Quality Textile Mills Limited

Manufacturer & Exporter Of Quality Cotton Yarn For Weaving & Knitting
Business Office: 107, Main Korangi Road, Defense Phase I, Block-2, Karachi, Pakistan.
PABX: 0092-21-35802316-35802317 FAX: 0092-21-35890603 MB PH: 0300-8254985
Website: www.qualitytextile.com - Email: office@qualitytextile.com

YOUSUFI TRADERS
Ph: 021-32415316 Fax : 021-32465117

26th ANNUAL REPORT 2014

Quality Textile Mills Limited

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QUALITY TEXTILE MILLS LIMITED

26^{TH} ANNUAL REPORT
2014

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Company Information

Board Of Directors:	Mr. Noor Muhammad Hashim	Chairman / Chief Executive
	Mr. Tayyab Noor Muhammad	Director
	Mr. Muhammad Younus Hashim	Director
	Mr. Imran M. Younus	Director
	Miss. Ambrin Noor Mohammad	Director
	Mr. Kamran M. Younus	Director
	Mrs. Nadia Tayyab	Director
Audit Committee:	Mr. Kamran M. Younus	Chairman
	Mr. Muhammad Younus Hashim	Member
	Mr. Imran M. Younus	Secretary
Human Resourse & Remuneration Committee:	Mr. Kamran M Younus	Chairman
	Mr. Imran M Younus	Member
	Miss Ambreen Noor Mohammad	Member
Chief Financial Officer / Company Secretary:	Mr. Ali Asghar	
Bankers:	Bank Al-Habib Limited Habib Metropolitan Bank Limited Meezan Bank Limited	
Auditors:	M. Yousuf Adil Saleem & Co. Chartered Accountants	
Legal Advisor:	K. A. Wahab Advocate	
Share Registrar:	F. D. Registrar Services (SMC-Pvt) Ltd. 1705, 17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi. Tel # 021-35478192-3, Fax # 021-32271905	
Registered Office:	107, Main Korangi Road, Defense Phase I, Karachi. Tel: 0092-21-35802316-35802317 Fax: 0092-21-35890603 Website: www.qualitytextile.com Email : office@qualitytextile.com	
Business Office	107, Main Korangi Road, Defense Phase I, Karachi. Website: www.qualitytextile.com Email : office@qualitytextile.com	
Mills:	26KM, Sheikhupura Faisalabad Road, Ferozwattowan. Distt. Sheikhupura. Fax: 0563-731307 Tel: 0563-731751 & 0563-731341 Email: qualitytextileemill@gmail.com	

Notice of Annual General Meeting

Notice is hereby given that the 26th Annual General Meeting of the shareholders of Quality Textile Mills Limited will be held on Monday October 28, 2014 at 09:30 A.M. at its Registered Office 107, Main Korangi Road, Defense Phase I, Karachi to transact the following business:

1. To confirm the minutes of last Extraordinary General Meeting held on July 22, 2014.

2. To receive, consider and adopt the Audited Accounts of the Company together with the Auditors and Directors reports thereon, for the year ended June 30, 2014.

3. To approve the appointment of auditors and to fix their remuneration for the next year 2014-2015.

4. To elect seven directors as fixed by the board for a term of three years in accordance with the provision of the Companies Ordinance, 1984. The name of the retiring directos are: Mr. Noor Mohammad Hashim, Mr. Tayyab Noor Mohammad, Mr. Younus Hashim, Mr. Imran M. Younus, Mr. Kamran M. Younus, Miss Ambreen Noor Mohammad and Mrs. Nadia Tayyab.

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

By the order of the board
ALI ASGHAR

Karachi:
Date: 03-10-2014

Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 22 to October 28, 2014 (both days inclusive), to determine the names of members entitled to attend the meeting. Transfer received in order, at the Share Registrar of the Company at the close of business on October 21, 2014 will be treated in time.

2. The member entitled to attend and vote at the above meeting may appoint a member as proxy to attend and vote in place of the member at the meeting. Proxies in order to be effective must be received at the Share Registrar of the company not later 48 hours before the time of the meeting.

3. Any person, who seeks to contest the election of directors shall file with the company at its registered office not later than fourteen days before the above said meeting his/her intention to offer himself/herself for election as a director in terms of Section 179(3) of the Companies Ordinance, 1984 together with (a) consent in Form 28 (b) a declaration with consent to act as director in the manner as provided under clause (ii) of the Code of the Corporate Governance, (c) a declaration in terms of clause (iii), (iv) and (v) of the Code of the Corporate Governance.

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

5. Those shareholders, whose shares are deposited with Central Depository Company of Pakistan Ltd. (CDC), are requested to bring their original Computerized National Identity Card (CNIC) along with participant's ID number and their account/subaccount numbers in CDC to facilitate identification at the time of Annual General Meeting. In case of Proxy, attested copies of proxy's CNIC or passport, Account and Participation's ID numbers must be deposited along with the Form of Proxy with Share Registrar of the Company. In case of Proxy for corporate members, the Board of Directors' Resolution /Power of Attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier to the Share Registrar).

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Directors Report
For the Period Ended on June 30, 2014

Dear Members - Assalam-o-Alekum

On behalf of my colleagues on the Board, I welcome you to the 26th General Meeting of the Company and present before you the annual report, along with the audited financial statements of the Company, for the year ended June 30, 2014.

OPERATING RESULTS

Against the backdrop of challenging macroeconomic situation and weak business sentiments, the year 2014 proved to be yet another difficult year. The overall sales of the Company increased by 1.5% from Rs. 2.589 billion from Rs. 2.557 billion during the operations of the year ended June 30, 2014. Gross profit margin of the Company was 5.75% (2013: 12.21%). Your Company has earned pre-tax profit of Rs. 34,060,687/- (2013: Rs. 196,226,298/-) after providing depreciation of Rs. 80,395,711/- and financial charges of Rs. 72,825,957/-

The financial results for the year shows post tax profit of Rs. 12,013,760/- (2013: Rs. 65,974,317/-).

During the year your company has managed to be marginally profitable due to weak economy, adverse security situation and high cost of production. The average cotton prices during the current period were almost 15% higher as compared to last year and the prices of yarn were not enough to cover the cost of production. Our major concern during the period was of load- shedding by Sui Gas and WAPDA which affected our production and increased our cost which ultimately affected our profitability.

FUTURE CHALLENGES

Any balanced review of Quality Textile needs to reflect the environment in which we operate. The challenging conditions which I touched on last year continue. The world market is growing competitive with the increasing number of regional competitors. However, many of the drivers of demand and supply in the industry are under pressure. Challenges currently being faced by Pakistan economy will not disappear soon.

The market condition post June has not yet improved. The price of cotton is rapidly falling due to restriction imposed by China on import of cotton which is also affecting the prices of yarn. The management hopes that the market indicators will show some positive signs in the current year.

MODERNIZATION

Your Company continued its long-term strategy to invest in qualitative growth. During the year the company imported and installed the latest Murata Auto Cone Winder as per our program to modernize the factory with latest technology.

AUDITORS

The retiring Auditor M/s. Yousuf Adil Saleem & Co., Chartered Accountants, being eligible has offered themselves for re-appointment for the ensuing year 2014-2015. The audit committee in its meeting held on September 16, 2014 has recommended re-appointment of the retiring auditors.

PATTERN OF SHARE HOLDING

The pattern of share holding of the company as at June 30, 2014 is annexed.

Statement On Corporate And Financial Reporting Framework

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

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

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

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

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

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

g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

h) Key operating and financial data for the last six years have been summarized on page No.06

i) There are no overdue taxes and levies as on June 30, 2014.

j) During the year five meetings of the Board of Director were held and attendance by each director is given on page No. 07.

k) During the year under review, the trading in shares of the Company by the Director is as follows:

	Opening Balance As on 01-07-2013	Purchases	Sales	Closing Balance As on 30-06-2014
Mrs. Nadia Tayyab	41,051	20,692	-	61,743

ACKNOWLEDGEMENT

The board is pleased to record its appreciation for the sincerity and hard work of the staff and workers at Mill and Head office and also extends thanks to valued share-holders for their confidence and moral support to the Company. In particular, I want to express my appreciation to all our bankers who has supported us throughout the period. Finally, I would like to thank all my fellow Directors for the contribution they have made to our discussions throughout a busy 2014. We look forward to welcoming as many of you as possible to our Annual General Meeting on October 28, 2014.

On Behalf of Board of Directors

Noor Muhammad Hashim

NOOR MUHAMMAD HASHIM
Chairman / Chief Executive

Karachi
Dated: September 23, 2014

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Financial Highlights

	2009 Rupees	2010 Rupees	2011 Rupees	2012 Rupees	2013 Rupees	2014 Rupees
A Profit & Loss						
Net Sales	1,220,867,283	1,584,087,812	2,531,350,888	2,075,429,391	2,557,194,407	2,589,014,071
Gross Profit	114,489,931	248,570,976	387,285,446	212,237,340	312,214,277	148,882,170
Profit / (Loss) Before Tax	10,877,372	116,712,100	243,654,404	86,192,773	196,226,298	34,060,687
Profit / (Loss) After Tax	(2,007,599)	94,998,213	201,186,133	66,403,328	165,974,317	12,013,760
B Cash Out Flows						
Taxes paid	8,949,275	23,550,798	45,381,097	25,107,572	40,715,765	22,862,870
Financial charges paid	69,438,520	70,505,183	95,785,402	67,117,858	67,909,518	64,748,406
Fixed capital expenditure	25,860,840	20,086,635	141,024,932	109,382,033	136,936,602	149,830,280
C Balance Sheet						
Current Assets	388,267,295	378,775,340	566,952,905	807,551,989	604,377,781	683,482,373
Current Liabilities	385,648,450	359,381,801	449,032,205	737,682,884	437,076,382	541,545,268
Operating fixed assets	553,492,895	598,227,606	689,202,487	791,268,396	856,819,552	900,148,612
Total assets	945,080,223	979,168,047	1,258,320,493	1,600,985,486	1,463,362,434	1,587,311,086
Long term loans	35,400,000	11,800,000	-	-	-	34,008,074
Shareholders' Equity	242,362,818	324,884,702	527,017,910	529,631,707	693,927,871	680,985,374
D Ratio						
Current ratio (As per SBP regulations)	1: 0.99	1 : 0.95	1 : 0.79	1 : 0.91	1 : 0.72	1 : 0.79
Gross Profit %	9.38	15.69	15.30	10.23	12.21	5.75
Net profit % (before tax)	0.89	7.37	9.63	4.15	7.67	1.32
Earning / (Loss) per share	(0.13)	5.95	12.59	4.16	10.39	0.75
Dividend %	0%	15%	35%	15%	20%	0%
E Production Data						
1 No. of Spindles Worked	24,240	24,240	24,240	24,720	24,720	25,104
2 Installed capacity after conversion into 20/s count-Kgs.	7,087,253	7,087,253	7,227,595	7,227,595	7,227,595	7,227,595
3 Actual Production of Yarn after conversion into 20/s count-Kgs.	7,987,172	8,344,247	8,064,290	6,985,911	6,647,606	6,857,327

DURING THE YEAR 2013-2014
(July 2013 to June 2014)

Name of Directors	Total No. of Board Meeting	No. of Meeting Attended
1 Mr. Noor Muhammad Hashim	5	5
2 Mr. Tayyab Noor Muhammad	5	5
3 Mr. Muhammad Younus Hashim	5	5
4 Miss Ambrin Noor Mohammad	5	5
5 Mr. Imran M. Younus	5	5
6 Mr. Kamran M. Younus	5	5
7 Ms Nadia Tayyab Gandhi	5	5

Detail of Pattern of Share Holding

Quality Textile Mills Limtied

AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

	SHARES HELD	TOTAL SHARES
NIT and ICP		
Investment Corporation of Paksitan	500	500
Associated Company		
Noor Automobiles (Pvt.) Limited	500,000	500,000
Directors, CEO and their Spouses and Minor Childern		
Noor Muhammad Hashim	7,301,412	
Tayyab Noor Muhammad	5,540,000	
Ambrin Noor Muhammad	1,774,000	
Muhammad Younus Hashim	26,762	
Imran M. Younus	603,487	
Kamran Younus	5,000	
Nadia Tayyab	61,743	
Total		**15,312,404**
Joint Stock Companies		**1000**
Individual (Gernal Public)		**163,904**
TOTAL SHARE CAPITAL		**15,977,808**

SUMMARY OF SHARE CAPITAL	**No. of Shares Holders**	**Shares Held**
Associated Companies	1	500,000
Director, CEO and their spouse and Minor Children's	7	15,312,404
Banks, DFIs, NBFIs, Insurance Companies, Modaraba and Mutual Fund	1	500
Joint Stock Companies	2	1,000
Individual	507	163,904
TOTAL SHARES CAPITAL	**518**	**15,977,808**

Shareholders Holding 5% or More	**Shares Held**	**% AGE**
Noor Muhammad Hashim	7,301,412	45.70
Tayyab Noor Muhammad	5,540,000	34.67
Ambrin Noor Mohammad	1,774,000	11.10

AS ON JUNE 30, 2014

Number of Share Holders	From	Share Holding	To	Total Shares Held
164	1	-	100	6,191
185	101	-	500	29,546
151	501	-	1,000	97,150
9	1,001	-	5,000	14,950
3	5,001	-	10,000	17,567
1	60,001	-	65,000	61,743
1	495,001	-	500,000	500,000
1	635,001	-	640,000	635,249
1	1,770,001	-	1,775,000	1,774,000
1	5,535,001	-	5,540,000	5,540,000
1	7,300,001	-	7,305,000	7,301,412
518				**15,977,808**

S.No.	Categories of Share Holders	Number of Share Holders	Shares Held	Percentage
1	INDIVIDUALS	514	15,476,3078	96.86
2	JOINT STOCK COMPANIES	3	501,000	3.14
3	INVESTMENT COMPNIES	1	500	0.00
		518	**15,977,808**	**100.00**

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Statement Of Compliance With Best Practices Of The Code Of Corporate Governance

For the year ended June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in listing regulations of Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code 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	Names
Executive Directors	Mr. Noor Muhammad Hashim
	Mr. Tayyab Noor Muhammad
	Ms. Ambrin Noor Muhammad
Non-Executive Directors	Mr. Muhammad Younus Hashim
	Mr. Imran M. Younus
	Mr. Kamran Younus
	Ms. Nadia Tayyab Gandhi

The condition of clause 1(b) of the Code in relation to independent director will be applicable after election of Board of Directors of the Company in October 2014.

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 the 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 in the Board occurred during the year.

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 policies and procedures. However, the same has not been placed on the Company's website.

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

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

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

9. The Board members are aware of their responsibilities, rules and regulations on laws affecting the Company as they are on the Board since many years. They have been kept aware through orientation programs regarding the changes in the corporate laws particularly in the Code of Corporate Governance. Further, two executive directors namely Mr. Tayyab Noor Muhammad and Ms. Ambrin Noor Muhammad attended the Directors' Training Program conducted by The Institute of Chartered Accountants of Pakistan duly approved by Securities and Exchange Commission of Pakistan.One of the director are sufficiently experienced to qualify for the criteria for exemption from formal training requirement stated in the Code.

10. No new appointment of CFO, Company Secretary and Head of Internal Audit was made during the year.

11. The directors' report for the year ended June 2014 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

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

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

15. The Board has formed an Audit Committee. It comprises of three members of whom two are non-executive directors. Chairman of the audit committee was executive director.

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

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

18. The Board has set up an effective internal audit function. The headof Internal Audit functionis an experienced person for the purpose and is conversant with the policies and procedures of the Company. The management is in process of further strengthening the function.

19. 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 International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

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

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

23. We confirm that all other material principles enshrined in the Code have been complied with except for a mechanism that shall be put in place for the annual evaluation of the Board's own performance by April 2014, the Company is in process of preparing a framework for this purpose and eventual approved by the Board of Directors of the Company. Furthermore the re-election of the Chairman of the Board of Directors will be applicable after election of meeting of Board of Directors of the Company in October 2014.

NOOR MUHAMMAD HASHIM
Chief Executive Officer

Karachi
September 23, 2014

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Review Report To The Members on Statement of Compliance With Best Practices of Code of Corporate Governance

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement of 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 of Corporate Governance as applicable to the Company for the year ended June 30, 2014.

We draw attention

- to the paragraph 18 of the statement of compliance regarding internal audit function established by the Company which needs to be strengthened by the Board.
- to the paragraph 23 regarding a mechanism for the evaluation of the Board's own performance which is in process of preparation.

Karachi
September 23, 2014

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Auditors' Report To The Members

We have audited the annexed balance sheet of QUALITY 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 except as mentioned in note 4.6 to the financial statement with which we concur;

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

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

c. in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the 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.

Karachi
September 23, 2014

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Balance Sheet

As At June 30, 2014

	Note	2014 Rupees	2013 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	900,148,612	856,819,552
Long term deposits		3,680,101	2,165,101
		903,828,713	858,984,653
CURRENT ASSETS			
Stores and spares	6	17,981,472	21,438,039
Stock-in-trade	7	401,018,176	312,041,497
Trade debts	8	205,165,932	196,129,054
Loans and advances	9	3,461,735	4,051,640
Deposits and short-term prepayments	10	881,131	1,429,316
Advance income tax		41,574,559	50,076,243
Sales tax refundable	11	6,470,191	15,272,513
Cash and bank balances	12	6,929,177	3,939,479
		683,482,373	604,377,781
TOTAL ASSETS		1,587,311,086	1,463,362,434
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Issued, subscribed and paid up capital	13	159,778,080	159,778,080
General reserve		300,000,000	300,000,000
Unappropriated profit		221,207,294	234,149,791
		680,985,374	693,927,871
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	14	211,323,241	221,842,305
NON CURRENT LIABILITIES			
Long term finance	15	34,008,074	-
Deferred liabilities	16	119,449,129	110,515,876
		153,457,203	110,515,876
CURRENT LIABILITIES			
Trade and other payables	17	120,765,049	132,117,893
Current Portion of Long Term Finance	15	11,336,028	-
Accrued interest		11,119,547	3,041,996
Short term borrowings	18	382,428,961	273,239,899
Provision for taxation		15,895,683	28,676,594
		541,545,268	437,076,382
CONTINGENCIES AND COMMITMENTS	19		
TOTAL EQUITY AND LIABILITIES		1,587,311,086	1,463,362,434

The annexed notes form an integral part of these financial statements

Noor Muhammad Hashim
CHIEF EXECUTIVE OFFICER

Tayyab Noor Muhammad
DIRECTOR

Profit And Loss Account
For The Year Ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
Sales - net	20	2,589,014,071	2,557,194,407
Cost of goods sold	21	(2,440,131,901)	(2,244,980,130)
Gross profit		148,882,170	312,214,277
Distribution cost	22	(26,167,336)	(29,589,546)
Administrative expenses	23	(20,138,614)	(17,411,687)
Other operating expenses	24	(5,203,294)	(17,793,374)
		(51,509,244)	(64,794,607)
Operating results		97,372,926	247,419,670
Finance cost	25	(72,825,957)	(54,825,544)
		24,546,969	192,594,126
Other income	26	9,513,718	3,632,172
Profit before taxation		34,060,687	196,226,298
Taxation	27	(22,046,927)	(30,251,981)
Profit after taxation		12,013,760	165,974,317
Other comprehensive income			
Item that will not be reclassified subsequently to profit and loss			
Remeasurement of post retirement benefits obligation		(4,402,934)	-
Impact of tax		883,229	-
Total items that will not be reclassified to profit and loss		(3,519,705)	-
Total comprehensive income for the year		8,494,055	165,974,317
Earnings per share - Basic and diluted	28	0.75	10.39

The annexed notes form an integral part of these financial statements

Noor Muhammad Hashim
CHIEF EXECUTIVE OFFICER

Tayyab Noor Muhammad
DIRECTOR

Quality Textile Mills Limtied

Cash Flow Statement

For The Year Ended June 30, 2014

	2014 Rupees	2013 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	34,060,687	196,226,298
Adjustments for:		
Depreciation on property, plant and equipment	80,395,711	66,774,627
Gain on disposal of property, plant and equipment	(249,671)	(2,489,181)
Provision for staff retirement benefit	8,535,009	7,460,549
Provision for doubtful sales tax refundable	-	2,520,870
Finance cost	72,825,957	54,825,544
Operating cash flows before movements in working capital	195,567,693	325,318,707
Changes in working capital		
(Increase) / Decrease in current assets		
Stores and spares	3,456,567	(13,214,667)
Stock-in-trade	(88,976,679)	130,027,812
Trade debts	(9,036,878)	112,372,516
Loans and advances	589,905	(957,928)
Deposits and short term prepayments	548,185	(640,911)
Sales tax refundable	8,802,322	(4,744,304)
	(84,616,578)	222,842,518
(Increase) / Decrease in current liabilities		
Trade and other payables	(11,352,844)	30,862,484
Cash generated from operations	99,598,271	579,023,709
Finance cost paid	(64,748,406)	(67,909,518)
Income tax paid	(22,862,870)	(40,715,765)
Staff retirement benefit paid	(6,584,745)	(3,439,145)
	(94,196,021)	(112,064,428)
Net cash from operating activities	5,402,250	466,959,281
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(137,665,265)	(124,771,587)
Transfer from/ (Addition to) capital work in progress	12,165,015	(12,165,015)
Proceed from disposal of property, plant and equipment	2,025,150	7,100,000
Increase in long term deposits	(1,515,000)	-
Net cash used in investing activities	(124,990,100)	(129,836,602)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Long term fianance obtained	45,344,102	-
Short term borrowings obtained- net	79,300,000	24,000,000
Export refinance repaid	(137,328,944)	(100,422,479)
Dividend paid	(31,955,616)	(7,988,904)
Net cash used in financing activities	(44,640,458)	(84,411,383)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(164,228,308)	252,711,296
Cash and cash equivalents at beginning of the year	(107,971,476)	(360,682,772)
Cash and cash equivalents at end of the year	(272,199,784)	(107,971,476)
Cash and cash equivalents		
Cash and bank balances	6,929,177	3,939,479
Running finances	(279,128,961)	(111,910,955)
	(272,199,784)	(107,971,476)

The annexed notes form an integral part of these financial statements

Noor Muhammad Hashim
CHIEF EXECUTIVE OFFICER

Tayyab Noor Muhammad
DIRECTOR

Statement Of Changes In Equity
For The Year Ended June 30, 2014

	Share capital	General reserve	Unappropriated profit	Total
	........................Rupees........................			
Balance at July 01, 2012	159,778,080	-	369,853,627	529,631,707
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net off deferred tax	-	-	6,310,751	6,310,751
Comprehensive Income				
Profit for the year ended June 30, 2013	-	-	165,974,317	165,974,317
Other comprehensive income - net of tax	-	-	-	-
Comprehensive income for the year	-	-	165,974,317	165,974,317
Transactions with owners				
Final cash dividend for the year ended June 30, 2012 @ Re. 0.5 per share	-	-	(7,988,904)	(7,988,904)
Transferred from unappropriated profit to general reserve	-	300,000,000	(300,000,000)	-
Balance at June 30, 2013	159,778,080	300,000,000	234,149,791	693,927,871
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net off deferred tax	-	-	10,519,064	10,519,064
Comprehensive Income				
Profit for the year ended June 30, 2014	-	-	12,013,760	12,013,760
Remeasurement on post retirement benefits obligation- net of tax	-	-	(3,519,705)	(3,519,705)
Comprehensive income for the year	-	-	8,494,055	8,494,055
Transactions with owners				
Final cash dividend for the year ended June 30, 2013 @ Re. 2 per share	-	-	(31,955,616)	(31,955,616)
Balance at June 30, 2014	159,778,080	300,000,000	221,207,294	680,985,374

The annexed notes form an integral part of these financial statements

Noor Muhammad Hashim
CHIEF EXECUTIVE OFFICER

Tayyab Noor Muhammad
DIRECTOR

Notes To The Financial Statements

For The Year Ended June 30, 2014

1. STATUS AND ACTIVITIES

1.1 Quality Textile Mills Limited (the Company) was incorporated in Pakistan on May 03, 1988 as a public limited company under the Companies Ordinance, 1984. The Company is currently listed on Karachi Stock Exchange. The registered office of the Company is situated at 107, Main Korangi road, Defence Phase I, Karachi in the province of Sindh. The Company's manufacturing facility is located at Ferozwattowan in the province of Punjab. The principal activity of the Company is to manufacture and sale of yarn.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

Standards/Amendments/Interpretations	**Effective for periods beginning on or after**
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	January 01, 2013
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	January 01, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 01, 2013
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 01, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 01, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

b. The amendments to IAS 19 - Employee Benefits is effective from accounting period beginning on or after January 01, 2013 and have significant impact on the Company's financial statements for the year as discussed in the pursing paragraph. These changes are considered as change in policy.

"IAS 19 - Employee Benefits (as revised in 2011)
In the current year, the Company has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.The Company has recognised the effect of such ammendment in the current year financial statement as explained in note 4.6.

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

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

Standard or Interpretation	Effective for periods beginning on or after
Amendments to IAS 19 Employee Benefits: Employee contributions	July 01, 2014
IAS 27 (Revised 2011) – Separate Financial Statements	July 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	July 01, 2015
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	July 01, 2014
IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	July 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	July 01, 2014
IFRS 10 – Consolidated Financial Statements	July 01, 2015
IFRS 11 – Joint Arrangements	July 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	July 01, 2015
IFRS 13 – Fair Value Measurement	July 01, 2015
IFRIC 21 - Levies	July 01, 2014

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

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

3. BASIS OF MEASUREMENT

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

- revaluation of certain property, plant and equipment
- recognition of certain staff retirement benefits at present value
- financial instruments at fair value

3.2 Key accounting judgments and estimates

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

i. Assumptions used for valuation of staff retirement gratuity (note 15.2.3)
ii. Useful life of property, plant and equipment (note 5.1)
iii. Impairment in property, plant and equipment (note 4.1)
iv. Provision for taxation and deferred tax (note 4.10)
v. Provision for slow moving stores and spares (note 4.2)
vi. Assumptions used in writing down stock-in-trade to net realizable value (note 4.3)
vi. Assumptions and estimates used in disclosure for contingencies.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

Property, plant and equipment except land and buildings are stated at cost less accumulated depreciation and impairment in value, if any. Land and buildings are stated at revalued amount and, in case of buildings, these are stated at revalued amount less accumulated depreciation and impairment losses (if any).

Depreciation is charged to income by applying the reducing balance method at the rates specified in note 5.1 to the financial statements.

In respect of additions and disposals during the year, depreciation is charged from the month when the asset is available for use and up to the month preceding the classification as held for sale or derecognition, whichever is earlier, respectively.

Assets residual value, if significant and their useful life are reviewed and adjusted, if appropriate, at each balance sheet date.

Repairs and maintenance costs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Assets are derecognized when disposed or when no future economic benefits are expected from its use or disposal. Gains or losses on disposal of assets, if any, are recognised as and when incurred.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of land and building to the extent of incremental depreciation charged on related assets is transferred by the company to its unappropriated profit net of deferred tax.

Capital work-in-progress

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

4.2 Stores, spares and loose tools

These are valued at the cost. The cost is determined on moving average basis less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon upto balance sheet date.

4.3 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined on the following basis:

Raw material:

- in hand — At Weighted average cost
- in transit — Invoice value and other charges incurred thereon upto the balance sheet date

Work in process — Average manufacturing cost

Finished goods

Yarn — Average manufacturing cost

Waste — Net realizable value

Finished goods and work-in-process consist of cost of direct materials, labour and a proportion of manufacturing overheads based on normal capacity. Cost is determined on average manufacturing cost.

Net realizable value (NRV) represents the estimated selling price at which the inventories can be realized in the normal course of business after allowing for the cost of conversion from their existing state to finished condition and for the estimated cost necessary to make the sale.

Where NRV charge subsequently reverses, the carrying value of the inventory is also increased to the extent that the revised carrying value does not exceed the amount that would have been determined had no NRV charge been recognized. A reversal of NRV is recognized in the profit and loss account.

Goods in transit are valued at cost accumulated to the balance sheet date.

4.4 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

4.5 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, balances with banks and short-term running finance.

4.6 Employees Benefits Cost

Staff retirement gratuity

"The Company operates unfunded gratuity scheme for non-management employees who have completed the minimum qualifying period of service as defined under the respective scheme. Contributions are made to cover the obligations under the schemes on the basis of actuarial valuation and are charged to income. The Company carried out actuarial valuation as at June 30, 2014 using the 'projected unit credit method'. Actuarial gains and losses are recognized immediately through other comprehensive income.

Consequent to the ammendments to IAS 19 as mentioned in note 2.2, the Company has changed its accounting policy whereby acturial gains / losses are now being recognised directly through other comprehensive income . Previously all acturial gains / losses were recognised through profit and loss account.. Since there were no acturial gains / losses to be routed through other comprehensive income in the previous year, the Company is not required to restate its financial statements.

The change in accounting policy has no impact in the balance sheet of prior year financial statements.

Compensated absences

The Company provides for compensated absences of all eligible employees in the period in which these are earned in accordance with the rules of the Company.

4.7 Trade and other payables

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

4.8 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made to the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to settle the Company's liabilities.

4.9 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

The following specific recognition criteria must also be met before revenue is recognised:

Sales of goods
Sale of goods are recognized on dispatch of goods to customers and title has passed.

Interest income
Profit on bank deposits is recognized on a time proportion basis using effective interest basis.

4.10 Taxation

Current
The charge for current taxation is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred
Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 (Revised) of Institute of Chartered Accountants of Pakistan.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

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

4.11 Dividend and Appropriation

Dividend distribution to the Company’s shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company’s shareholders.

4.12 Foreign Currencies

Transactions in currencies other than Pakistani Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in net profit or loss for the year.

4.13 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. The particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments. Any gains or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account directly.

4.14 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.15 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. Reversal of impairment loss is recognized as income.

4.16 Earnings per share

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

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2014 Rupees	2013 Rupees
Operating assets	5.1	900,148,612	844,654,537
Capital work in progress	5.2		
- Building		-	7,347,322
- Plant and machinery		-	4,817,693
		900,148,612	856,819,552

5.1 Operating assets

Particulars	Cost / revaluation at July 01, 2013	Additions/ (disposals)	Transfers from CWIP	Cost / revaluation at June 30, 2014	Accumulated depreciation at July 01, 2013	Depreciation (adjustments) for the year	Accumulated depreciation June 30, 2014	Carrying value at June 30, 2014	Rate of depreciation
	Rupees								%
Free-hold land	114,000,000	-	-	114,000,000	-	-	-	114,000,000	-
Buildings on free hold land									
- Mills	213,995,515	-	4,087,631	218,083,146	82,812,406	13,493,011	96,305,417	121,777,729	10
- Other	78,363,290	-	21,183,140	99,546,430	15,527,926	4,112,662	19,640,588	79,905,842	5
Office premises	2,200,000	-	-	2,200,000	1,198,725	50,064	1,248,789	951,211	5
Leasehold improvements *	5,642,544	-	761,468	6,404,012	94,042	630,997	725,039	5,678,973	10
Plant and machinery	882,692,271	107,797,426	-	977,458,605	405,649,608	55,916,928	449,890,000	527,568,605	10
		(13,031,092)				(11,676,536)			
Generator	80,610,082	-	-	80,610,082	38,486,733	4,212,335	42,699,068	37,911,014	10
Electric installations	24,872,333	-	-	24,872,333	21,695,062	317,727	22,012,789	2,859,544	10
Mills equipment	10,916,996	-	-	10,916,996	9,389,719	152,728	9,542,447	1,374,549	10
Office equipment	3,185,176	100,000	-	3,285,176	1,791,965	142,654	1,934,619	1,350,557	10
Furniture and fixtures	2,146,600	-	-	2,146,600	1,221,714	92,489	1,314,203	832,397	10
Vehicles	9,513,667	3,735,600	-	12,338,967	5,616,037	1,274,116	6,400,776	5,938,191	20
		(910,300)				(489,377)		-	
	1,428,138,474	**111,633,026**	**26,032,239**	**1,551,862,347**	**583,483,937**	**80,395,711**	**651,713,735**	**900,148,612**	
		(13,941,392)				**(12,165,913)**			

* This represents cost incurred on office premises owned by an associated undertaking.

For comparative period

Particulars	Cost / revaluation at July 01, 2012	Additions/ (disposals)	Cost / revaluation at June 30, 2013	Accumulated depreciation at July 01, 2012	Depreciation (adjustments) for the year	Accumulated depreciation June 30, 2013	Carrying value at June 30, 2013	Rate of depreciation
	Rupees							%
Free-hold land	114,000,000	-	114,000,000	-	-	-	114,000,000	-
Buildings on free hold land								
- Mills	213,995,515	-	213,995,515	68,236,505	14,575,901	82,812,406	131,183,109	10
- Other	66,521,505	11,841,785	78,363,290	12,688,241	2,839,685	15,527,926	62,835,364	5
Office premises	5,692,500	(3,492,500)	2,200,000	1,864,979	179,820 (846,074)	1,198,725	1,001,275	5
Leasehold improvements	-	5,642,544	5,642,544	-	94,042	94,042	5,548,502	10
Plant and machinery	790,967,544	107,085,558 (15,360,831)	882,692,271	376,722,298	42,661,844 (13,734,534)	405,649,608	477,042,663	10
Generator	80,610,082	-	80,610,082	33,806,361	4,680,372	38,486,733	42,123,349	10
Electric installations	24,872,333	-	24,872,333	21,342,032	353,030	21,695,062	3,177,271	10
Mills equipment	10,916,996	-	10,916,996	9,220,022	169,697	9,389,719	1,527,277	10
Office equipment	2,983,476	201,700	3,185,176	1,654,631	137,334	1,791,965	1,393,211	10
Furniture and fixtures	2,146,600	-	2,146,600	1,118,949	102,765	1,221,714	924,886	10
Vehicles	10,658,330	(1,144,663)	9,513,667	5,442,467	980,137 (806,567)	5,616,037	3,897,630	20
	1,323,364,881	**124,771,587 (19,997,994)**	**1,428,138,474**	**532,096,485**	**66,774,627 (15,387,175)**	**583,483,937**	**844,654,537**	

5.1.1 Depreciation for the year has been allocated as under:

		2014 Rupees	2013 Rupees
Cost of goods sold	21.1	78,653,920	65,807,253
Administrative expenses	23	1,741,791	967,374
		80,395,711	66,774,627

5.1.2 Had there been no revaluation, the related figures of land and buildings as at June 30, 2014 would have been as follows: -

	<.......... 2014 ....>			<.......... 2013 ....>		
	Cost	Accumulated Depreciation	Carrying value	Cost	Accumulated Depreciation	Carrying value
	- - - - - - - -	- - - - - - - -	- - - Rupees - - -	- - - - - - - -	- - - - - - - -	
Free-hold land	7,992,616	-	7,992,616	7,992,616	-	7,992,616
Buildings on free-hold land						
- Mills	93,542,990	(67,715,694)	25,827,296	89,455,359	(64,883,843)	24,571,516
- Other	66,817,799	(22,705,152)	44,112,647	45,634,659	(20,476,342)	25,158,317
	168,353,405	(90,420,846)	77,932,559	143,082,634	(85,360,185)	57,722,449

5.1.3 The following assets were disposed off during the year: -

Mode of disposal - by negotiation

Description	Cost	Accumulated depreciation	Carrying value	Sale proceed	Particulars of buyer
	- - - - - - - -	- - - - - - - -	- - - Rupees - - -	- - - - - - - -	
Plant and machinery	6,515,546	5,838,268	677,278	757,575	M/S Sidiqua Textile Mills 248- Block H-2, Johar Town Lahore
Plant and machinery	6,515,546	5,838,268	677,278	757,575	M/S Crescent Cotton Mills Ltd. Nishatabad, Faisalabad.
Vehicles	910,300	489,377	420,923	510,000	Mr. Abdul Rehman Shoro W-31, Street No. 17 East, D.H.A Phase-I, Karachi.
	13,941,392	12,165,913	1,775,479	2,025,150	
2013	19,997,994	15,387,175	4,610,819	7,100,000	

		Note	2014 Rupees	2013 Rupees
5.2	**Capital work in progress**			
	Opening balance		12,165,015	-
	Additions during the year		13,867,224	12,165,015
	Transfer to operating assets		(26,032,239)	-
	Closing balance		-	12,165,015
6.	**STORES AND SPARES**			
	Stores		9,190,440	12,588,430
	Spares		12,169,765	12,227,877
	Loose tools		11,308	11,773
			21,371,513	24,828,080
	Less: Provision against slow moving and obsolete stores and spares		(3,390,041)	(3,390,041)
			17,981,472	21,438,039
7.	**STOCK-IN-TRADE**			
	Raw materials	7.1	253,191,707	225,905,207
	Work-in-process		15,174,318	16,052,053
	Finished goods	7.2	123,698,891	67,960,052
	Waste		8,953,260	2,124,185
			401,018,176	312,041,497

7.1 Net realizable value of raw material were lower than its cost, which resulted in write-downs of Rs. 4,041,715/- (2013: nil) charged to cost of sales.

7.2 Net realizable value of finished goods were lower than its cost, which resulted in write downs of Rs. 1,834,671/- (2013: nil) charged to cost of sales.

		Note	2014 Rupees	2013 Rupees
8.	**TRADE DEBTS**			
	Considered good			
	- Secured			
	- Local	8.1	8,745,739	3,589,373
	- Foreign	8.2	20,956,466	138,849,456
			29,702,205	142,438,829
	- Unsecured			
	- Local		175,463,727	53,690,225
			205,165,932	196,129,054

8.1 These are secured against inland letters of credit.

8.2 These are secured against export letters of credit.

8.3 Trade receivables are non-interest bearing and are generally for 30 - 120 days terms.

8.4 **Ageing of past due but not impaired**

As at June 30, 2014, trade debts of Rs. 13.32 million (2013: Rs. 13.46 million) were past due but not impaired. These relate to a number of independent customers for whom there is a no recent history of default. The ageing analysis of these trade debts is as follows:

	2014 Rupees	2013 Rupees
121 - 365 days	9,865,472	10,376,425
Above 365 days	3,463,161	3,084,125
	13,328,633	13,460,550

	Note	2014 Rupees	2013 Rupees
9. LOANS AND ADVANCES			
- Considered good			
Loan to employees - interest free		192,596	439,796
Advances			
- to suppliers		3,267,409	3,237,589
- for letters of credit, margin and expenses		1,730	374,255
		3,269,139	3,611,844
		3,461,735	4,051,640
10. DEPOSITS AND SHORT TERM PREPAYMENTS			
Godown deposit		-	225,000
Short term prepayments		881,131	1,204,316
		881,131	1,429,316
11. SALES TAX REFUNDABLE			
Sales tax refundable		8,163,943	17,793,383
Less: provision against doubtful refundable		(1,693,752)	(2,520,870)
		6,470,191	15,272,513
12. CASH AND BANK BALANCES			
Cash in hand		158,977	120,696
Cash at banks			
In current accounts		6,713,837	3,191,693
In deposit accounts	2.1	56,363	627,090
		6,770,200	3,818,783
		6,929,177	3,939,479

13. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2014 Number of Shares	2013 Number of Shares		2014 Rupees	2013 Rupees
		Authorized		
26,000,000	26,000,000	Ordinary shares of Rs. 10/- each	260,000,000	260,000,000
		Issued, subscribed and paid up capital		
		Ordinary shares of Rs.10/- each fully paid :		
12,576,000	12,576,000	In cash	125,760,000	125,760,000
3,401,808	3,401,808	Issued as bonus shares	34,018,080	34,018,080
15,977,808	15,977,808		159,778,080	159,778,080

- There were no movements in share capital during the reporting year.
- The company has one class of ordinary shares which carry equal voting rights but no right to fixed income.
- The Company has no reserved shares for issuance under options and sales contracts.

14. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net of deferred tax

Surplus on revaluation of property, plant and equipment at July 01,	250,296,025	264,124,759
Increase arising on revaluation of property plant and equipment	-	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	10,028,483	11,101,708
Related deferred tax liability	2,516,529	2,727,026
	(12,545,012)	(13,828,734)
Surplus on revaluation of property, plant and equipment at June 30,	237,751,013	250,296,025
Less: Related deferred tax liability on:		
Revaluation at beginning of the year	28,453,720	35,971,703
Adjustment due to income subject to final tax regime	490,581	(3,763,194)
Change in tax rate	-	(1,027,763)
Incremental depreciation charged during the year transferred to profit and loss - net of deferred tax	(2,516,529)	(2,727,026)
Revaluation at the end of the year	26,427,772	28,453,720
Revaluation surplus as June 30 - net of deferred tax	211,323,241	221,842,305

Revaluation of free-hold land and buildings (on freehold land) was carried out on June 30, 2012 by independent valuers M/s. Iqbal A. Nanjee & Company Surveyors and Valuation Consultants (Private) Limited on the basis of depreciated replacement values except for land which is valued at current market rates in surrounding area. Revaluation surplus has been credited to surplus on revaluation of property, plant and equipment account after netting off incremental depreciation and related deferred tax liability.

15. LONG TERM FINANCE

	2014 Rupees	2013 Rupees
Financing under dimnishing Musharka	45,344,102	-
Less: Current portion	(11,336,028)	-
	34,008,074	-

During the year, the Company entered into dimnishing musharka finance for acquisition of Machinery amounting to Rs 64.2 million. The principal amount of diminishing musharika and rental thereupon will be repaid in monthly installments commencing from January 2015. The rental of this facility has been fixed at 6 monthly KIBOR +1.25 %. The facility shall be fully repaid till 2016. The diminishing Musharika is secured against first charge over the machinery acquired under such arrangement.

16. DEFERRED LIABILITIES

Deferred tax	16.1	96,179,187	93,599,132
Staff retirement gratuity	16.2	23,269,942	16,916,744
		119,449,129	110,515,876

16.1 Deferred tax

Deferred tax liabilities arising on taxable temporary differences:

Accelerated depreciation allowance on property, plant and equipment	83,905,020	69,647,026
Surplus on revaluation of property, plant and equipment	29,781,176	28,453,720
	113,686,196	98,100,746
Deferred tax assets arising in respect of deductable temporary differences:		
Provision for staff retirement gratuity	(5,775,696)	(3,335,982)
Provision for slow-moving and obsolete stores and spares	(718,118)	(668,516)
Provision for doubtful refund	(334,346)	(497,116)
Minimum tax to be absorbed	(10,678,849)	-
	(17,507,009)	(4,501,614)
Net deferred tax liability	96,179,187	93,599,132

16.2 Staff retirement gratuity

16.2.1 Movement in the present value of defined benefit obligation

Defined benefit obligation at beginning of the year	16,916,744	12,895,340
Current service cost	6,763,841	5,784,155
Interest cost	1,771,168	1,676,394
Benefit paid during the year	(6,584,745)	(3,439,145)
Remeasurement chargeable in other comprehensive income	4,402,934	-
Defined benefit obligation at end of the year	23,269,942	16,916,744

16.2.2 Charge for the year

Current service cost	6,763,841	5,784,155
Interest cost	1,771,168	1,676,394
	8,535,009	7,460,549

16.2.3 Principal assumption used in valuation of staff retirement gratuity

Discount rate	13 .25	13
Expected rate of increase in salaries	11.25	11

16.2.4 Liability recognized in the balance sheet

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

		Increase / (decrease) in defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.25%	21,509,537	25,348,131
Salary growth rate	0.25%	25,416,140	21,422,587

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

16.2.5 The gratuity scheme exposes the Company to the following risks:
Longevity risk: The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk: The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk: The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

The average duration of defined benefit obligation is eight years.

	Note	2014 Rupees	2013 Rupees
17. TRADE AND OTHER PAYABLES			
Creditors	17.1	11,599,418	13,269,288
Accrued expenses		68,918,067	76,017,319
Advance from customers		20,881,294	20,335,841
Workers' profit participation fund	17.2	15,849,781	12,083,061
Workers' welfare fund	24.1	1,257,803	7,708,834
Unclaimed dividend		830,422	614,589
Withholding income tax		1,428,264	2,088,961
		120,765,049	132,117,893

17.1 Trade payables are non-interest bearing and are normally settled between 30 - 90 days terms.

17.2 Workers' profit participation fund

	Note	2014	2013
Balance at July 01		12,083,061	5,820,953
Interest on fund utilized in Company's business (note 25)	17.2.1	1,812,459	737,308
		13,895,520	6,558,261
Paid during the year		-	(5,247,412)
		13,895,520	1,310,849
Allocation for the year		1,954,261	10,772,212
Balance at June 30		15,849,781	12,083,061

17.2.1 Interest on fund is charged @ 15% (2012 : 13.5%) per annum.

18. SHORT-TERM BORROWINGS

	Note	2014	2013
From banking companies - secured			
Running finances	18.1	279,128,961	111,910,955
Morabaha finance	18.2	103,300,000	24,000,000
Export refinances	18.3	-	137,328,944
		382,428,961	273,239,899

18.1 Running finances obtained from a banking company are subject to markup ranging from 10.03% to 11.32% (2013: 10.31% to 13.23%) per annum payable quarterly. These are secured by way of first pari passu hypothecation charge on movable assets, stocks and receivables of the Company and personal guarantee of all the directors. The aggregate unavailed facilities of running finance is amounted to Rs. 40.8 million (2013: Rs. 52.3 million).

18.2 The Morahaba finances obtained from banking companies are subject to profit rate ranging from 9.50% to 11.26% (2013: 9.45% to 11.0%) per annum and are secured against pledge of raw cotton and personal guarantee of directors. The aggregate unavailed short-term Murahaba facilities amounted to Rs. 1,097.47 million (2013: Rs. 976 million).

18.3 Export refinance obtained from banking companies and are subject to markup ranging from 2.5% to 3.75% (2013: 2.5% to 4.0%) per annum. These are secured against export letters of credit held under lien and personal guarantee of directors. The aggregate unavailed facilities of export refinance is amounted to Rs. nil (2013: Rs. 325 million).

19. CONTINGENCIES AND COMMITMENTS

	Note	2014 Rupees	2013 Rupees
19.1 Contingencies			
- Bank guarantee in favour of Sui Northern Gas Pipeline Limited		16,903,000	16,903,000
- Post dated cheques issued to Collector of Customs as input sales tax against import of machinery		-	14,355,430
19.2 Commitments			
Outstanding letters of credit			
- Stores and spares		2,120,100	-
- Plant and machinery		-	60,341,600
Local bills discounted with recourse		110,772,610	67,495,659
Export bills discounted with recourse		33,695,742	182,075,995

Discounted local and export bills are secured by way of lien on letters of credit and bills under collection. The total unavailed facility of local and export documentory bills purchased is Rs. 229.2 million (2013: Rs. 160.4 million)

	Note	2014 Rupees	2013 Rupees
20. SALES - NET			
Local		1,615,492,956	1,429,762,291
Export		526,087,515	749,761,697
Indirect export		482,566,762	379,936,119
		2,624,147,233	2,559,460,107
Waste		43,395,369	50,747,907
		2,667,542,602	2,610,208,014
Less:			
Sales tax @ 2% on local sales		41,989,315	12,579,669
Brokerage commission		36,539,216	40,433,938
		(78,528,531)	(53,013,607)
		2,589,014,071	2,557,194,407
21. COST OF GOODS SOLD			
Cost of goods manufactured	21.1	2,502,699,815	2,266,030,850
Finished goods including waste			
Opening stock		70,084,237	49,033,517
Closing stock		(132,652,151)	(70,084,237)
		(62,567,914)	(21,050,720)
		2,440,131,901	2,244,980,130
21.1 COST OF GOODS MANUFACTURED			
Raw material consumed	21.1.1	1,857,395,378	1,611,261,232
Power and fuel		219,974,235	166,747,629
Yarn consumed	21.1.2	140,207,010	236,882,378
Salaries, wages and benefits	21.1.3	127,275,553	114,594,042
Depreciation	5.1.1	78,653,920	65,807,253
Packing material		37,776,734	30,126,773
Stores and spares		23,261,004	23,094,856
Insurance		9,286,328	8,711,415
Repairs and maintenance		5,854,300	5,645,004
Other manufacturing overheads		2,137,618	1,542,129
		2,501,822,080	2,264,412,711
Work-in-process			
Opening stock		16,052,053	17,670,192
Closing stock		(15,174,318)	(16,052,053)
		877,735	1,618,139
		2,502,699,815	2,266,030,850

	Note	2014 Rupees	2013 Rupees
21.1.1 RAW MATERIAL CONSUMED			
Opening stock		225,905,207	375,365,600
Purchases and purchase expenses		1,884,681,878	1,461,800,839
		2,110,587,085	1,837,166,439
Closing stock		(253,191,707)	(225,905,207)
		1,857,395,378	1,611,261,232

21.1.2 Yarn of Rs. 140.207 (June 30, 2013: Rs. 236.882) million is purchased and reprocessed in doubling unit.

21.1.3 Salaries, wages and benefits include Rs. 8,022,909 (2013 : Rs. 7,012,946/-) in respect of staff retirement gratuity.

22. DISTRIBUTION COST

	Note	2014 Rupees	2013 Rupees
Cartage and transportation		14,539,906	16,526,109
Ocean freight		4,945,117	6,015,117
Export development surcharge		1,994,034	1,595,964
Clearing and forwarding		1,700,353	2,884,262
Stamp charges		1,515,126	1,364,620
Staff salaries and benefits	22.1	1,472,800	1,203,474
		26,167,336	29,589,546

22.1 Staff salaries and benefits include Rs. 113,800 (2013 : Rs. 99,474/-) in respect of the staff retirement benefits.

23. ADMINISTRATIVE EXPENSES

	Note	2014 Rupees	2013 Rupees
Staff salaries and benefits	23.1	7,006,991	5,979,144
Rent		1,800,000	-
Depreciation	5.1.1	1,741,791	967,374
Director's remuneration	29	1,680,000	1,680,000
Auditors' remuneration	23.2	1,144,800	830,000
Fees and subscription		1,137,839	890,141
Vehicles running		1,034,252	808,218
Others		839,936	797,421
Traveling and conveyance		794,250	588,340
Printing and stationery		790,287	880,410
Postage and telephone		776,235	623,561
Legal and professional		709,900	305,000
Utilities		682,333	541,208
Provision agaisnt doubtful refundable		-	2,520,870
		20,138,614	17,411,687

23.1 Staff salaries and benefits include Rs. 398,300 (2013 : Rs. 348,159/-) in respect of the staff retirement benefits.

	Note	2014 Rupees	2013 Rupees
23.2 AUDITORS' REMUNERATION			
Audit fee		600,000	600,000
Half yearly review fee		110,000	110,000
Other certifications fee		384,800	70,000
Out of pocket expenses		50,000	50,000
		1,144,800	830,000

24. OTHER OPERATING EXPENSES

	Note	2014 Rupees	2013 Rupees
Workers' welfare fund		1,257,803	7,708,423
Workers' profit participation fund	17.2	1,954,261	10,772,212
Exchange loss /(gain) - net		1,991,230	(687,261)
		5,203,294	17,793,374

25. FINANCE COST

	Note	2014 Rupees	2013 Rupees
Markup/ profit:			
Musharka financing		2,563,369	-
Short-term borrowings		13,643,766	18,417,051
Local and export bills discounted		12,217,540	8,797,473
Morahaba financing		35,115,549	20,634,068
Workers' profit participation fund	17.2	1,812,459	737,308
Bank charges and commission		7,473,274	6,239,644
		72,825,957	54,825,544

26. OTHER INCOME

	Note	2014 Rupees	2013 Rupees
Income from financial assets			
Profit on bank deposits		12,135	5,271
Income from assets other than financial assets			
Gain on disposal of property, plant and equipment		249,671	2,489,181
Insurance claim		8,424,794	901,870
Scrap sales		-	235,850
Reversal from workers' welfare fund		827,118	-
		9,513,718	3,632,172

27. TAXATION

Current			
for the year	27.1	15,895,683	28,676,594
for prior years		2,687,959	598,750
Deferred tax charge		3,463,285	976,637
		22,046,927	30,251,981

27.1 The provision for current income tax is based on minimum taxation under section 113 of the Income Tax Ordinance, 2001.

27.2 Relationship between tax expense and accounting profit

Accounting profit - before tax	34,060,687	196,226,298
Tax @ 34%	11,580,633	68,679,204
Effect of:		
- Expenses that are deductible in determining taxable profit	(4,493,947)	(4,888,191)
- Income subject to final tax	(1,176,653)	(26,581,404)
	(5,670,600)	(31,469,595)
Tax credit	10,678,849	(9,121,437)
Tax rebate	(10,779,743)	(10,708,556)
Income chargeable to tax at reduced rates		
- Export sales	10,086,543	11,296,978
Adjustment of income tax for prior years in respect of:		
- Prior tax	2,687,959	598,750
- Deferred tax	3,463,285	976,637
	6,151,244	1,575,387
Tax charge for the year	22,046,927	30,251,981

28. EARNINGS PER SHARE

- Basic and diluted

Profit after taxation	**Rs.**	12,013,760	165,974,317
Weighted average number of ordinary shares outstanding during the year		15,977,808	15,977,808
Earnings per share	**Rs.**	0.75	10.39

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

29. REMUNERATION TO CHIEF EXECUTIVE OFFICER AND DIRECTORS

The aggregate amount charged in the financial statements for remuneration for all benefits to the Chief Executive officer and Directors of the Company are as follows:

	2014		
	Chief Executive officer	**Directors**	**Executives**
		Rupees	
Remuneration	480,000	640,000	2,032,258
House rent allowance	216,000	288,000	914,516
Other allowances	24,000	32,000	101,613
	720,000	960,000	3,048,387
Number of person(s)	1	2	2

	2013		
	Chief Executive officer	**Directors**	**Executives**
		Rupees	
Remuneration	480,000	640,000	1,720,000
House rent allowance	216,000	288,000	774,000
Other allowances	24,000	32,000	86,000
	720,000	960,000	2,580,000
Number of person(s)	1	2	2

Chief Executive Officer and directors of the Company are entitled to use of vehicle whose maintenance costs are borne by them.

30. TRANSACTIONS WITH RELATED PARTIES

The associated undertakings and related parties comprise directors and key management personnel. There are no transactions with related parties, other than remuneration and benefits to directors and key management personnel under the term of their employment as disclosed in Note 29.

The Company utilized portion of office premises of its assosiated undertaking as its Head office for Rs. 150,000 (2013 : nil)per month for the year.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The company finance its operation through equity, borrowings and management of working capital with a view to maintaining an approximate mix between various sources of finance to minimize risk. Taken as a whole, the company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

	Note	2014 Rupees	2013 Rupees
Financial assets as per balance sheet measured at amortised cost			
Long-term deposits		3,680,101	2,165,101
Trade debts	8	205,165,932	196,129,054
Loans and advances	9	192,596	439,796
Trade deposits	10	-	225,000
Cash and bank balances	12	6,929,177	3,939,479
		215,967,806	202,898,430
Financial liabilities as per balance sheet measured at amortised cost			
Trade and other payables	17	81,347,907	89,901,196
Accrued interest		11,119,547	3,041,996
Short-term borrowings	18	382,428,961	273,239,899
		474,896,415	366,183,091

32. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities, comprise short term borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has trade and other receivables, loans, advances and deposits and cash (in hand and with banks) that arrive directly from its operations.

This note presents information about the nature and extent of risk to which the Company is exposed, in particular those arising from financial instruments and the risk management framework of the Company. The principal financial risks the Company is exposed to are credit risk and liquidity risk.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

32.1 Credit risk and concentration of credit risk

Credit risk represent the accounting loss that would be recognised at the reporting date if the counter party to the financial instrument fail to perform as contracted. Out of total financial assets (note 31) of Rs. 215,967,806 (2013 : Rs. 202,898,430), the financial assets which are subject to credit risk amounted to Rs. 205,165,932 (2013: Rs. 202,777,734)

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

Financial assets		
Long-term deposits	3,680,101	2,165,101
Trade debts	205,165,932	196,129,054
Loans and advances	192,596	439,796
Trade deposits	-	225,000
Cash and bank balances	6,770,200	3,818,783
	215,808,829	202,777,734

32.1.1 Credit risk related to receivables

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Company has a policy of dealing with creditworthy counter parties. Outstanding customer receivables are regularly monitored and shipments to major customers are generally covered by letters of credit or post dated cheques, which is used as a mean of mitigating the risk of financial loss from defaults.

Concentration of credit risk related to receivables

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Company does not have significant credit risk exposure to single counterparty or any group of counterparties having similar characteristics. Company defines counterparties as having similar characteristics if they are related entities. However, geographically, there is no concentration of credit risk .

32.1.2 Credit risk related to financial instruments and cash deposits

The Company credit risk is primarily attributable to its bank balances. The credit risk on bank balances is limited because the counter parties are banks with reasonably high credit ratings. The credit quality of cash at bank as per credit rating agencies are as follows:

	Credit Rating	
Name of the Bank	**Short term**	**Long term**
National Bank of Pakistan	A-1+	AAA
Habib Metropolitan Bank Limited	A 1+	AA+
Bank Al Habib Limited	A 1+	AA+
Askari Bank Limited	A 1+	AA
MCB Bank Limited	A 1+	AA+
Habib Bank Limited	A 1+	AA+
Meezan Bank Limited	A-1+	AA

The total credit risk related to financial instrument and cash deposit which the Company is exposed to amounting to Rs. 6,770,200 (2013 : 3,818,783)

32.2 Liquidity risk management

Liquidity risk reflects the company's inability in raising funds to meet commitments. Management closely monitors the company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity requirements. Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Unavailed facilities that the Company has at its disposal to further reduce liquidity risk are disclosed in Note 16 and note 18.

32.2.1 Liquidity and interest risk

The table below analysis how management monitors net liquidity based on details of the remaining contractual maturities of the financial assets and financial liabilities. The amount disclosed are the contractual undiscounted cash flows.

	Interest rate	"Less than 1 month"	"1 - 3 months"	" 3 months - 1 years"	Total
2014	<- - - - - - - - - - - -	- - - - - - - - - - - - Rupees	- - - - - - - - - - - -	- - - - - - - - - - - -	- - - - - - - - - - - ->
Long term finance		-	-	11,336,028	11,336,028
Trade and other payables		-	103,657,465	17,107,584	120,765,049
Interest / mark-up accrued		11,119,547	-	-	11,119,547
Short term borrowings	2.5% to 11.32%	279,128,961	103,300,000	-	382,428,961
		290,248,508	206,957,465	28,443,612	525,649,585
2013					
Trade and other payables		-	112,325,998	19,791,895	132,117,893
Interest / mark-up accrued		3,041,996	-	-	3,041,996
Short term borrowings	2.75% to 13.23%	111,910,955	161,328,944	-	273,239,899
		114,952,951	273,654,942	19,791,895	408,399,788

32.3 Market risk management

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

The company is exposed to interest rate risk and foreign exchange risk.

32.3.1 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term debt obligations with floating interest rates.

Interest rate sensitivity

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Company's profit for the year ended June 30, 2014 would decrease / increase by Rs. 2,179,764 (2013: Rs.1,676,390/-). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

32.4 Determination of fair values

(a) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying amount of the financial assets and liabilities reflected in the financial statements approximate their fair values.

(b) Fair value hierarchy

The Company has adopted the amendments to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This amendment requires fair value measurement disclosures using following three level fair value hierarchy that reflects the significance of the inputs used in measured fair value of financial instruments.

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

Level 2: Inputs other than quoted prices included within Level1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).The Company has no items to report in this level.

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

The Company does not have any investment in any of the category.

33. CAPITAL DISCLOSURE

The objective of the Company when managing capital is to safeguard the company's ability to continue as going concern so that it can continue to provide returns for shareholders and benefit for other stake holders and to maintain a strong capital base to support the sustained development of its business. Company's significant objectives, policies and processes for managing capital are as follows:

- Company is not subject to any externally imposed capital requirements.

- Company sets the amount of capital in proportion to the risk and manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

- Consistently with others in the industry, the Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity i.e. share capital and unappropriated profits.

- The Company finances its projects through equity and borrowings with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The debt-to-adjusted capital ratio at June 30, 2014 and June 30, 2013 were as follows:

	2014 Rupees	2013 Rupees
Total debts	427,773,063	273,239,899
Less: Cash and bank balances	6,929,177	3,939,479
Net debt	420,843,886	269,300,420
Total equity	680,985,374	693,927,871
Adjusted capital	1,101,829,260	963,228,291
Debt-to-adjusted capital ratio	0.38	0.28

The increase in the debt-to-adjusted capital ratio during 2014 resulted primarily from increase in the level of short term borrowings at balance sheet date.

34. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer of the company has been identified as the chief operating decision maker, which is responsible for allocating resources and assessing performance of the operating segments.

Chieh Executive Officer considers the business as a single operating segment at the Company's assets allocation decisions are based on a single, integrated business strategy, and the Company's performance is evaluated on an overall basis.

35. PLANT CAPACITY AND ACTUAL PRODUCTION

	2014	2013
- Spinning unit		
Number of spindles installed	24,720	24,720
Average number of spindles worked	21,079	21,079
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count-Kgs	7,227,595	7,227,595
Actual production of yarn after conversion into 20/s count-Kgs	6,857,327	6,647,606
- Doubling unit		
Number of spindles installed	960	960
Average number of spindles worked	427	408
Installed capacity for doubling yarn per day - Kgs	5,897	5,897
Installed capacity for doubling yarn per year - Kgs	2,152,318	2,152,318
Actual production of double yarn- Kgs	884,785	913,998

It is difficult to describe precisely the production capacity and compare it with actual production in the textile industry since its fluctuates widely depending upon various factors such as count of yarn spun, spindles speeds, twist per inch, raw material used, etc.

36. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2014 and 2013 respectively are as follows:

	2014	2013
Average number of employees during the year	815	851
Number of employees as at June 30	823	872

37 NON-ADJUSTING EVENT

The shareholders of the Company passed a special resolution for delisting of the Company from the Karachi Stock Exchange Limited at the Extraordinary General Meeting held on July 22, 2014. The majority shareholders have offered to buy the shares of the Company at a price of Rs. 106.23 per share. This purchase price has been approved by the Karachi Stock Exchange Limited in accordance with its Listing Regulations. The share purchase offer will be valid from August 11, 2014 to October 10, 2014 both days inclusive. After this period, it is intented that the Company will be delisted from the Karachi Stock Exchange Limited.

38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 23, 2014 by the Board of Directors of the Company.

39. GENERAL

- Figures have been rounded off to the nearest Rupee.

Noor Muhammad Hashim	Tayyab Noor Muhammad
CHIEF EXECUTIVE OFFICER	**DIRECTOR**

FORM OF PROXY
26th ANNUAL GENERAL MEETING

I/We………………………………………………….of…………………………………………………… in the district of ……………………………………..…………………………...being Members (s) of Quality Textile Mills Limited hereby appoint Mr. ……………………………………………………….. of …….

As my / our vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be Held on October 28, 2014 at the company's Registered Office 107, Main Korangi Road, Defense Phase I., Karachi, and adjournment thereof.

As witness my / our hand this………………...……………………………………………………day of

……

signed by the said…………………………………………………………………..

in the presence ……………………………………………………………………….

Please
Affix Rupees
five revenue
stamp

Please quote folio number

Important: This Instrument a proxy duly complete, must be received at the Share Registrar of the Company not later than 48 hours before the time of meeting.