years | More than 2 years |
|---|---|---|---|---|---|---|
| | (RUPEES IN THOUSAND) | | | | | |
| **Non-derivative financial liabilies:** | | | | | | |
| Long term financing | 2,277,732 | 2,731,007 | 512,466 | 472,570 | 849,357 | 896,614 |
| Liabilities against assets subject to finance lease | 144,314 | 165,702 | 37,760 | 30,492 | 40,627 | 56,823 |
| Short term borrowings | 9,933,466 | 10,120,039 | 4,843,379 | 5,276,660 | - | - |
| Trade and other payables | 2,327,778 | 2,327,778 | 2,115,842 | 211,936 | - | - |
| Accrued mark-up | 224,442 | 224,442 | 224,442 | - | - | - |
| | 14,907,732 | 15,568,968 | 7,733,889 | 5,991,658 | 889,984 | 953,437 |

The following are the contractual maturities of financial liabilities as at 30 June 2013:

| | Carrying Amount | Contractual Cash flows | 6 months or less | 6-12 months | 1-2 Years | More than 2 years |
|---|---|---|---|---|---|---|
| | (RUPEES IN THOUSAND) | | | | | |
| **Non-derivative financial liabilies:** | | | | | | |
| Long term financing | 2,858,665 | 3,866,072 | 470,554 | 492,202 | 930,662 | 1,972,654 |
| Liabilities against assets subject to finance lease | 168,871 | 197,867 | 34,271 | 33,991 | 58,502 | 71,103 |
| Short term borrowings | 7,590,117 | 7,730,530 | 5,612,730 | 2,117,800 | - | - |
| Trade and other payables | 2,150,483 | 2,150,483 | 1,640,970 | 509,513 | - | - |
| Accrued mark-up | 184,305 | 184,305 | 184,305 | - | - | - |
| | 12,952,441 | 14,129,257 | 7,942,830 | 3,153,506 | 989,164 | 2,043,757 |

Short term borrowings and trade and other payables are financial liabilities of revolving nature which will get renewed as part of working capital management.

### (d) Capital risk management

The objective of the Company when managing capital 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 business.

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 the shareholders or issue new shares.

### 39.2 Fair values of financial assets and liabilities

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

**39.3 Financial instruments by categories**

| | Loans and receivables | |
|---|---|---|
| | 2014 | 2013 |
| | (RUPEES IN THOUSAND) | |
| **As at 30 June** | | |
| **Assets as per balance sheet** | | |
| Trade debts | 5,415,608 | 3,832,218 |
| Loans and advances | 37,528 | 43,443 |
| Deposits | 43,848 | 22,908 |
| Other receivables | 149,223 | 140,292 |
| Cash and bank balances | 444,849 | 525,632 |
| | 6,091,056 | 4,564,493 |

| | Financial liabilities at amortized cost | |
|---|---|---|
| | 2014 | 2013 |
| | (RUPEES IN THOUSAND) | |
| **Liabilities as per balance sheet** | | |
| Long term financing | 2,277,732 | 2,858,665 |
| Liabilities against assets subject to finance lease | 144,314 | 168,871 |
| Short term borrowings | 9,933,466 | 7,590,117 |
| Trade and other payables | 2,327,778 | 2,150,483 |
| Accrued mark-up | 224,442 | 184,305 |
| | 14,907,732 | 12,952,441 |

**40. DATE OF AUTHORIZATION**

These financial statements have been approved and authorized for issue by the Board of Directors of the Company on 09 October, 2014.

**41. CORRESPONDING FIGURES**

Corresponding figures have been re-arranged, wherever necessary for the purpose of comparison. However, no significant re-arrangements have been made except for transferring Rupees 26.029 million from short term deposits and prepayments to stores, spare parts and loose tols for proper classification.

**42. GENERAL**

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

## Statement under section 241 (2) of the Companies Ordinance, 1984:

The Chief Executive officer of the Company is presently out of the Country. Therefore these financial statements have been signed by two Directors as required under section 241 (2) of the Companies Ordinance, 1984.

**DIRECTOR** **DIRECTOR**

FORM 34

PATTERN OF SHAREHOLDING AS ON 30 JUNE, 2014

1. Incorporation Number 0012223
2. Name of the Company MASOOD TEXTILE MILLS LIMITED
3. Pattern of holding of the shares held by the shareholders as at 30.06.2014

| 4. No. of shareholders | Shareholdings | Total shares held |
|---|---|---|
| **ORDINARY SHARES:** | | |
| 666 | Shareholding from 1 to 100 Shares | 47,646 |
| 555 | Shareholding from 101 to 500 Shares | 135,748 |
| 101 | Shareholding from 501 to 1000 Shares | 87,965 |
| 132 | Shareholding from 1001 to 5000 Shares | 340,472 |
| 27 | Shareholding from 5001 to 10000 Shares | 195,904 |
| 5 | Shareholding from 10001 to 15000 Shares | 72,100 |
| 12 | Shareholding from 15001 to 20000 Shares | 225,450 |
| 4 | Shareholding from 20001 to 25000 Shares | 93,600 |
| 8 | Shareholding from 25001 to 30000 Shares | 231,000 |
| 4 | Shareholding from 30001 to 35000 Shares | 137,416 |
| 2 | Shareholding from 35001 to 40000 Shares | 77,500 |
| 1 | Shareholding from 40001 to 45000 Shares | 43,500 |
| 2 | Shareholding from 55001 to 60000 Shares | 116,000 |
| 2 | Shareholding from 65001 to 70000 Shares | 131,802 |
| 2 | Shareholding from 75001 to 80000 Shares | 155,000 |
| 1 | Shareholding from 90001 to 95000 Shares | 92,605 |
| 1 | Shareholding from 100001 to 105000 Shares | 102,000 |
| 1 | Shareholding from 165001 to 170000 Shares | 167,000 |
| 1 | Shareholding from 210001 to 215000 Shares | 211,000 |
| 1 | Shareholding from 255001 to 260000 Shares | 259,000 |
| 1 | Shareholding from 370001 to 375000 Shares | 373,000 |
| 1 | Shareholding from 385001 to 390000 Shares | 389,000 |
| 1 | Shareholding from 390001 to 395000 Shares | 392,750 |
| 1 | Shareholding from 540001 to 545000 Shares | 541,000 |
| 1 | Shareholding from 640001 to 645000 Shares | 641,500 |
| 1 | Shareholding from 765001 to 770000 Shares | 766,000 |
| 1 | Shareholding from 915001 to 920000 Shares | 916,050 |
| 1 | Shareholding from 1380001 to 1385000 Shares | 1,383,750 |
| 1 | Shareholding from 1910001 to 1915000 Shares | 1,912,400 |
| 1 | Shareholding from 2025001 to 2030000 Shares | 2,025,828 |
| 1 | Shareholding from 2455001 to 2460000 Shares | 2,457,078 |
| 1 | Shareholding from 2895001 to 2900000 Shares | 2,900,000 |
| 1 | Shareholding from 3895001 to 3900000 Shares | 3,900,000 |
| 1 | Shareholding from 4110001 to 4115000 Shares | 4,114,000 |
| 1 | Shareholding from 4540001 to 4545000 Shares | 4,543,662 |
| 1 | Shareholding from 5780001 to 5785000 Shares | 5,780,974 |
| 1 | Shareholding from 5940001 to 5945000 Shares | 5,940,300 |
| 1 | Shareholding from 18095001 to 18100000 Shares | 18,100,000 |
| 1546 | Total | 60,000,000 |

**PREFERENCE SHARES:**

| | | |
|---|---|---|
| 1 | Shareholding from 495001 to 500000 Shares | 500,000 |
| 1 | Shareholding from 2495001 to 2500000 Shares | 2,500,000 |
| 3 | Shareholding from 4995001 to 5000000 Shares | 15,000,000 |
| 1 | Shareholding from 7330001 to 7335000 Shares | 7,333,334 |
| 1 | Shareholding from 9995001 to 10000000 Shares | 10,000,000 |
| 7 | Total | 35,333,334 |

| 5. Categories of shareholders | share held | Percentage |
|---|---|---|
| **ORDINARY SHARES:** | | |
| 5.1 Directors, Chief Executive Officer, etc. | 1,521,500 | 2.54 |
| 5.2 Associated Companies, undertakings and related parties. | - | - |
| 5.3 NIT and ICP | 2,026,678 | 3.38 |
| 5.4 Banks, Development Financial Institutions, Non Banking Financial Institutions. | 4,806,481 | 8.01 |
| 5.5 Insurance Companies | 400,444 | 0.67 |
| 5.6 Modarabas and Mutual Funds | 5,100 | 0.01 |
| 5.7 Share holders holding 10% | 18,100,000 | 30.16 |
| 5.8 General Public | | |
| a. Local | 7,686,676 | 12.81 |
| b. Foreign | - | - |
| 5.9 Others - Joint Stock Companies/Co-operative Societies. | 25,453,121 | 42.42 |
| **Total Ordinary Shares** | 60,000,000 | 100.00 |
| **PREFERENCE SHARES:** | | |
| 5.3 Banks, Development Financial Institutions, Non Banking Financial Institutions. | 35,333,334 | 100.00 |

6. Signature of Chief Executive / Secretary

7. Name of Signatory: **MIAN ABDUL BARI**

8. Designation: **COMPANY SECRETARY**

9. CNIC Number: 3 3 1 0 0 - 7 8 9 1 4 1 5 - 3

10. Date: Day 0 9 Month 1 0 Year 2 0 1 4

# NAMEWISE CATEGORIES OF SHAREHOLDERS AS ON 30-06-2014

| Name | | Shares Held | Total Shares | Percentage |
|---|---|---|---|---|
| **ORDINARY SHARES** | | | | |
| **Directors:** | | | | |
| MR. SHAHID NAZIR AHMAD | Chief Executive Officer | 1,383,750 | | |
| MR. NASEER AHMAD SHAH | Chairman | 37,500 | | |
| MR. MUHAMMAD ARSHAD | Director | 18,750 | | |
| MR. FAZAL AHMAD | Director | 30,000 | | |
| MR. SHAHID IQBAL | Director | 30,000 | | |
| MR. MATLOOB HUSSAIN | Director | 21,500 | | |
| MR. SHOAIB AHMAD KHAN (NIT Nominee) | Director | - | **1,521,500** | **2.54** |
| **Shareholders Holding 10% or More:** | | | | |
| MRS. NAZIA NAZIR | | 18,100,000 | **18,100,000** | **30.16** |
| **Associated Undertakings:** | | - | - | - |
| **Investment Companies:** | | | | |
| INVESTMENT CORPORATION OF PAKISTAN | | 850 | | |
| PAKISTAN KUWAIT INVESTMENT (PVT) LIMITED | | 2,600 | **3,450** | **0.01** |
| **Financial Institutions:** | | | | |
| **Banks:** | | | | |
| HABIB METROPOLITAN BANK LIMITED | | 259,000 | | |
| IDBP (ICP UNIT) | | 3,250 | | |
| NATIONAL BANK OF PAKISTAN | | 4,544,231 | **4,806,481** | **8.01** |
| **Insurance Companies** | | | | |
| AGRO GENERAL INSURANCE COMPANY LIMITED | | 7,594 | | |
| DELTA INSURANCE COMPANY LIMITED | | 100 | | |
| STATE LIFE INSURANCE CORPORATION OF PAKISTAN | | 392,750 | **400,444** | **0.67** |
| **Modarabas** | | | | |
| THIRD PRUDENTIAL MODARABA | | 4,900 | | |
| UNICAP MODARABA | | 200 | **5,100** | **0.01** |
| **Mutual Fund** | | | | |
| CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST | | 2,025,828 | **2,025,828** | **3.38** |

| Name | Shares Held | Total Shares | Percentage |
|---|---|---|---|
| **Joint Stock Companies And Others** | | | |
| Aizad Corporation (Pvt) Limited | 5,780,974 | | |
| Beacon Impex (Pvt) Limited | 2,301,400 | | |
| Darson Securities (Pvt) Limited | 1,200 | | |
| Fortress Textiles (Pvt) Limited | 3,223,078 | | |
| H M Investments (Pvt) Limited | 4,900 | | |
| Ismail Abdul Shakoor Securities (Pvt) Limited | 50 | | |
| Ismail Iqbal Securities (Pvt) Limited | 66,000 | | |
| Kohistan Corporation (Pvt) Limited | 3,900,000 | | |
| Masood Impex (Pvt) Limited | 5,940,300 | | |
| Nadeem International (Pvt) Limited | 20,000 | | |
| NH Securities (Pvt) Limited | 5 | | |
| Pasha Securities (Pvt) Limited | 100 | | |
| Prudential Capital Management Limited | 1,600 | | |
| Savari (Pvt) Limited | 900 | | |
| Software Creations (Pvt) Limited | 4,114,000 | | |
| Trustee NBP EMP Benevolent Fund Trust | 3,249 | | |
| Trustee NBP Employees Pension Fund | 92,605 | | |
| Y.S.Securities & Services (Pvt) Limited | 160 | **25,450,521** | **42.42** |
| **General Public:** | | **7,686,676** | **12.81** |
| **TOTAL ORIDINANRY SHARES** | | **60,000,000** | **100.00** |
| **PREFERENCE SHARES** | | | |
| **Banks:** | | | |
| ASKARI BANK LIMITED | - | 2,500,000 | |
| HABIB BANK LIMITED | - | 10,000,000 | |
| MCB BANK LIMITED | - | 5,000,000 | |
| NATIONAL BANK OF PAKISTAN | - | 5,000,000 | |
| SILK BANK LIMITED | - | 500,000 | |
| UNITED BANK LIMITED | - | 7,333,334 | |
| | | 30,333,334 | **85.85** |
| **Investment Companies:** | | | |
| PAKISTAN KUWAIT INVESTMENT COMPANY (PVT) LIMITED | - | 5,000,000 | **14.15** |
| **TOTAL PREFERENCE SHARES** | | **35,333,334** | **100.00** |

MASOOD TEXTILE MILLS LIMITED

# FORM OF PROXY

No. of Ordinary Shares Held.____________ Folio No. ____________CDC A/c No.____________

I/We, ______________________________________________________________

of ______________________________________________________________

being a member of MASOOD TEXTILE MILLS LIMITED hereby appoint ____________________

______________________________________________________________

(NAME)

of ______________________________________________________________

______________________________________________________________

(being a member of the Company) as my/our proxy to vote for me/us and on my/our behalf at the 30th Annual General Meeting of the Company to be held at its Registered Office at Universal House, West Canal Road, Farooqabad, Faisalabad on Friday, the 31st day of October, 2014 at 11.00 A.M. or any adjournment thereof.

As witnessed my hands this____________________ day of __________________ 2014

Signed by me in the presence of witness: ______________________________________

______________________________________________________________

(Signature of witness)

CNIC.______________

(Member's Signature)

CNIC.______________

| Five Rupees Revenue Stamp |
|---|

**Note**: Proxies, in order to be effective, must be received at the Company's Registered Office not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.