Annual Report | 2014

MAHMOOD GROUP

Mahmood Textile Mills Ltd.

Content

Business Review

Governance

Financials Statements

Form of Proxy

Corporate Information

Board of Directors:

Khawaja Muhammad Masood	Chairman
Khawaja Muhammad Iqbal	Chief Executive Officer
Khawaja Muhammad Ilyas	Director
Khawaja Muhammad Younus	Director
Jalal-ud-Din Roomi	Director
Mst. Khadija Qureshi	Director
Muhammad Muzafar Iqbal	Director

Chief Financial Officer / Company Secretary

Muhammad Amin Pal
F.C.A.

Auditors

Hameed Chaudhri & Co
Chartered Accountants
H M House, 7-Bank Square,
Lahore.

Stock Exchange Listing

The Mahmood Textile Mills Limited is a listed Company and its shares are traded on Karachi Stock Exchanges in Pakistan.

Bankers

MCB Bank Limited
United Bank Limited
Habib Bank Limited
Allied Bank Limited
Bank Al-Habib Limited
Meezan Bank Limited
National Bank of Pakistan Limited
Bank Alfalah Limited

Mills

Mahmoodabad, Multan Road, Muzaffargarh.
Masoodabad, D.G. Khan Road, Muzaffargarh.
Chowk Sarwar Shaheed, District Muzaffargarh.

Registered Office

Mehr Manzil, Lohari Gate, Multan.
Tel.: 061-111-181-181 Fax: 061-4511262
E-mail: info@mahmoodgroup.com

Share Registrar

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

www.mahmoodgroup.com

Vision

To be recognized internationally and locally
as dynamic, quality conscious and ever progressive
Textile Product manufacturer
in the Textile Industry of Pakistan

Mission

Mahmood Group is committed to:

- Be ethical in its practices.
- Excel through continuous improvement by adopting most modernized technology in production.
- Operate through professional Team work.
- Retain our position as leaders and innovators in the Textile Industry.
- Achieve Excellence in the quality of our product.
- Be a part of country's economic development and social Prosperity.

Notice Of Annual General Meeting

Notice is hereby given that 44th Annual General Meeting of the Company will be held on Friday, 31st October, 2014, at 11:00 A.M., at its Registered Office, Mehr Manzil, Lohari Gate, Multan to transact the following business:

1. To confirm the Minutes of the Extraordinary General Meeting held on 31st January, 2014.
2. To receive, consider and adopt the Audited Accounts for the year ended 30th June, 2014 together with Director's and Auditor's Reports thereon.
3. To approve payment of Cash Dividend @ 100 % (Rs.10/- per ordinary Share of Rs. 10/- each) for the year ended 30th June, 2014 as recommended by the Board of Directors.
4. To appoint Auditors for the year **2014-15** and to fix their remuneration. The present Auditors M/s. Hameed Chaudhri & Company, Chartered Accountants, Lahore being eligible have offered themselves for re-appointment.
5. To transact any other business as may be placed before the Meeting with the Permission of the Chair.

BY ORDER OF THE BOARD OF DIRECTORS

Sd/-
MUHAMMAD AMIN PAL
Company Secretary

Multan.
Date: 3rd October, 2014.

NOTE:-

i) The Share Transfer Books of the Company will remain closed from 20th October to 31ST October, 2014 (Both days inclusive).

ii) A Member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. Proxy Form duly completed should reach the Registered Office of the Company at least 48 hours before the time of Meeting.

iii) Any individual beneficial owner of CDC entitled to attend and vote at this Meeting must bring his/her CNIC or Passport to prove his/her identity, and in case of Proxy must enclose an attested copy of his/her CNIC or Passport. Representative of Corporate Member should bring the usual documents required for such purpose.

iv) The Shareholders, who have not yet sent their copies of CNIC to this Company, they are again requested in their own interest to send copies of their CNIC at Head Office address given above, in compliance with the instructions of SECP, vide SRO No.831(1)201, dated 5th July, 2012, otherwise their Dividend Warrants may be with-held.

v) Members are requested to notify immediately any Change in their addresses.

Honours and Achievements

Directors' Report To The Shareholders

In the name of Allah, the Most Beneficent, the Most Merciful

The Directors feel the pleasure in presenting their 44th annual report together with the audited annual financial statements of the Company for the year ended June 30, 2014.

Your company, during the current year, has confronted many challenges viz a viz persistent energy crisis along with high cost of raw material which was almost procured before revaluation of Pak currency and depressed international markets.

The third and fourth quarter of the current year was very critical for the Company; the Chinese market was silent and New York cotton prices showed declining trend, resultantly yarn prices dropped significantly.

The management is committed towards maintaining the profitability by diversification and exploring new opportunities around the globe.

Operating Results & Performance

Operating results along with appropriations are summarized as under:

Description	For the Year ended June 30, 2014	June 30, 2013
Sales - Net	.... Rupees	
Local	2,413,020,471	2,307,474,059
Export	13,062,201,813	11,918,032,353
	15,475,222,284	14,225,506,412
Gross Profit	1,359,444,562	1,936,139,072
Profit before tax	474,636,964	817,722,335
Profit after tax	471,699,841	668,925,394
Unappropriated profit	4,291,302,955	3,969,603,114
Proposed cash dividends Rs.10 per share (2013: Rs.10 per share)	(150,000,000)	(150,000,000)
Retained earning	4,141,302,955	3,819,603,114
Earning per share	31.45	44.60

Textile Sector

Textile sector occupies a-pivotal position in Pakistan's economy, accounting for 08 percent of GDP with significant potential for growth. It has the most intensive backward and forward linkages within the wider economic chain compared to any other sector, linking agriculture through industry to exports. Cotton contributed 24 percent of the industrial sector's value-added output, employing 40 per cent of industrial sector's work force, using 40 percent of bank credit given to the industrial sector and accounting for nearly 55 percent of Pakistan's exports. In addition, this sector provides a livelihood to more than 10 million farming families.

The textile policy (2009-14) has rendered to be futile because the government could not discharge the committed funds. It is worth mentioning that huge amounts of sales tax refunds are already outstanding and further imposition of sales tax on yarn and fabrics has aggravated the situation by raising refund amount to manifold, thus textile sector is facing severe liquidity crunch. The persistent energy crisis and high increase in utilities and other costs has rendered many textile units to shut down their operations. The Ministry of Textile is in process of formulating the new five year textile policy which will be implemented in the next five financial years (2014-19) with major thrust on value-added sector. The new textile policy (2014-19) should address genuine concerns of the industry with innovation and extraordinary solutions.

Resource Management

The Company's objectives when managing resources are to safeguard and utilize the Company's assets in the best way in order to provide safer returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. According to the financial policy substantial portion of profit for the year is transferred to general reserves and retained earnings so that company possess sound financial position to meet any adverse situation.

The financial parameters are regularly reviewed to comply with prudential regulations and standard financial ratios. The Company is earning satisfactory profit every year and posses strong financial stability in respect of Equity and liquidity position.

Corporate Social Responsibility

We are fully committed in helping the deserving people for education, health and social uplift. Mahmood Textile Mills Ltd. considers its moral duty to invest and work for the betterment of the community and the environment in which it is growing.

Capital Investment

Consistent with its strategic policy to review technical aspects regularly, to run our plant with most modern techniques, to cater the needs of our valued customers and to get quality production in economical way, Rs.262.909 million has been invested to upgrade existing Plant & Machinery of spinning business.

Communication

Communication with shareholders is given high priority. Annual and quarterly reports are distributed within the time specified in the Companies Ordinance, 1984 and timely uploaded on Company's website.

Dividend Payout

According to dividend payout strategy the management wishes to pay good return to the shareholders of the Company keeping in view profitability for the year. Board has recommended to pay 100% cash dividend @ Rs.10 per share this year which will be put up in the annual general meeting for final approval.

Statement of Directors' Responsibility

The Board regularly reviews the Company's Strategic decisions. The Company has been in compliance with the provisions set out by the Securities and Exchange Commission of Pakistan and accordingly amended listing rules of the stock exchange.

The statements on Corporate Governance and Financial Reporting Frame Work are given below:

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

b) Proper books of accounts have been maintained by the Company.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

e) The system of internal controls is sound in design and has been effectively implemented and monitored.

f) There are no doubts upon the Company's ability to continue as a going concern.

g) There has been no trading of shares by CEO, Directors, CFO, Company Secretary, their spouses and minor children, during the year other than that disclosed in pattern of share holding.

h) There has been no material departure from the best practices of the Code of Corporate Governance, as detailed in the listing regulations.

i) Key operating and financial data of the Company for the last six years is annexed.

j) The attendance of the Directors in Board and its committees meetings held during the year is annexed.

The Corporate Governance Prectices

The Board of Directors of Mahmood Textile Mills Limited is committed to the principles of good Corporate Governance. The stakeholders expect that the Company is managed and supervised responsibly and proper internal controls and risk management policy and procedures are in place for efficient and effective operations of the Company, safeguarding of assets, compliance with laws and regulations and proper financial reporting in accordance with International Financial Reporting Standards.

Pattern of Shareholding

The pattern of shareholding is annexed and details have been submitted according to the requirements of Code of Corporate Governance and Section 236 of the Companies Ordinance 1984.

Statutory Auditors

The present auditors, M/s Hameed Chaudhri & Co. Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Audit Committee has recommended their re-appointment as Auditors of the Company for the year ending June 30, 2015.

Forward outlook

Unprecedented rains and floods in the incoming financial year have destroyed the infrastructure and badly affected the agricultural crops. This disaster will be major setback for the struggling economy of the Country. The Government will be facing another challenge to rehabilitate the flood victims along with energy crisis and law & order situation.

The recent drastic downward trend in New York and China cotton future has completely disturbed the cotton economy of the world. Moreover, on the international front textile sector is facing very tough time due to abrupt changes in policy by China on raw cotton and allied products.

Pakistan textile industry and cotton sector as a whole seems under difficult situation, when, other world including USA and China subsidize their farmers and industry whereas no such policy exists in our country. Thus it is necessary the Government should intervene and support the industry and cotton economy as a whole.

Further, the industry is directly exposed to foreign exchange risk, hike in energy tariffs and inflationary pressure on input costs. The surge in cost cannot be transferred to customers in full due to sever competition. Good corporate governance, marketing, quality, production efficiency and financial discipline will remain key to the Company's success in future. We are confident that the growth momentum will lead to a bright future for the Company and its stakeholders.

Acknowledgement

We present thanks to shareholders, employees, bankers, suppliers, and valued customers for their continuous support.

For and on behalf of the board

Sd/-
(Khawaja Muhammad Masood)
Chairman

Multan
Dated: 02 October, 2014

Financial Summary

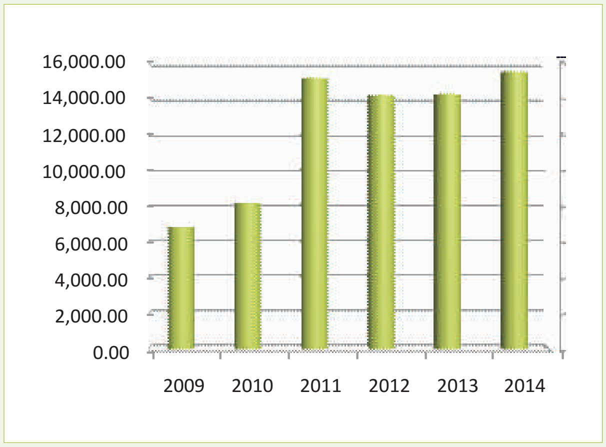
SIX YEARS REVIEW AT A GLANCE

Rupees in Million

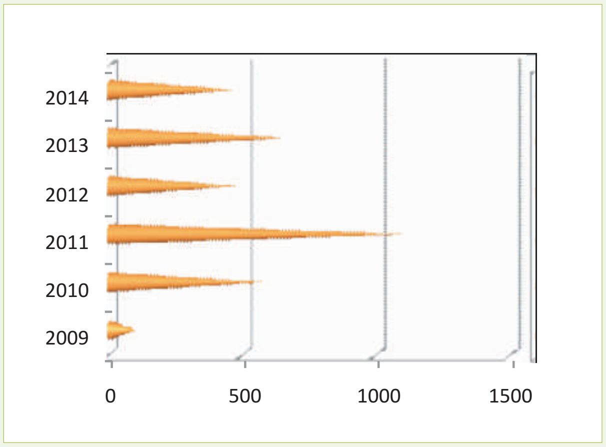
	2014	2013	2012	2011	2010	2009
ASSETS :						
FIXED ASSETS	3,035	3,057	2,426	2,298	1,774	1,632
LONG TERM INVESTMENTS	1,212	1,074	921	839	562	338
LONG TERM DEPOSITS	9	8	44	42	7	7
CURRENT ASSETS	4,866	5,046	3,566	3,560	2,672	2,441
TOTAL ASSETS	9,122	9,185	6,957	6,739	5,015	4,418
FINANCED BY:						
EQUITY	4,449	4,127	3,608	3,283	2,250	1,711
LONG TERM LIABILITIES	1,040	1,144	830	987	689	595
DEFFERED LIABILITIES	115	115	115	115	120	140
CURRENT LIABILITIES	3,518	3,799	2,404	2,354	1,956	1,972
TOTAL FUNDS INVESTED	9,122	9,185	6,957	6,739	5,015	4,418
PROFIT AND LOSS:						
SALES - NET	15,475	14,226	14,146	15,098	8,136	6,811
OPERATING PROFIT	888	1,127	1,012	1,604	933	523
PROFIT BEFORE TAXATION	475	818	633	1,275	646	190
PROFIT AFTER TAXATION	472	669	475	1,123	578	103
CASH DIVIDENDS	100%	100%	100%	100%	60%	40%
PROFIT C/F	4,291	3,970	3,451	3,126	2,093	1,604

Graphical Presentation

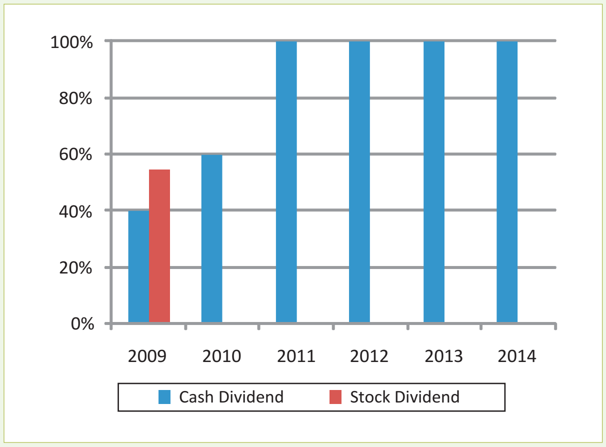
Sales (Rs. in million)



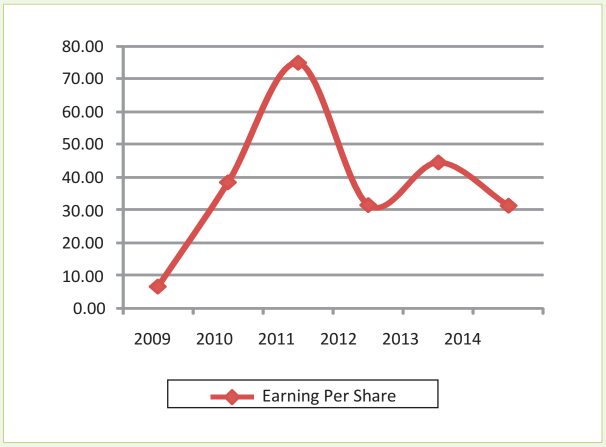
Profit after Taxation (Rs. in million)



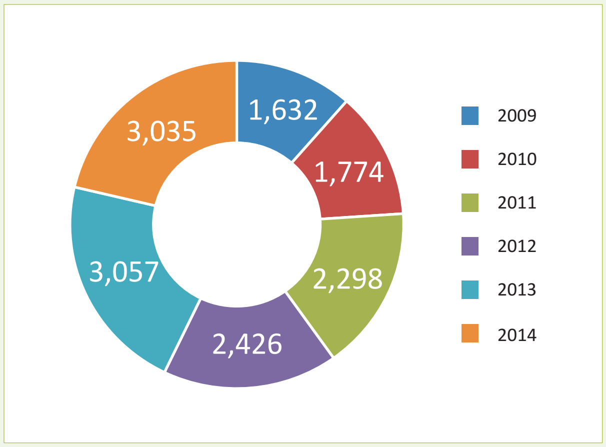
Dividend (Rs. in percentage)



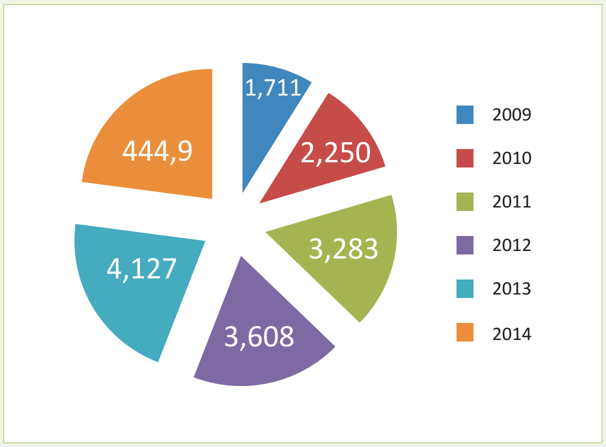
Earning Per Share (Rupees)



Fixed Assets (Rs. in million)



Equity (Rs. in million)



Board Human Resource Committee

Composition:

Khawaja Muhammad Younus
Chairman

Jalaluddin Roomi
Member

Muhammad Muzaffar Iqbal
Member

Terms of Reference

The Committee makes recommendations to the Board for maintaining (i) a sound organizational plan of the Company, (ii) an effective employee development programme and (iii) sound compensation and benefit plans, policies and practices designed to attract and retain high caliber personnel for effective management of business with a view to achieve said objectives.

The Terms of Reference of the Board Human Resource Committee include review and recommendations for the Board's approval, matters relating to:

(i) Changes in organization, functions and relationships affecting management positions.

(ii) Establishment of Human Resource plans and procedures.

(iii) Determination of appropriate limits of authority and approval procedures for personnel matters.

(iv) Review of employee development system and procedures, early identification and development of key personnel and specific succession plans for senior management positions.

(v) Review and evaluation of compensation policies, practices and procedures.

Board Audit Committee

Composition:

The Board Audit Committee is composed of the following Directors:

Khawaja Muhammad Ilyas
Chairman

Khawaja Muhammad Younus
Member

Muhammad Muzafar Iqbal
Member

Terms of Reference

The Committee reviews the periodic financial statements and examines the adequacy of financial policies and practices to ensure that an efficient and strong system of internal control is in place. The Committee also reviews the audit reports issued by the Internal Audit Department and compliance status of audit observations.

The Audit Committee is also responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and considers any question of resignation or removal of external auditors, audit fees and provision of any service to the Company by its external auditors in addition to the audit of its financial statements.

The Terms of Reference of the Audit Committee are consistent with those stated in the Code of Corporate Governance and broadly include the following:

(i) Review of the interim and annual financial statements of the Company prior to approval by the Board of Directors.

(ii) Discussions with the external auditors of major observations arising from interim and final audits; review of management letter issued by the external auditors and management's response thereto.

(iii) Review of scope and extent of internal audit ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.

(iv) Ascertain adequacy and effectiveness of the internal control system including financial and operational controls, accounting system and reporting structure.

(v) Determination of compliance with relevant statutory requirements and monitoring compliance with the best practices of corporate governance.

(vi) Institute special projects or other investigations on any matters specified by the Board of Directors.

The Board Audit Committee met four (4) times during the year with an average participation of all members.

Statement Of Compliance With The Code Of Corporate Governance

This statement is being presented to Company with the Code of Corporate Governance Contained in Regulation No.35 of listing regulations of Karachi Stock of Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, Whereby a listed company is managed in compliance with the best practices of corporate Governance.

The Company has applied the principles contained in the CCG in the following manner:-

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

Category	Name
Executive Directors	Khawaja Muhammad Iqbal Khawaja Muhammad Younus Khawaja Jalaluddin Roomi Khawaja Muhammad Muzaffar Iqbal
Non Executive Directors	Khawaja Muhammad Masood Khawaja Muhammad Ilyas Mst. Khadija Qureshi

1-1 In the previous election of Direcrtos non of the Director possess criteria of independent Director. Further, no independent shareholder came forward to contest the election as a director, hence the shareholders of the company were unable to elect independent director. However, Management of the Company is fully committed and planning to appoint independent Director in the next Board's election.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a Stock exchange, has been declared as a defaulter by that Stock exchange.
4. No casual vacancy occurred in the Board of Directors of the Company during the year ended 30th June, 2014.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate Steps have been taken to disseminate it throughout the Company along with its supporting Polices and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant polices of the company. A complete record of particulars of significant polices along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter, written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings, the minutes of the meetings were appropriately recorded and circulated.
9. The Directors are well conversant with the legal requirements and such are fully aware of their duties and responsibilities.
10. There were no new appointments of CFO, Company Secretary and Head of Internal Audit during the year ended 30th June, 2014.
11. The director's report for the year has been prepared in compliance with the requirements of the CCG and fully describes the sailent matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of 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. All directors of the company are exempt from orientation course due to experience of 15 years or more on the board of the listed company and minimum education of 14 years.
16. The board has formed an Audit Committee. It comprises four members, of whom three are non-executive directors including the Chairman of the committee.
17. The meetings of the audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The board has formed an HR and Remuneration Committee. It comprises Five members, of whom two are non-executive directors, one is independent director and the Chairman of the committee is a non executive director.
19. The board has set up an effective internal audit function and the employees working therein are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
20. The Statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with the international Federation of Accounts (IFAC) guidelines on code of ethics as adopted by the ICAP.
21. 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.
22. The 'Closed Period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
23. Material/price sensitive information has been disseminated among all market participants at one through stock exchange(s).
24. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board of Directors.

Multan: Sd/
Dated: 02 October, 2014 Chairman

Pattern of Shareholding

AS AT JUNE 30, 2014

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL SHARES HELD
20	1	100 Shares	878
64	101	500 Shares	15,719
17	501	1,000 Shares	11,162
24	1,001	5,000 Shares	51,528
3	5,001	10,000 Shares	24,755
3	10,001	15,000 Shares	37,354
2	30,001	35,000 Shares	30,269
1	95,001	100,000 Shares	98,935
4	110,001	115,000 Shares	446,269
2	160,001	165,000 Shares	323,060
1	175,001	180,000 Shares	178,704
1	190,001	195,000 Shares	190,035
3	215,001	220,000 Shares	649,059
1	245,001	250,000 Shares	246,144
3	280,001	285,000 Shares	851,865
1	295,001	300,000 Shares	299,058
2	320,001	325,000 Shares	645,788
1	415,001	420,000 Shares	415,633
2	430,001	435,000 Shares	863,396
1	685,001	690,000 Shares	685,204
1	745,001	750,000 Shares	746,508
1	825,001	830,000 Shares	824,914
1	865,001	870,000 Shares	865,397
1	935,001	940,000 Shares	939,873
1	975,001	980,000 Shares	997,945
1	1,005,001	1,010,000 Shares	1,009,088
1	1,095,001	1,100,000 Shares	1,095,479
1	1,170,001	1,175,000 Shares	1,127,858
1	1,305,001	1,310,000 Shares	1,302,913
163			15,000,000

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARE HELD	PERCENTAGE
Directors, Chief Executive Officer, & their spouse & minor Children	10	6,363,029	42.43
Associated Companies Undertakings & related parties:	2	768,528	5.12
NIT & ICP:	2	30,469	0.20
Banks, Development Financial Institutions, Non-Banking Financial Institutions:	2	10,844	0.07
Joint Stock Companies:	5	188,386	1.25
Insurance Companies:	-	-	-
Modarabas & Mutual Funds:	-	-	-
Shareholders Holding 10%:	-	-	-
General Public:			
a. Local:	142	7,638,744	52.93
b. Foreign:	-	-	-
Others:	-	-	-
	163	15,000,000	100

The above two statements include (140) shareholders Holding 1,173,068 Shares through Central Depository Company of Pakistan Limited (CDC).

Information Required As Per Code of Corporate Governance

As At June 30, 2014

Categories of Share Holders	Net Holding	Percentage
SHARE HOLDER'S CATEGORY		
i) **Associated Companies, undertaking & related parties (name wise details):**		
- Masood Spinning Mills Limited	378,574	
- Roomi Fabrics Limited	389,954	
	768,528	5.12%
ii) **Mutual Funds (Name wise details):**		
- NIT & ICP	30,469	0.20%
iii) **Directors, Chief Executive and their spouse(s) and minor children wise details):**		
1. Khawaja Muhammad Masood, Director (Chairman)	1,009,088	
2. Khawaja Muhammad Iqbal, Director & Chief Executive	824,914	
3. Mst. Khadija Qureshi (Wife) Director	98,935	
4. Khawaja Muhammad Ilyas, Director	685,204	
Mst. Bilquees Akhtar (Wife)	746,508	
5. Khawaja Muhammad Younus, Director	977,945	
Mst. Robina Younus (Wife)	111,854	
6. Khawaja Muhammad Muzaffar Iqbal	415,633	
7. Khawaja Muhammad Jalaluddin Roomi	1,302,913	
Mst. Humera Jalaluddin (Wife)	190,035	
	6,363,029	42.43%
iv) **Banks, Development Financial Institutions, Non-BankingFinancial Institutions:**		
- National Bank of Pakistan	10,744	
- IDBL	100	
	10,844	0.07%
v) **Joint Stock Companies:**		
- Intermarket Securities Limited (CDC)	50,000	
- Stock Master Securities (Pvt) Limited (CDC)	4,922	
- Ismail Abdul Shakoor (Pvt) Limited (CDC)	3,480	
- CDC-Trustee National Investment (Unit) Trust	128,063	
- Crescent Group Service (Pvt) Limited	1,921	
	188,386	1.25%
vi) **General Public:**		
i) Local:	7,638,744	50.93%
ii) Foreign:	-	
Total	15,000,000	100%

Directors Attendance At Board Meetings

From July 1st 2013 to June 30, 2014

Sr. No.	Name	Designation	Meeting Held	Meeting Attended
1.	Khawaja Muhammad Masood	Chairman	4	4
2.	Khawaja Muhammad Iqbal	CEO	4	4
3.	Khawaja Muhammad Ilyas	Director	4	4
4.	Khawaja Muhammad Younus	Director	4	4
5.	Jalal-ud-Din Roomi	Director	4	4
6.	Mst. Khadija Qureshi	Director	4	4
7.	Muhammad Muzaffar Iqbal	Director	4	4

Financial Statements

Mahmood Textile Mills Ltd

For the year ended 30 June 2014

Review Report To The Members On Statement Of Compliance With Best Practices Of 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 MAHMOOD TEXTILE MILLS LIMITED (the Company) for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No.35 of the Karachi Stock Exchange, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014. We, however, draw attention towards paragraph 1-1 of the Statement of Compliance whereas the Board was unable to appoint an independent director due to reasons stated therein.

Hameed Chaudhri & Co.,
Chartered Accountants.
Audit Engagement Partner: Nafees ud din

Lahore:
Dated: 02 October, 2014

Auditors' Report To The Members

We have audited the annexed balance sheet of MAHMOOD TEXTILE MILLS LIMITED (the Company) as at June 30, 2014 and the related profit and loss account, 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;

  (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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, 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.

Hameed Chaudhri & Co.,
Chartered Accountants.
Audit Engagement Partner: Nafees ud din

Lahore:
Dated: 02 October, 2014

Balance Sheet

AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,034,662,399	3,056,632,349
Long term investments	6	1,212,505,442	1,073,764,201
Loan to an executive	7	3,851,500	4,500,000
Long term deposits		8,732,521	8,201,271
		4,259,751,862	4,143,097,821
Current assets			
Stores, spares and loose tools	8	176,239,846	157,458,101
Stock-in-trade	9	2,667,620,149	3,646,587,131
Trade debts	10	604,766,242	539,697,404
Loans and advances	11	87,118,897	88,463,042
Other receivables	12	66,265,873	70,796,091
Short term investments	13	765,596,206	275,422,630
Tax refunds due from the Government	14	485,938,610	249,301,731
Cash and bank balances	15	8,772,845	13,845,947
		4,862,318,668	5,041,572,077
TOTAL ASSETS		9,122,070,530	9,184,669,898
EQUITY AND LIABILITIES			
Equity			
Authorized capital			
30,000,000 ordinary shares of Rs. 10 each		300,000,000	300,000,000
Issued, subscribed and paid-up capital	16	150,000,000	150,000,000
Capital reserve		7,120,600	7,120,600
Unappropriated profit		4,291,302,955	3,969,603,114
		4,448,423,555	4,126,723,714
Liabilities			
Non-current liabilities			
Long term financing	17	1,040,264,812	1,143,628,695
Deferred taxation	18	115,243,874	115,243,874
		1,155,508,686	1,258,872,569
Current liabilities			
Trade and other payables	19	527,519,259	817,438,001
Accrued mark-up	20	92,266,478	104,706,463
Short term borrowings	21	2,423,900,484	2,408,991,217
Current maturity of long term financing	17	323,527,068	303,607,674
Taxation	22	150,925,000	164,330,260
		3,518,138,289	3,799,073,615
Total liabilities		4,673,646,975	5,057,946,184
TOTAL EQUITY AND LIABILITIES		9,122,070,530	9,184,669,898
Contingencies and commitments	23		

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

sd/-	sd/-	sd/-	sd/-
(KH. MUHAMMAD MASOOD)	**(KH. MUHAMMAD IQBAL)**	**(KH. MUHAMMAD YOUNUS)**	**(MUHAMMAD AMIN PAL)**
CHAIRMAN	CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

Profit And Loss Account

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
Sales - Net	24	15,475,222,284	14,225,506,412
Cost of Sales	25	(14,115,777,722)	(12,289,367,340)
Gross Profit		1,359,444,562	1,936,139,072
Distribution Cost	26	(429,637,000)	(574,120,041)
Administrative Expenses	27	(274,865,002)	(219,109,395)
Other Income	28	334,578,462	50,284,774
Other Expenses	29	(101,335,802)	(66,541,404)
Profit from Operations		888,185,220	1,126,653,006
Finance Cost	30	(562,289,497)	(469,607,933)
		325,895,723	657,045,073
Share of Profit of Associates	6	148,741,241	160,677,262
Profit before Taxation		474,636,964	817,722,335
Taxation	22	(2,937,123)	(148,796,941)
Profit after Taxation		471,699,841	668,925,394
Other Comprehensive Income		0	0
Total Comprehensive Income		471,699,841	668,925,394
Earnings Per Share - Basic and Diluted	31	31.45	44.60

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

sd/-	sd/-	sd/-	sd/-
(KH. MUHAMMAD MASOOD)	**(KH. MUHAMMAD IQBAL)**	**(KH. MUHAMMAD YOUNUS)**	**(MUHAMMAD AMIN PAL)**
CHAIRMAN	CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2014

	2014 Rupees	2013 Rupees
Cash flows from operating activities		
Profit for the year - before taxation and share of profit of Associates	325,895,723	657,045,073
Adjustments for non-cash charges and other items:		
Depreciation	318,289,621	280,860,831
(Gain) /loss on disposal of operating fixed assets - net	(3,555,808)	18,357
Loss on sale of investments in Dandot Cement Company Ltd.	8,799,504	11,447,760
Fair value loss / (gain) on re-measurement of short term investments	76,754,064	(16,420,237)
Gain on sale of short term investments	(266,721,144)	(8,678,583)
Dividend on short term investments	(64,267,365)	(25,116,558)
Return on bank deposits	(31,745)	(30,096)
Finance cost	562,289,497	469,607,933
Profit before working capital changes	957,452,347	1,368,734,480
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(18,781,745)	(17,714,292)
Stock-in-trade	978,966,982	(1,401,712,447)
Trade debts	(65,068,838)	153,523,374
Loans and advances	1,344,145	43,877,902
Other receivables	(4,269,286)	71,398,590
Sales Tax refunds	(125,839,147)	(70,419,210)
Decrease in trade and other payables	(293,027,342)	(62,317,509)
	473,324,769	(1,283,363,592)
Cash generated from operations	1,430,777,116	85,370,888
Income tax paid	(124,186,473)	(104,715,385)
Loan to an executive - net	648,500	(4,500,000)
Net cash generated from / (used in) operating activities	1,307,239,143	(23,844,497)
Cash flow from investing activities		
Purchase of property, plant and equipment	(331,381,315)	(957,135,611)
Sale proceeds of operating fixed assets	38,617,452	45,278,771
Long term deposits	(531,250)	36,011,920
Short term investments - net	(300,206,496)	(250,323,810)
Dividends received on long term and short term investments	74,267,365	33,116,558
Return on bank deposits	31,745	30,096
Net cash used in investing activities	(519,202,499)	(1,093,022,076)
Cash flow from financing activities		
Long term financing - net	(83,444,489)	350,722,426
Dividend paid	(149,845,042)	(149,646,812)
Short term borrowings - net	14,909,267	1,367,476,638
Finance cost paid	(574,729,482)	(446,957,778)
Net cash (used in) / generated from financing activities	(793,109,746)	1,121,594,474
Net (decrease) / increase in cash and cash equivalents	(5,073,102)	4,727,901
Cash and cash equivalents - at beginning of the year	13,845,947	9,118,046
Cash and cash equivalents - at end of the year	8,772,845	13,845,947

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

sd/-	sd/-	sd/-	sd/-
(KH. MUHAMMAD MASOOD)	**(KH. MUHAMMAD IQBAL)**	**(KH. MUHAMMAD YOUNUS)**	**(MUHAMMAD AMIN PAL)**
CHAIRMAN	CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

Statement Of Changes In Equity

FOR THE YEAR ENDED JUNE 30, 2014

	Share capital	Capital reserve	Unappropriated profit	Total
	------------------------ Rupees --------------------			
Balance as at June 30, 2012	150,000,000	7,120,600	3,450,677,720	3,607,798,320
Transactions with owners: Final cash dividend for the year ended June 30, 2012 @ Rs.10 per share	0	0	(150,000,000)	(150,000,000)
Total comprehensive income for the year ended June 30, 2013	0	0	668,925,394	668,925,394
Balance as at June 30, 2013	150,000,000	7,120,600	3,969,603,114	4,126,723,714
Transactions with owners: Final cash dividend for the year ended June 30, 2013 @ Rs.10 per share	0	0	(150,000,000)	(150,000,000)
Total comprehensive income for the year ended June 30, 2014	0	0	471,699,841	471,699,841
Balance as at June 30, 2014	150,000,000	7,120,600	4,291,302,955	4,448,423,555

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

sd/-	sd/-	sd/-	sd/-
(KH. MUHAMMAD MASOOD)	**(KH. MUHAMMAD IQBAL)**	**(KH. MUHAMMAD YOUNUS)**	**(MUHAMMAD AMIN PAL)**
CHAIRMAN	CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

1. LEGAL STATUS AND OPERATIONS

Mahmood Textile Mills Limited (the Company) was incorporated in Pakistan on February 25, 1970 as a Public Company and its shares are quoted on the Karachi Stock Exchange. The Company is principally engaged in manufacture and sale of yarn, grey cloth and generation of electricity. The registered office of the Company is situated at Multan whereas the mills are located at District Muzaffargarh, Dera Ghazi Khan Division, Punjab.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policy notes.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupee has been rounded to the nearest Rupee unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires 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 expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

(a) Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified.

(b) Stores & spares and stock-in-trade

The Company estimates the net realisable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make sale.

(c) Provision for impairment of trade debts
The Company assesses the recoverability of its trade debts if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indications that the trade debt is impaired.

(d) Income Taxes
In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

2.5 No critical judgment has been used in applying the accounting policies.

3. CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

3.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant
The amendment to following standard has been adopted by the Company for the first time for financial year beginning on July 01, 2013:

Amendment to IAS 1, ' Presentation of Financial Statements' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The new amendment is not expected to materially affect the disclosures in the financial statements of the Company.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant
The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 01, 2013 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant
The following new standards and amendments to published approved standards are not effective (although available for early adoption) for the financial year beginning on July 01, 2013 and have not been early adopted by the Company:

(a) IAS 32 (Amendment) 'Financial Instruments: Presentation', is applicable for accounting periods beginning on or after January 01, 2014. This amendment updates the application guidance in IAS 32 'Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet date. The Company shall apply this amendment from July 01, 2014 and does not expect to have a material impact on its financial statements.

(b) IFRS 9 'Financial Instruments' is applicable for accounting periods beginning on or after January 01, 2018. This standard is yet to be notified by SECP. IFRS 9 replaces the parts of IAS 39 'Financial Instruments: Recognition and Measurement', that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The Company does not expect to have a material impact on its financial statements due to application of this standard.

(c) IAS 36 (Amendment) 'Impairment of Assets', is applicable for accounting periods beginning on or after January 01, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The Company shall apply this amendment from July 01, 2014 and this will only affect the disclosures in the Company's financial statements in the event of impairment.

There are number of other standards, amendments and interpretations to the published approved standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment and depreciation

These are stated at cost less accumulated depreciation and impairment in value, if any, except freehold and leasehold land and capital work-in-progress, which are stated at cost.

Depreciation is taken to profit and loss account applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 5.1. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

Normal repairs and replacements are taken to profit and loss account. Major improvements and modifications are capitalised and assets replaced, if any, other than those kept as stand-by, are retired.

Gain / loss on disposal of property, plant and equipment. If any, is taken to profit and loss account.

4.2 Long Term investments

(a) Investments in Associated Companies

Investments in Associated Companies are accounted for by using equity basis of accounting, under which the investments in Associated Companies are initially recognised at cost and the carrying amounts are increased or decreased to recognise the

Company's share of profit or loss of the Associated Companies after the date of acquisition. The Company's share of profit or loss of the Associated Companies is recognised in the Company's profit or loss. Distributions received from Associated Companies reduce the carrying amount of investments.

The carrying amount of investments is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in profit and loss account.

(b) **Other investments**
Other investments where the Company does not have significant influence that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available-for-sale. These investments are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealised gains and losses arising from the changes in the fair value are included in fair value reserve in the period in which these arise.

(c) Bonus shares are accounted for by increase in number of shares without any change in value.

4.3 Stores, spares and loose tools

Stores, spares and loose tools are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated up to the balance sheet date. The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

4.4 Stock-in-trade

Basic of valuation are as follows:

Particulars	Mode of valuation
Raw materials:	
- At mills	- At lower of annual average cost of both local and imported stocks and net realisable value.
- In transit	- At cost accumulated up to the balance sheet date.
Work-in-process	- At manufacturing cost.
Finished goods	- At lower of cost and net realisable value.
Waste	- At net realisable value.

- Cost in relation to work-in-process and finished goods consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of moving average cost.
- Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.
- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

4.5 Trade debts and other receivables

Trade debts are initially recognised at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade debts and other receivables are assessed at each reporting date and a provision is made for doubtful debts and receivables when collection of the amount is no longer probable. Debts and receivables considered irrecoverable are written-off.

4.6 Short term investments (at fair value through profit or loss)

Investments at fair value through profit or loss are those which are acquired for generating a profit from short-term fluctuation in prices. All investments are initially recognised at cost, being fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value is recognised in profit and loss account.

4.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash-in-hand and balances with banks.

4.8 Borrowings and borrowing cost

Borrowings are recognised initially at fair value.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

4.9 Staff retirement benefits

The Company operates an un-funded gratuity scheme for all its eligible employees. Provision is made annually to cover obligation under the scheme. The payable balance of gratuity is paid fully to the employees before the year-end.

4.10 Trade and other payables

Trade and other payables are initially measured at cost, which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the Company.

4.11 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.12 Taxation

(a) Current

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantively enacted by the end of the reporting period and is based on current rates of taxation being applied on the taxable income for the year, after taking into account tax credits and rebates available, if any, and taxes paid under the Final Tax Regime. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finallised during the year.

(b) Deferred

The Company accounts for deferred taxation using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is recognised for taxable temporary differences and deferred tax asset is recognised 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 utilised. Deferred tax is charged or credited to the profit and loss account.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

4.13 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

4.14 Financial instruments

Financial instruments include long term investments, loan to an executive, long term deposits, trade debts, short term investments, loans and advances, other receivables, bank balances, long term financing, trade and other payables, accrued mark-up and short term borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.15 Offsetting

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

4.16 Foreign currency translations

Foreign currency transactions are recorded in Pakistan Rupees using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated in Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are taken to profit and loss account.

4.17 Revenue recognition

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

- Local sales through agents are booked on intimation from agents.
- Direct local sales are accounted for when goods are delivered to customers and invoices raised.
- Export sales are booked on despatch of goods.
- Dividend income is recognised when the right to receive dividend is established.
- Interest / mark-up is accounted for on accrual basis.

4.18 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

4.19 Segment reporting

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Chief Operating Decision Maker of the Company for allocation of resources and assessment of performance. Based on internal management reporting structure and products being produced and sold, the Company has been organised into three operating segments i.e. spinning, weaving and power.

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and for assessing performance. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Finance cost, other income and expenses and taxation are managed at the Company level. Unallocated assets mainly include long term investments, long term deposits, tax refunds due from the Government and cash and bank balances.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2014 Rupees	2013 Rupees
Operating fixed assets	5.1	3,019,422,708	3,050,204,685
Capital work-in-progress		15,239,691	6,427,664
		3,034,662,399	3,056,632,349

5.1 **Operating Fixed Assets** - tangible

Particulars	Leasehold land	Owned													Total
		Freehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Stand-by equipment	Furniture and fittings	Vehicles	Office equipment	Protective dam	Electric installations	Gas installations	Tools and equipment	Computer and accessories	Weighing bridge	
	---------- Rupees ----------															
COST																
Balance as at June 30, 2012	20,755,743	12,137,499	475,749,491	24,714,302	3,151,864,173	594,294,246	9,414,564	78,904,901	3,401,248	6,507,313	175,401,523	2,720,023	7,354,204	24,636,956	3,925,872	4,591,782,058
Additions during the year	0	0	87,785,903	0	814,313,041	4,490,389	924,637	29,287,503	0	0	43,544,925	0	482,791	1,078,370	1,440,257	983,347,816
Disposals during the year	0	0	0	0	(139,264,660)	0	0	(4,027,320)	0	0	0	0	0	0	0	(143,291,980)
Balance as at June 30, 2013	20,755,743	12,137,499	563,535,394	24,714,302	3,826,912,554	598,784,635	10,339,201	104,165,084	3,401,248	6,507,313	218,946,448	2,720,023	7,836,995	25,715,326	5,366,129	5,431,837,894
Balance as at June 30, 2013	20,755,743	12,137,499	563,535,394	24,714,302	3,826,912,554	598,784,635	10,339,201	104,165,084	3,401,248	6,507,313	218,946,448	2,720,023	7,836,995	25,715,326	5,366,129	5,431,837,894
Additions during the year	0	0	13,530,617	0	252,882,615	10,026,413	1,047,926	33,871,745	0	0	8,617,991	0	280,000	2,233,981	78,000	322,569,288
Disposals during the year	0	0	0	0	(62,069,060)	0	0	(6,963,152)	0	0	0	0	0	0	0	(69,032,212)
Balance as at June 30, 2014	20,755,743	12,137,499	577,066,011	24,714,302	4,017,726,109	608,811,048	11,387,127	131,073,677	3,401,248	6,507,313	227,564,439	2,720,023	8,116,995	27,949,307	5,444,129	5,685,374,970
DEPRECIATION																
Balance as at June 30, 2012	0	0	255,790,150	11,977,924	1,508,890,822	283,092,142	4,836,220	41,413,704	2,548,419	2,459,680	62,295,212	1,343,089	5,251,166	16,685,210	2,183,492	2,198,767,230
Charge for the year	0	0	27,073,685	1,273,638	194,920,282	31,382,151	533,596	9,328,587	85,283	202,382	12,822,720	137,693	225,132	2,651,079	224,603	280,860,831
Charge on disposals	0	0	0	0	(96,466,926)	0	0	(1,527,926)	0	0	0	0	0	0	0	(97,994,852)
Balance as at June 30, 2013	0	0	282,863,835	13,251,562	1,607,344,178	314,474,293	5,369,816	49,214,365	2,633,702	2,662,062	75,117,932	1,480,782	5,476,298	19,336,289	2,408,095	2,381,633,209
Balance as at June 30, 2013	0	0	282,863,835	13,251,562	1,607,344,178	314,474,293	5,369,816	49,214,365	2,633,702	2,662,062	75,117,932	1,480,782	5,476,298	19,336,289	2,408,095	2,381,633,209
Charge for the year	0	0	28,929,751	1,146,274	226,650,650	28,580,964	557,779	14,604,435	76,755	192,263	14,611,017	123,924	254,737	2,260,069	301,003	318,289,621
Charge on disposals	0	0	0	0	(29,014,989)	0	0	(4,955,579)	0	0	0	0	0	0	0	(33,970,568)
Balance as at June 30, 2014	0	0	311,793,586	14,397,836	1,804,979,839	343,055,257	5,927,595	58,863,221	2,710,457	2,854,325	89,728,949	1,604,706	5,731,035	21,596,358	2,709,098	2,665,952,262
BOOK VALUE AS AT JUNE 30, 2013	20,755,743	12,137,499	280,671,559	11,462,740	2,219,568,376	284,310,342	4,969,385	54,950,719	767,546	3,845,251	143,828,516	1,239,241	2,360,697	6,379,037	2,958,034	3,050,204,685
BOOK VALUE AS AT JUNE 30, 2014	20,755,743	12,137,499	265,272,425	10,316,466	2,212,746,270	265,755,791	5,459,532	72,210,456	690,791	3,652,988	137,835,490	1,115,317	2,385,960	6,352,949	2,735,031	3,019,422,708
Annual depreciation rate (%)	0	0	10	10	10	10	10	20	10	5	10	10	10	30	10	

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

5.2 Leasehold land and buildings on leasehold land represent the leased assets allotted by the Board of Management, Industrial Estate, Multan for a period of 99 years.

5.3 Disposal of operating fixed assets

Particulars of assets	Cost	Accumulated depreciation	Book Value	Sale proceeds	(Loss)/ gain	Mode of disposal	Sold to:
	------------ Rupees ------------						
Plant and machinery							
2 Autocone Machines Murata	51,134,825	21,789,883	29,344,942	29,600,000	255,058	Negotiation	Sally Textile Mills Limited, Lahore.
2 Card MK 5D - Model 2010	3,799,406	512,338	3,287,068	3,200,000	(87,068)	- do -	Sanyo, Office No. 508 Al-Hafeez Shopping Mall, Gulberg, Lahore.
2 Drawing frames DYH-500C	7,134,829	6,712,768	422,061	950,000	527,939	- do -	-------- do --------
	62,069,060	29,014,989	33,054,071	33,750,000	695,929		
Vehicles							
Suzuki Cultus	430,000	285,673	144,327	350,000	205,673	- do -	Muhammad Irfan Khawaja, Multan.
Toyota Corolla	1,285,278	1,134,267	151,011	500,000	348,989	- do -	Muhammad Shafiq Shahkot, Faisalabad.
Suzuki Liana	583,500	412,853	170,647	250,000	79,353	Insurance claim	EFU General Insurance Limited, Multan.
Suzuki Mehran	358,000	245,985	112,015	315,000	202,985	- do -	Premier Insurance Company Limited, Multan.
Toyota Corolla Altis	1,998,815	636,067	1,362,748	1,950,000	587,252	- do -	- do -
Other vehicles having net book value of less than Rs. 50,000 each	2,307,559	2,240,734	66,825	1,502,452	1,435,627	Negotiaion	Various
	6,963,152	4,955,579	2,007,573	4,867,452	2,859,879		
	69,032,212	**33,970,568**	**35,061,644**	**38,617,452**	**3,555,808**		
2013	143,291,980	97,994,852	45,297,128	45,278,771	(18,357)		

5.4 Depreciation for the year has been apportioned as under:	Note	2014 Rupees	2013 Rupees
Cost of sales	25	300,790,584	268,262,286
Administrative expenses	27	17,499,037	12,598,545
		318,289,621	280,860,831

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
6. LONG TERM INVESTMENTS			
Associated Companies - Un-quoted			
Masood Spinning Mills Limited (MSML)			
4,000,000 fully paid ordinary shares of Rs.10 each - **cost**		40,000,000	40,000,000
Equity held: 13.33%			
Post acquisition profit brought forward		210,818,540	162,901,257
		250,818,540	202,901,257
Share of profits			
- current year		69,901,800	54,871,345
- adjustment for last year profits based on audited financial statements		(2,951,457)	1,045,938
		66,950,343	55,917,283
Dividend received		(10,000,000)	(8,000,000)
		307,768,883	250,818,540
Roomi Fabrics Limited (RFL)			
4,000,000 fully paid ordinary shares of Rs.10 each - **cost**		40,000,000	40,000,000
Equity held: 18.18%			
Post acquisition profit brought forward		348,020,661	243,260,682
		388,020,661	283,260,682
Share of profits			
- current year		99,071,582	72,324,241
- adjustment for last year profits based on audited financial statements - net	6.1	(17,280,684)	32,435,738
		81,790,898	104,759,979
		469,811,559	388.020.661
Others - Un-quoted			
Orient Power Company (Pvt.) Limited (OPCL)			
39,842,500 fully paid ordinary shares of Rs. 10 each - **cost**	6.3	434,925,000	434,925,000
		1,212,505,442	1,073,764,201

6.1 These adjustments represent the Company's share of the following, which were either not or excess recognised in the draft financial statements of RFL:

	2014 Rupees	2013 Rupees
- fair value gain on remeasurement of available-for-sale investments	5,810,702	42,222,899
- realised loss on sale of available-for-sale investments	(18,397,661)	0
- reversal of excess recognition of profit	(4,693,725)	(9,787,161)
	(17,280,684)	32,435,738

6.2 Summarised financial information of MSML and RFL, based on the un-audited financial statements for the year ended June 30, 2014, is as follows:

	Note	2014 Rupees	2013 Rupees
MSML			
Total assets		4,644,482,259	3,497,612,921
Total liabilities		2,335,638,426	1,616,003,471
Revenue for the year		6,863,919,294	4,590,985,509
Profit after tax for the year		524,394,601	411,637,995
RFL			
Total assets		7,332,526,169	3,512,378,801
Total liabilities		4,748,304,171	1,378,051,730
Revenue for the year		5,897,627,932	4,996,080,990
Profit after tax for the year		544,948,196	397,823,107

6.3 (a) The Company, on June 22, 2010, had entered into a shares subscription agreement with OPCL, which is engaged in generation of 225 MW electric power. The project is located near Balloki, District Kasur, Punjab. As per the agreement terms, the Company had agreed to purchase 27,500,000 shares of OPCL at a price of Rs.11 per share.

(b) The Company, during year ended June 30, 2011, had acquired 36,500,000 shares at a price of Rs.11 per share as per the shares subscription agreement entered into with OPCL and 3,342,500 right shares at a price of Rs.10 per share.

7. LOAN TO AN EXECUTIVE - Considered good

	Note	2014 Rupees	2013 Rupees
Opening Balance		5,895,000	0
Add:			
- loan advanced during the year		1,000,000	6,000,000
- mark-up accrued during the year		528,235	195,000
		1,528,235	6,195,000
		7,423,235	6,195,000
Less: deductions made during the year		1,597,500	300,000
Closing Balance		5,825,735	5,895,000
Less: recoverable within one year			
- principal		1,446,000	1,200,000
- mark-up		528,235	195,000
	11	1,974,235	1,395,000
		3,851,500	4,500,000

7.1 This loan carries mark-up at the rate of 10% per annum and is advanced for personal use in accordance with the terms of employment. The principal balance of loan is recoverable in forty five equal monthly instalments ending March, 2018.

7.2 This loan has been carried at cost as the effect of carrying this balance at amortised cost is not material in the overall context of these financial statements.

7.3 The maximum aggregate amount of loan to an executive at any month-end during the year was Rs.5.780 million (2013: Rs.6 million).

7.4 The loan is secured against pledge of personal property of the executive with the Company.

	Note	2014 Rupees	2013 Rupees
8. STORES, SPARES AND LOOSE TOOLS			
Stores including in-transit inventory valuing Rs. 1,693,030 (2013: Rs. 18,156,092)		111,103,838	82,341,220
Spares		64,821,945	74,805,419
Loose tools		314,063	311,462
		176,239,846	157,458,101

8.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

	Note	2014 Rupees	2013 Rupees
9. STOCK-IN-TRADE			
Raw materials including in-transit inventory valuing Rs. 86,995,633 (2013: Rs. 69,261,365)	9.1	1,727,297,808	2,725,170,066
Work-in-process		108,940,362	103,560,454
Finished goods			
- own manufactured		829,719,104	808,313,121
- trading		1,662,875	9,543,490
		831,381,979	817,856,611
		2,667,620,149	3,646,587,131

9.1 Raw materials inventory as at June 30, 2014 includes inventory costing Rs.1,676.250 million (2013: Rs.81.146 million), which has been stated at net realisable value; the amount charged to profit and loss account in respect of inventory write down to net realisable value worked-out to Rs.103.158 million (2013: Rs.14.523 million) approximately.

	Note	2014 Rupees	2013 Rupees
10. TRADE DEBTS			
Unsecured - considered good			
- local		204,559,607	173,822,958
- export		5,294,689	0
		209,854,296	173,822,958
Secured			
- local		1,043,928	51,927,085
- export		393,868,018	313,947,361
		394,911,946	365,874,446
		604,766,242	539,697,404

	Note	2014 Rupees	2013 Rupees
11. LOANS AND ADVANCES			
Advances to:			
- executives		3,250,344	438,990
- employees		7,335,945	6,177,770
- suppliers and contractors		35,731,472	53,959,030
Advance customs duty, sales tax and income tax		0	7,887,873
Current portion of loan to an executive	7	1,974,235	1,395,000
Deposit with Sui Northern Gas Pipelines Ltd.	23.2	16,508,070	16,508,070
Letters of credit		22,318,831	2,096,309
		87,118,897	88,463,042
12. OTHER RECEIVABLES			
Cotton claims receivable		3,227,289	1,410,995
Export rebate receivable		0	239,376
Receivable against sale of shares	12.1	52,221,000	67,946,912
Insurance claims receivable		10,179,474	0
Containers' deposits		0	151,327
Others		638,110	1,047,481
		66,265,873	70,796,091

12.1 (a) This represents amount receivable from Three Star Hosiery Mills (Pvt.) Limited [TSHM] against sale of 4,284,457 shares of Dandot Cement Company Limited (DCCL) sold at the rate of Rs.19.50 per share vide agreement dated September 11, 2008. These shares were sold against post dated cheques of Rs.83.546 million, which could not be enchased on their due dates.

(b) Initially, the Company had transferred one million shares to a director of TSHM on May 29, 2008 whereas another transfer of one million shares to the same director of TSHM was made on June 02, 2008. Against both the transfers, the Company had received two post dated cheques, which were due on August 18, 2008 and September 16, 2008 respectively. Later on, at the request of TSHM, the Company had entered into an agreement for sale of all the shares of DCCL including the balance left with it and its Associated Companies. The Company had handed-over to TSHM CDC transfer orders and against them TSHM issued post dated cheques; the aforementioned two cheques were also included in that agreement with new payment dates.

(c) TSHM had also failed to make payment of mark-up on delayed payments as per terms of the agreement i.e. TSHM was liable to pay mark-up at the rate of 3-months KIBOR plus 2% per annum for the delayed period.

(d) The Company, through its legal counsel, had issued legal notices to TSHM for recovery of outstanding amounts and mark-up thereon on March 31, 2009 and May 20, 2009; TSHM failed to make payments even in response to the legal notices issued by the Company. Consequently, the Company had filed a suit in the Court of District Judge, Multan for recovery of the outstanding amounts along with mark-up at the rate of 3-months KIBOR + 2% per annum to be calculated on daily product basis from date of the cheques till the final realisation of the amount due. Mark-up on the balance receivable from TSHM amounting

Rs.55.516 million (2013: Rs.41.262 million) approximately has not been accrued in these financial statements as the ultimate outcome of the matter depends upon judgment of the Court. The proceedings of the Court are still in progress.

(e) The management, during the year, has sold 806,457 (2013: 800,000) shares of DCCL having carrying value of Rs.15.726 million (2013: Rs.15.600 million) against consideration of Rs.6.926 million (2013: Rs.4.152 million). These shares were part of the total holding of Rs. 4,284,457 shares sold to TSHM; however, TSHM had not accepted ownership of these shares and these shares were in the CDC account of the Company. Loss amounting Rs. 8.800 million (2013: Rs.11.448 million) arisen on this sale transaction has been grouped under other expenses (note 29). Receivable from TSHM has been reduced with 15.726 million (2013: Rs.15.600 million).

	Note	2014 Rupees	2013 Rupees
13. SHORT TERM INVESTMENTS - Quoted (at fair value through profit or loss)			
Dawood Herculus Corporation Limited 4,200,000 shares of Rs. 10 each		304,008,653	0
IGI Investment Bank Limited 4,405,000 shares of Rs. 10 each		8,293,533	0
Premier Insurance Limited 5,896,865 shares of Rs. 5 each		73,017,149	0
Soneri Bank Limited 31,444,000 shares of Rs. 10 each		440,610,698	0
Bank Alfalah Limited Nil shares (2013: 15,116,500 shares of Rs. 10 each)		0	259,002,393
		825,930,033	259,002,393
Adjustment on re-measurement to fair value	29	(60,333,827)	16,420,237
		765,596,206	275,422,630
14. TAX REFUNDS DUE FROM THE GOVERNMENT			
Income tax refundable, advance tax and tax deducted at source		223,695,150	112,897,418
Sales tax refundable		262,243,460	136,404,313
		485,938,610	249,301,731
15. CASH AND BANK BALANCES			
Cash-in-hand		2,415,797	1,909,591
Cash at banks on:			
- current accounts		5,853,623	11,632,960
- saving accounts	15.1	503,425	303,396
		6,357,048	11,936,356
		8,772,845	13,845,947

15.1 These carry profit at the rates ranging from 6% to 7% (2013: 1% to 2%) per annum.

16. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2014	2013		2014	2013
(No. of shares)			Rupees	Rupees
6,288,800	6,288,800	Ordinary shares of Rs. 10 each fully paid in cash	62,888,000	62,888,000
11,000	11,000	Ordinary shares of Rs. 10 each issued as fully paid against shares of Mahmood Power Generation Ltd. upon merger	110,000	110,000
8,700,200	8,700,200	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	87,002,000	87,002,000
15,000,000	15,000,000		150,000,000	150,000,000

16.1 Ordinary shares held by the related parties at the reporting date are as follows:

	2014	2013
	-- Number of shares --	
Masood Spinning Mills Limted	378,574	172,974
Roomi Fabrics Limited	389,954	142,954
	768,528	315,928

16.2 The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All the shares rank equally with regard to the Company's residual assets.

16.3 The Company has one class of ordinary shares, which carry no right to fixed income.

16.4 The Company has no reserved shares for issuance under options and sale contracts.

	Note	2014 Rupees	2013 Rupees
17. LONG TERM FINANCING - Secured			
From banking companies			
Habib Bank Limited (HBL)	17.1	334,201,218	426,004,872
MCB Bank Limited (MCB)	17.2	412,500,000	450,000,000
Meezan Bank Limited (MBL)	17.3	202,409,485	0
United Bank Limited (UBL)	17.4	414,681,177	571,231,497
Balance as at June 30,		1,363,791,880	1,447,236,369
Less: current portion grouped under current liabilities:			
- HBL		112,516,302	109,557,352
- MCB		75,000,000	37,500,000
- MBL		7,025,574	0
- UBL		128,985,192	156,550,322
		323,527,068	303,607,674
		1,040,264,812	1,143,628,695

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

		No. of instalments and repayment commencement date	Rate of mark-up per annum	2014 Rupees	2013 Rupees
17.1	HBL				
	Demand Finance - II	24 quarterly April, 2012	2% over 3 months KIBOR	5,524,470	6,997,662
	Demand Finance - III	24 quarterly April, 2012	-do-	11,020,973	13,959,901
	Demand Finance - IV	24 quarterly May, 2012	-do-	54,247,875	68,713,975
	Demand Finance - V	24 quarterly June, 2012	-do-	37,311,750	47,261,550
	Demand Finance - VI	24 quarterly October, 2012	-do-	33,299,456	41,134,624
	Demand Finance - VII	24 quarterly May, 2013	1.75% over 3 months KIBOR	8,202,528	9,929,376
	Demand Finance - VIII	24 quarterly August, 2014	1% over 3 months KIBOR	17,753,700	0
	Term Loan-I	12 half-yearly May, 2011	2% over 6 months KIBOR	36,477,833	51,068,967
	Term Loan-II	10 half-yearly November, 2011	1.75% over 3 months KIBOR	80,000,000	120,000,000
	Finance Against Fixed Assets - I	12 half-yearly February, 2011	2% over 6 months KIBOR	2,676,555	3,747,177
	Finance Against Fixed Assests - II	10 half-yearly December, 2010	-do-	2,533,200	5,066,400
	Export Oriented Project				
	- Finance No.1	12 half-yearly February, 2011	10.25% flat	2,676,555	3,747,177
	- Finance No. 2	10 half-yearly December, 2010	10.40% flat	2,093,600	4,187,200
	- Finance No. 3	10 half-yearly December, 2010	11.10% flat	439,600	879,200
	- Finance No. 4	24 equal quarterly April, 2012	11.20% flat	5,524,470	6,997,662
	- Finance No. 5	24 equal quarterly October, 2012	12.70% flat	26,216,125	32,384,625
	- Finance No. 6	24 equal quarterly May, 2013	12.70% flat	8,202,528	9,929,376
				334,201,218	426,004,872

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

		No. of instalments and repayment commencement date	Rate of mark-up per annum	2014 Rupees	2013 Rupees
17.2	MCB				
	Demand Finance - I	12 half-yearly April, 2014	1.25% over 6 months KIBOR	412,500,000	450,000,000
17.3	MBL				
	Diminishing Musharaka - I	12 half-yearly May, 2015	1% over 6 months KIBOR	48,545,636	0
	Diminishing Musharaka - II	12 half-yearly June, 2015	-do-	26,052,119	0
	Diminishing Musharaka - III	12 half-yearly July, 2015	-do-	41,195,440	0
	Diminishing Musharaka - IV	12 half-yearly August, 2015	-do-	21,928,142	0
	Diminishing Musharaka - V	12 half-yearly August, 2015	-do-	5,516,040	0
	Diminishing Musharaka - VI	12 half-yearly September, 2015	-do-	27,825,386	0
	Diminishing Musharaka - VII	12 half-yearly October, 2015	-do-	31,346,722	0
				202,409,485	0
17.4	UBL				
	Demand Finance-NIDF-V	12 Half-yearly June, 2009	1.5% over 6 months KIBOR	1,061,320	3,183,960
	Demand Finance-NIDF-VI	10 Half-yearly November, 2012	1.75% over 6 months KIBOR	40,252,997	53,670,661
	Demand Finance-NIDF-VIII	10 half-yearly July, 2013	-do-	39,013,538	48,766,925
	Demand Finance-NIDF-X	10 Half-yearly August, 2012	2% over 6 months KIBOR	39,804,224	49,755,278
	Demand Finance-NIDF-XI	10 Half-yearly April, 2014	2% over 6 months KIBOR	144,208,116	160,231,240

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	No. of instalments and repayment commencement date	Rate of mark-up per annum	2014 Rupees	2013 Rupees
State Bank of Pakistan - Export Oriented Projects				
- Finance No. 1	9 Half-yearly May, 2010	2% p.a. over the rate of refinance as worked-out by SBP	0	20,229,571
- Finance No. 2	9 Half-yearly June, 2010	-do-	0	4,501,002
- Finance No. 3	9 Half-yearly June, 2010	-do-	0	255,119
- Finance No. 4	9 Half-yearly January, 2010	-do-	0	17,541,242
- Finance No. 5	11 Half-yearly May, 2010	-do-	9,386,800	18,773,600
- Finance No. 6	11 Half-yearly May, 2010	-do-	3,834,170	7,668,338
- Finance No. 7	11 Half-yearly June, 2010	-do-	5,339,300	10,678,600
- Finance No. 8	11 Half-yearly June, 2010	-do-	1,636,670	3,273,335
- Finance No. 9	12 Half-yearly January, 2010	-do-	1,812,000	3,020,000
- Finance No. 10	12 Half-yearly April, 2010	-do-	9,961,247	16,602,081
- Finance No. 11	12 Half-yearly March, 2010	-do-	1,090,997	1,818,331
- Finance No. 12	12 Half-yearly June, 2010	-do-	10,976,001	18,293,335
- Finance No. 13	12 Half-yearly September, 2010	-do-	11,333,336	17,000,002
- Finance No. 14	12 Half-yearly September, 2010	-do-	13,333,336	20,000,002
- Finance No. 15	16 Half-yearly May, 2012	As stipulated by SBP	47,887,125	56,593,875
- Finance No. 16	16 Half-yearly July, 2012	-do-	33,750,000	39,375,000
			414,681,177	571,231,497

17.5 The finance facilities available from HBL are secured against first pari passu charge on entire fixed assets on land consisting total area of 219 kanals and 6 marlas situated at District Muzaffargarh and exclusive charge on plant and machinery imported through HBL.

The new demand finance facility of Rs.17.754 million obtained from HBL is secured against first pari passu charge of Rs.560 million on fixed assets of Unit located at Multan Road, Muzaffargarh.

17.6 The demand finance facility available from MCB is secured against first exclusive charge of Rs.450 million over specific plant and machinery imported through MCB.

17.7 The Company, during the year, has obtained two Musharakah finance facilities aggregating Rs.248.546 million from MBL, which are secured against exclusive registered charge over underlying plant & machinery and ranking charge over fixed assets of the Company.

17.8 The finance facilities available from UBL are secured against first charge over all present and future fixed assets including land and buildings of Units 4 and 5 of the Company to the tune of Rs.1,155 million.

17.9 The effective mark-up rates that prevailed during the year on these finance facilities ranged from 7% to 12.70% (2013: 7% to 14.06%) per annum.

18. DEFERRED TAXATION

The Company's income for the current year is chargeable to tax under presumptive tax regime of the Income Tax Ordinance, 2001; however, deferred taxation has been recognised as the management is not certain whether income for the subsequent years will be chargeable to tax under presumptive tax regime or normal tax regime.

19. TRADE AND OTHER PAYABLES

	Note	2014 Rupees	2013 Rupees
Creditors		118,661,831	70,152,003
Bills payable - secured	19.1	35,443,299	57,376,884
Due to an associated undertaking	19.2	18,604,658	296,386,218
Accrued expenses		282,882,002	285,994,996
Advances from customers		12,740,832	23,941,195
Tax deducted at source		1,719,745	4,796,600
Workers' (profit) participation fund	19.3	7,772,743	35,287,000
Workers' welfare fund		39,155,252	36,201,610
Unclaimed dividends		1,070,896	915,938
Others		9,468,001	6,385,557
		527,519,259	817,438,001

19.1 These are secured against the securities as detailed in note 21.2.

19.2 This represents amounts payable to M/s Khawaja Muzaffar Mahmood Muhammad Masood on account of normal trading transactions.

	Note	2014 Rupees	2013 Rupees
19.3 Workers' (profit) participation fund (the Fund)			
Opening balance		35,287,000	28,437,087
Add:			
- allocation for the year	29	7,772,743	35,287,000
- interest on funds utilised in the Company's business	30	8,338,366	7,128,750
		16,111,109	42,415,750
		51,398,109	70,852,837
Less:			
- payments made during the year		43,621,200	35,562,551
- amount deposited with the Government Treasury		4,166	3,286
		43,625,366	35,565,837
Closing balance		7,772,743	35,287,000

- Interest on funds utilised by the Company has been paid at the rate prescribed under the Companies Profit (Workers' Participation) Act, 1968.
- The Fund's audit for the period from July 01, 2013 to January 24, 2014 was carried-out by M/s Ashiq Aamer Sattar & Co., Chartered Accountants, L.M.Q Road, Multan.

20. ACCRUED MARK-UP

	Note	2014 Rupees	2013 Rupees
Mark-up accrued on:			
- long term financing		36,735,471	37,441,265
- short term borrowings		55,531,007	67,265,198
		92,266,478	104,706,463

21. SHORT TERM BORROWINGS

	Note	2014 Rupees	2013 Rupees
Secured			
- Short term borrowings	21.1	844,991,374	712,123,734
- Short term running finances	21.1	1,559,408,038	1,695,776,686
		2,404,399,412	2,407,900,420
Un-secured			
- Temporary bank overdrafts		19,501,072	1,090,797
		2,423,900,484	2,408,991,217

21.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.12,420 million (2013: Rs.11,150 million) including facilities aggregating Rs.3,300 million (2013: Rs.4,400 million) available on Group basis. These finance facilities, during the year, carried mark-up at the rates ranging from 9.62% to 11.44% (2013: 9.89% to 14.79%) per annum. The aggregate finance facilities are secured against charge over the Company's current assets, lien over export bills and banks' lien over letters of credit. These facilities are expiring on various dates by April 30, 2015.

21.2 Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.3,530 million (2013: Rs.2,790 million) including facilities aggregating Rs.650 million (2013: Rs.650 million) available on Group basis. Out of the available facilities, facilities aggregating Rs.2,919 million (2013: Rs.2,365 million) remained unutilised at the year-end. These facilities are secured against lien over import documents and charge over current assets of the Company. These facilities are expiring on various dates by February 28, 2015.

	Note	2014 Rupees	2013 Rupees
22. TAXATION - Net			
Opening balance		164,330,260	148,000,000
Add: provision / (reversal) made during the year:			
- current [net of tax credit under section 65B of the Ordinance amounting Rs.26.291 million (2013: Rs. nil)]	22.2	150,925,000	151,000,000
- prior years - net	22.3	(147,987,877)	(2,203,059)
		2,937,123	148,796,941
		167,267,383	296,796,941
Less: payments / adjustments made during the year against completed assessments		16,342,383	132,466,681
Closing balance		150,925,000	164,330,260

22.1 Income tax assessments of the Company have been finalised by the Income Tax Department or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) upto the year ended June 30, 2013 (tax year 2013).

22.2 No numeric tax rate reconciliation is presented in these financial statements as the Company is only liable to pay tax due under sections 5 (tax on dividends), 37 A (tax on capital gains on sale of securities), 113 (minimum tax on turnover) and 154 (tax on export proceeds) of the Ordinance.

22.3 These represent recognition of tax credits available under section 65B of the Ordinance for the tax years 2011, 2012 and 2013 amounting Rs.43.380 million, Rs.24.936 million and Rs.79.672 million respectively. The Company, during the year, has filed revised returns for the aforementioned tax years to claim these credits.

23. CONTINGENCIES AND COMMITMENTS

23.1 Guarantees given by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies aggregated Rs.321.428 million as at June 30, 2014 (2013: Rs.302.599 million).

23.2 Sui Northern Gas Pipelines Limited (SNGPL) had raised arrears demand aggregating Rs.39.462 million from the Company against the charge that sui gas meter of the Company was not working properly. The Company challenged the said demand by filing a petition before the General Manager SNGPL, Lahore (the GM). The Company, as per direction of the GM, deposited Rs.16.508 million representing 42% of the demand under protest and grouped it under loans and advances (note 12). The GM formed a Committee to probe into the matter. If the case is decided in the Company's favour, the Company will receive back 42% of the demand paid under protest; otherwise the Company will have to deposit the remaining demand of Rs.22.954 million.

23.3 The Company has filed a petition in the Civil Court, Multan against SNGPL, which has alleged that the Company's gas meter was not functioning properly during the period from May, 2012 to September, 2013. SNGPL has raised demand amounting Rs. 1.101 million. The Company's petition is pending adjudication.

23.4 The Company had challenged the imposition of infrastructure cess by the Directorate of Excise & Taxation, Karachi (the Directorate) at the rate of 0.85% of the value of imported goods by filing a suit before the High Court of Sindh at Karachi (the Court). The Court had directed the Company to furnish a bank guarantee covering the disputed amount of cess. The Company, during the period from December 28, 2006 to May 30, 2011, had utilised bank guarantees to the tune of Rs.32.489 million. The Directorate, vide its letter dated July 13, 2011, had requested the Company to furnish a bank guarantee of 50% of the aforementioned amount along with a demand draft for the balance 50% of the aforementioned amount in order to return of the previous bank guarantees.

The Company had submitted a bank draft amounting Rs.16.245 million to the Directorate during September, 2011, which was grouped under loans and advances. Habib Bank Limited, on behalf of the Company in consideration of allowing the release of consignments imported from time to time for the purpose of carriage of goods by road within the province of Sindh, has undertaken and guaranteed to pay an amount of Rs.16.245 million to the Directorate in case if the Court decides that the cess imposed under the Sindh Finance Act, 1994 is lawful and validly imposed. The bank guarantee is valid upto August 15, 2015. The management, during preceding year, had expensed the advance of Rs.16.245 million.

23.5 Foreign bills discounted outstanding as at June 30, 2014 aggregated Rs.612.420 million (2013: Rs.2,251 million).

23.6 Local bills discounted outstanding as at June 30, 2014 aggregated Rs. 55.002 million (2013: Rs.nil).

		2014	2013
23.7	Commitments for irrevocable letters of credit:	(Rupees in million)	
	- capital expenditure	0	10.700
	- others	24.392	54.428
		24.392	65.128

	Note	2014 Rupees	2013 Rupees
24. SALES - Net			
LOCAL			
Own produced:			
- yarn		1,545,135,994	1,675,880,386
- cloth		121,724,820	136,127,092
- electricity sales to Multan Electric Power Company Ltd. (MEPCO)		0	88,573,347
- waste		270,056,569	237,895,945
- doubling / sizing income		24,104,708	7,566,838
		1,961,022,091	2,146,043,608
Purchased products:			
- cotton		359,827,120	98,899,476
- yarn		89,158,600	61,104,865
- cloth		3,012,660	1,426,110
		451,998,380	161,430,451
	24.1	2,413,020,471	2,307,474,059
EXPORT			
Own produced:			
- yarn		9,569,710,616	8,178,681,426
- cloth		2,440,312,296	2,216,746,698
- waste		112,617,176	119,299,712
	24.2	12,122,640,088	10,514,727,836
Purchased product - yarn		939,561,725	1,403,304,517
	24.3	13,062,201,813	11,918,032,353
		15,475,222,284	14,225,506,412

24.1 Local sales have been shown after deduction of sales tax aggregating Rs.97.623 million (2013: Rs.50.401 million).

24.2 Loss aggregating Rs.5.231 million - net (2013: Rs.9.836 million) arisen upon realisation of foreign currency export debtors has been grouped under export sales.

	Note	2014 Rupees	2013 Rupees
25. COST OF SALES			
Raw materials consumed	25.1	9,840,997,427	8,463,623,525
Stores and spares		309,656,287	322,716,308
Packing materials consumed		199,588,517	164,530,720
Salaries, wages and benefits	25.3	703,072,501	634,329,823
Power and fuel		1,362,069,201	1,132,998,868
Repair and maintenance		26,085,126	26,479,654
Depreciation	5.4	300,790,584	268,262,286
Insurance		97,535,719	75,399,964
Doubling charges		34,976,640	38,198,947
		12,874,772,002	11,126,540,095
Adjustment of work-in-process			
Opening		103,560,454	99,005,434
Closing		(108,940,362)	(103,560,454)
		(5,379,908)	(4,555,020)
Cost of goods manufactured		12,869,392,094	11,121,985,075
Adjustment of finished goods			
Opening stock		808,313,121	635,447,887
Closing stock		(829,719,104)	(808,313,121)
		(21,405,983)	(172,865,234)
Cost of goods sold - own manufactured		12,847,986,111	10,949,119,841
Cost of goods sold - purchased products			
Opening stock		9,543,490	0
Purchases		1,259,910,996	1,349,790,989
Closing stock		(1,662,875)	(9,543,490)
		1,267,791,611	1,340,247,499
		14,115,777,722	12,289,367,340
25.1 Raw materials consumed			
Opening stock		2,725,170,066	1,510,421,363
Purchases and purchase expenses		6,280,855,902	7,399,028,881
Transfer from Ginning Section - net	25.4	2,551,873,313	2,269,388,644
		8,832,729,215	9,668,417,525
		11,557,899,281	11,178,838,888
Less: closing stock		(1,727,297,808)	(2,725,170,066)
		9,830,601,473	8,453,668,822
Cotton cess		10,395,954	9,954,703
		9,840,997,427	8,463,623,525

25.2 Insurance claims aggregating Rs.5.694 million (2013: Rs.5.916 million), against loss of raw materials due to fire and quality claims lodged with suppliers, have been adjusted against raw materials consumption for the year.

25.3 Expense for the year includes staff retirement benefits - gratuity amounting Rs.29.766 million (2013: Rs.28.671 million).

	Note	2014 Rupees	2013 Rupees
25.4 Production Cost of Ginning Section - Net			
Raw materials consumed including local taxes aggregating Rs. 4,233,122 (2013: Rs. 4,237,577)		3,014,094,344	2,649,464,563
Lease charges		1,800,000	1,600,000
Salaries, wages and benefits		46,111,102	43,607,358
Travelling and conveyance		699,933	1,877,391
Repair and maintenance		13,642,290	12,727,167
Stores consumption		11,175,362	9,886,784
Utilities		53,469,018	39,150,263
Entertainment		900,756	919,966
Stationery		172,140	178,915
Communication		248,199	206,110
Insurance		4,896,007	5,517,492
Bank charges		6,074,845	4,914,087
Others		1,399,734	1,426,425
		3,154,683,730	2,771,476,521
Less: sale of cotton seed		602,810,417	502,087,877
Transferred to Spinning Section		2,551,873,313	2,269,388,644

The Company has acquired three Cotton Ginning Factories on operating lease; their total cost of production, after adjustment of sale of cotton seed has been transferred to Spinning Section as raw materials cost.

26. DISTRIBUTION COST

	2014	2013
Advertisement	274,880	933,310
Export expenses	153,400,199	202,541,891
Commission	190,417,832	276,226,790
Export development surcharge	22,078,386	19,443,848
Freight and other expenses	63,465,703	74,974,202
	429,637,000	574,120,041

	Note	2014 Rupees	2013 Rupees
27. ADMINISTRATIVE EXPENSES			
Salaries and benefits	27.1	76,941,936	54,192,969
Travelling and conveyance	27.2	64,242,519	58,673,898
Rent, rates and taxes		1,666,297	852,367
Entertainment		11,081,221	9,283,970
Utilities		7,689,861	9,110,488
Communication		16,242,127	12,921,542
Printing and stationery		9,366,386	8,445,522
Insurance		3,550,126	1,457,532
Repair and maintenance		10,770,564	8,068,953
Vehicles' running and maintenance		21,432,708	19,702,271
Subscription		8,305,543	5,321,094
Auditors' remuneration:			
- statutory audit		1,000,000	1,000,000
- half yearly review		100,000	100,000
- certification charges		11,500	11,500
		1,111,500	1,111,500
Legal and professional charges (other than Auditors)		960,358	966,765
Depreciation	5.4	17,499,037	12,598,545
General		24,004,819	16,401,979
		274,865,002	219,109,395

27.1 Expense for the year includes staff retirement benefits - gratuity amounting Rs.6.200 million (2013: Rs.4.639 million).

27.2 These include directors' travelling expenses aggregating Rs.52.518 million (2013: Rs.46.797 million).

	Note	2014 Rupees	2013 Rupees
28. OTHER INCOME			
Income from financial assets			
Return on bank deposits		31,745	30,096
Dividends		64,267,365	25,116,558
Fair value gain on re-measurement of short term investments		0	16,420,237
Realised gain on sale of short term investments at fair value through profit or loss		266,721,144	8,678,583
Income from non-financial assets			
Rent		2,400	39,300
Gain on disposal of operating fixed assets - net	5.3	3,555,808	0
		334,578,462	50,284,774

	Note	2014 Rupees	2013 Rupees
29. OTHER EXPENSES			
Donations (without directors' interest)		5,044,150	6,377,713
Loss on disposal of operating fixed assets - net		0	18,357
Workers' (profit) participation fund	19.3	7,772,743	35,287,000
Workers' welfare fund		2,953,642	13,409,000
Loss on sale of investments in Dandot Cement Company Limited	13.1(e)	8,799,504	11,447,760
Unrealised loss on re-measurement of short term investments at fair value through profit or loss	13	76,754,064	0
Others		11,699	1,574
		101,335,802	66,541,404
30. FINANCE COST - Net			
Mark-up on:			
- long term financing - net of mark-up subsidy Rs. 1,881,519 (2013: Rs.2,147,087)		151,146,478	148,765,323
- short term borrowings - net of mark-up accrued on loan advanced to an executive amounting Rs.528,235 (2013: Rs. 195,000)		348,311,801	273,326,199
Interest on workers' (profit) participation fund	19.3	8,338,366	7,128,750
Bank charges and commission		54,492,852	40,387,661
		562,289,497	469,607,933

31. EARNINGS PER SHARE

31.1 Basic

Basic earnings per share has been computed by dividing the net profit for the year after taxation by the weighted average number of ordinary shares outstanding during the year.

	2014	2013
Profit after taxation attributable to ordinary shareholders	471,699,841	668,925,394
	2014	**2013**
	No. of shares	
Weighted average number of ordinary shares outstanding during the year	15,000,000	15,000,000
	2014 Rupees	**2013 Rupees**
Earnings per share	31.45	44.60

31.2 Diluted

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

32. SEGMENT INFORMATION

Segment analysis

	Spinning	Weaving	Power*	Total
	---------- Rupees ----------			
Year ended June 30, 2014				
Revenue	12,894,599,120	2,580,623,164	0	15,475,222,284
Segment results	464,910,601	190,031,959	0	654,942,560
Year ended June 30, 2013				
Revenue	11,760,579,830	2,376,353,236	88,573,347	14,225,506,413
Segment results	1,100,262,768	46,267,634	(3,620,766)	1,142,909,636

* The Company, during the current year, has self consumed all the electricity generated and no sales were made to MEPCO

Reconciliation of segment results with profit from operations:

	2014 Rupees	2013 Rupees
Total results for reportable segments	654,942,560	1,142,909,636
Other expenses	(101,335,802)	(66,541,404)
Other income	334,578,462	50,284,774
Finance cost	(562,289,497)	(469,607,933)
Profit from Associates	148,741,241	160,677,262
Profit before taxation	474,636,964	817,722,335

Information on assets and liabilities by segment is as follows:

	Spinning	Weaving	Power	Total
	---------- Rupees ----------			
As at June 30, 2014				
Segment assets	5,240,178,884	1,175,999,509	209,106,821	6,625,285,214
Segment liabilities	2,495,127,353	427,794,431	320,781	2,923,242,565
As at June 30, 2013				
Segment assets	6,122,673,630	1,131,831,723	278,433,245	7,532,938,598
Segment liabilities	2,834,637,656	87,351,445	232,035,569	3,154,024,670

Reconciliation of segments assets and liabilities with totals in the balance sheet is as follows:

	As at June 30, 2014		As at June 30, 2013	
	Assets	Liabilities	Assets	Liabilities
	---------- Rupees ----------			
Total for reportable segments	6,625,285,214	2,923,242,565	7,532,938,598	3,154,024,670
Unallocated assets / liabilities	2,496,785,316	1,750,404,410	1,651,731,300	1,903,921,514
Total as per balance sheet	9,122,070,530	4,673,646,975	9,184,669,898	5,057,946,184

Sales to domestic customers in Pakistan are 15.59% (2013: 16.22%) and to customers outside Pakistan are 84.41% (2013: 83.78%) of the revenues during the year.

The Company's customer base is diverse with no single customer accounting for more than 10% of net revenues.

Geographical Segments

All segments of the Company are managed on nation-wide basis and operate manufacturing facilities and sale offices in Pakistan.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

33.1 Financial Risk Factors

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

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

33.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of raw materials, plant and machinery, stores and spares and export of goods mainly denominated in U.S. $, Euro and Japanese Yen (JPY). The Company's exposure to foreign currency risk for U.S. $, Euro and JPY is as follows:

	2014			
	Rupees	U.S.$	Euro	JPY
Trade debts	(399,162,707)	(4,057,532)	0	0
Bills payable	35,443,299	204,702	0	15,700,000
Gross balance sheet exposure	(363,719,408)	(3,852,830)	0	15,700,000
Outstanding letters of credit	24,391,692	63,660	134,890	2,836,334
Net exposure	(339,327,716)	(3,789,170)	134,890	18,536,334

	2013			
	Rupees	U.S.$	Euro	JPY
Trade debts	(313,947,361)	(3,199,120)	0	0
Bills payable	57,376,884	579,857	0	0
Gross balance sheet exposure	(256,570,477)	(2,619,263)	0	0
Outstanding letters of credit	65,127,672	528,206	62,753	4,764,700
Net exposure	(191,442,805)	(2,091,057)	62,753	4,764,700

The following significant exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2014	2013	2014	2013
U.S. $ to Rupee	98.75	96.58	98.75 / 98.55	98.95 / 98.75
EURO to Rupee	131.63	123.70	134.13	129.12
Yen to Rupee	0.9844	1.0945	0.9700	0.9988

Sensitivity analysis

At June 30, 2014, if Rupee had strengthened by 10% against U.S.$ with all other variables held constant, profit after taxation for the year would have been lower by the amount shown below mainly as a result of net foreign exchange losses on translation of foreign currency financial assets and liabilities.

Effect on profit for the year:	2014 Rupees	2013 Rupees
U.S. $ to Rupee	36,371,941	25,657,048

The weakening of Rupee against U.S. $ would have had an equal but opposite impact on profit after taxation.

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

(b) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2014	2013	2014	2013
	Effective mark-up rate		Carrying amount -------- (Rupees) --------	
	%	%		
Fixed rate instruments				
Financial assets				
Bank balances at saving accounts	6% to 7%	1% to 2%	503,425	303,396
Variable rate instruments				
Financial liabilities				
Long term financing	7% to 12.70%	7% to 14.60%	1,363,791,880	1,447,236,369
Short term borrowings	9.62% to 11.44%	9.89% to 14.79%	2,404,399,412	2,407,900,420

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 reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2014, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs.37.682 million (2013: Rs.38.551 million) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) **Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result 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 instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is not exposed to any price risk.

33.3 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from trade debts, investments, other receivables and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 60 to 90 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2014 along with comparative is tabulated below:

	2014 Rupees	2013 Rupees
Long term investments	434,925,000	434,925,000
Loan to an executive	5,825,735	5,895,000
Long term deposits	8,732,521	8,201,271
Trade debts	604,766,242	539,697,404
Loans and advances	10,586,289	6,616,760
Other receivables	66,265,873	70,796,091
Short term investments	765,596,206	275,422,630
Bank balances	6,357,048	11,936,356
	1,903,054,914	1,353,490,512

	2014 Rupees	2013 Rupees
Trade debts exposure by geographic region is as follows:		
Domestic	205,603,535	225,750,043
Export	399,162,707	313,947,361
	604,766,242	539,697,404

The majority of export debts of the Company are situated in Asia and Europe.

	2014 Rupees	2013 Rupees
The aging of trade debts at the year-end was as follows:		
Not past due	592,092,751	521,184,524
Past due Less than 3 months	0	12,873,500
Past due from 3 to 6 months	7,038,612	2,618
Past due more than 6 months	5,634,879	5,636,762
	604,766,242	539,697,404

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.567.026 million (2013: Rs.453.277 million) have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time. Further, export debts are secured through letters of credit.

Credit rating

Short term credit ratings of investments in IGI investment Bank Ltd. and Soneri Bank Ltd. have been assigned A3 and A1+ respectively by PACRA.

33.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

	2014				
	Carrying amount	Contractual cash flows	Less than 1 Year	Between 1 to 5 years	5 years and above
	---- Rupees ----				
Long term financing	1,363,791,880	1,758,531,783	467,732,190	1,178,405,633	112,393,960
Short term borrowings	2,404,399,412	2,491,326,938	2,491,326,938	0	0
Trade and other payables	466,130,687	466,130,687	466,130,687	0	0
Accrued mark-up	92,266,478	92,266,478	92,266,478	0	0
	4,326,588,457	4,808,255,886	3,517,456,293	1,178,405,633	112,393,960

	2013				
	Carrying amount	Contractual cash flows	Less than 1 Year	Between 1 to 5 years	5 years and above
	---------- Rupees ----------				
Long term financing	1,447,236,369	1,864,792,680	447,799,237	1,245,972,668	171,020,775
Short term borrowings	2,407,900,420	2,576,322,294	2,576,322,294	0	0
Trade and other payables	717,211,596	717,211,596	717,211,596	0	0
Accrued mark-up	104,706,463	104,706,463	104,706,463	0	0
	4,677,054,848	5,263,033,033	3,846,039,590	1,245,972,668	171,020,775

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest / mark-up rates effective at the respective year-ends. The rates of interest / mark-up have been disclosed in the respective notes to these financial statements.

33.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm’s length transaction. Consequently, differences may arise between carrying values and the fair value estimates.

At June 30, 2014, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loan to an executive and advances to employees, which are valued at their original costs less repayments.

34. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, 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 shareholders and / or issue new shares.

There was no change to the Company’s approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity and current ratios under the financing agreements.

35. REMUNERATION OF DIRECTOR AND EXECUTIVES

	Director		Executives	
	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees
Managerial remuneration	3,600,000	0	22,951,604	20,762,902
Bonus	0	0	2,868,953	2,595,363
Retirement benefits - gratuity	0	0	1,912,634	1,730,242
Other perquisites and benefits	0	0	1,943,608	1,932,367
	3,600,000	0	29,676,799	27,020,874
Number of persons	1	0	22	21

35.1 The Chief Executive, all directors and some of the executives are provided with Company's maintained cars, residential and cell phones.

36. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise of associated companies and an undertaking, its directors and key management personnel. The Company in the normal course of business carries-out transactions with various related parties. Amounts due from and to related parties and remuneration of key management personnel are disclosed in the relevant notes. There were no transactions with key management personnel other than under the terms of employment. The transactions with related parties are made at normal market prices.

Material transactions with associated companies and an undertaking during the year were as follows:

	2014 Rupees	2013 Rupees
- sale of goods	2,918,933,669	2,544,402,682
- purchase of goods	584,226,415	1,155,966,648
- doubling charges	1,107,806	6,866,310
- doubling revenue	18,269,202	6,024,538
- dividend received	10,000,000	8,000,000

37. CAPACITY AND PRODUCTION

		2014	2013
Yarn			
Number of spindles installed		107,760	107,760
Number of spindles-shift worked		112,312,162	106,083,962
Production capacity at 20's count 1,093 shifts (2013: 1,092 shifts)	Kgs.	38,208,000	36,089,200
Actual production converted into 20's count	Kgs.	35,875,401	33,718,241
Cloth			
Number of looms installed		100	100
Number of looms-shifts worked		109,500	109,500
Installed capacity at 60 picks 1,093 shifts (2013: 1,092 shifts)	Sq. mtrs.	22,198,545	22,424,754
Actual production converted into 60 picks	Sq. mtrs.	19,974,251	17,763,802
Power House			
Number of generators installed		9	9
Number of shifts worked		1,093	1,092
Generation capacity in Mega Watts		19	19
Actual generation in Mega Watts		16	16

It is difficult to describe precisely the production capacity in spinning / weaving mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles' speed, twist, the width and construction of fabric woven, etc. It also varies according to the pattern of production adopted in a particular year.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	--- Numbers ---	
38. NUMBER OF EMPLOYEES		
Number of persons employed as at June 30,		
- permanent	2,032	1,926
- contractual	286	277
Average number of employees during the year		
- permanent	2,010	1,880
- contractual	276	252

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 02, 2014 by the board of directors of the Company.

40. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on October 03, 2014 has proposed a final cash dividend of Rs.10 per share (2013: Rs.10 per share) for the year ended June 30, 2014. The financial statements for the year ended June 30, 2014 do not include the effect of proposed dividend amounting Rs.150 million (2013: Rs.150 million), which will be accounted for in the financial statements for the year ending June 30, 2015 after approval by the members in the annual general meeting to be held on October 31, 2014.

41. FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison; However, no significant rearrangements and reclassifications have been made in these financial statements.

sd/-	sd/-	sd/-	sd/-
(KH. MUHAMMAD MASOOD)	**(KH. MUHAMMAD IQBAL)**	**(KH. MUHAMMAD YOUNUS)**	**(MUHAMMAD AMIN PAL)**
CHAIRMAN	CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

Form Of Proxy

I,____

of____

being a member of Mahmood Textile Mills Ltd., hereby appoint_________________________

____

of____

as my proxy in my absence to attend and vote for me and on my behalf at the (Ordinary or/

and extraordinary as the case may be) General Meeting of the Company to be held on the

____

and at any adjournment thereof____

Day of____________________________ 2014.

Signed by the siad

Affix
Revenue Stamp

IMPORTANT

This form of proxy, duly completed, must be deposited at the Company's Registered Office at Mehr Manzil, Lohari Gate, Multan not less than 48 hours before the time for holding the meeting.