

Annual Report 2014



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## COMPANY INFORMATION

**BOARD OF DIRECTORS  
CHAIRMAN:**

Mr. Anwar Ahmed Tata

**CHIEF EXECUTIVE:**

Mr. Adeel Shahid Anwar

**DIRECTORS:**

Mr. Shahid Anwar Tata  
Mr. Aijaz Ahmed Tariq  
Mr. Bilal Shahid Anwar  
Mr. Muhammad Naseem  
Sheikh Kausar Ejaz

**AUDIT COMMITTEE  
CHAIRMAN:**

Mr. Muhammad Naseem

**MEMBERS:**

Mr. Bilal Shahid Anwar  
Sheikh Kausar Ejaz

**SECRETARY**

Mr. Owais Ahmed Abbasi

**HUMAN RESOURCE &  
REMMUNERATION COMMITTEE  
CHAIRMAN:**

Mr. Muhammad Naseem

**MEMBERS:**

Mr. Adeel Shahid Anwar  
Mr. Bilal Shahid Anwar

**SECRETARY**

Mr. Umar Khawajah

**COMPANY SECRETARY &  
CHIEF FINANCIAL OFFICER**

Mr. Farooq Advani

**BANKERS:**

Dubai Islamic Bank (Pakistan) Limited  
Bank Alfalah Limited  
Meezan Bank Limited  
Habib Metropolitan Bank Limited  
The Bank of Punjab  
MCB Bank Limited  
National Bank of Pakistan  
Soneri Bank Limited  
Allied Bank Limited  
Bank Islami Pakistan Limited  
JS Bank Limited  
Askari Bank Limited

**AUDITORS:**

M/s. M. Yousuf Adil Saleem & Co.  
Chartered Accountants

**LEGAL ADVISOR:**

Ameen Bandukda & Co. Advocates

**SHARE REGISTRAR:**

Central Depository Company of Pakistan Limited  
CDC House, 99 – B, Block 'B',  
S.M.C.H.S., Main Shahra-e-Faisal  
Tel# (Toll Free) 0800-CDCPL (23275)  
Fax: (92-21) 34326053

**REGISTERED OFFICE:**

6th Floor Textile Plaza,  
M.A Jinnah Road Karachi.  
Tel# 32412955-3 Lines 32426761-2-4  
Fax# 32417710

**WEB SITE ADDRESS:**

[www.tatatex.com](http://www.tatatex.com)

**E- MAIL ADDRESS:**

[stm.corporate@tatatex.com](mailto:stm.corporate@tatatex.com)

**MILLS:**

HX-1, Landhi Industrial Area, Landhi, Karachi





STATEMENT

We shall build upon our recognition as a socially and environmentally responsible organization known for its principled and honest business practices we shall remain committed to exceeding the highest expectations of our stakeholders by maintaining the highest quality standards and achieving sustained growth in our capacity.



STATEMENT

We are committed to the higher expectations of our customers, we deliver more than we promise. We strive for the production of best quality yarns for high value products.

CERTIFICATE



Instituto Tecnológico Textil  
Plaza Emilio Sala, 1-1º  
E-03801 Alcoy (Alicante)

Institute of the International Association for Research and Testing in the Field of Textile Ecology (OEKO-TEX®)

The company

**Salfi Textile Mills Limited**

**6th Floor, Textile Plaza, M.A. Jinnah Road,  
Karachi, PAKISTAN**

is granted authorisation according to Oeko-Tex® Standard 100 to use the Oeko-Tex® mark, based on our test report 2014OK0009



**Tested for harmful substances**  
according to Oeko-Tex® Standard 100

2014OK0009

AITEX

for the following articles:

**100% Greige cotton yarn.**

The results of the inspection made according to Oeko-Tex® Standard 100, **product class I** have shown that the above mentioned goods meet the human-ecological requirements of the standard presently established for baby articles.

The certified articles fulfil the requirements of Annex XVII of REACH (incl. the use of azo-dyes, nickel, etc.) as well as the American requirement regarding total content of lead in children's articles (CPSIA; with the exception of accessories made from glass).

The holder of the certificate, who has issued a conformity declaration according to ISO 17050-1, is under an obligation to use the Oeko-Tex® mark only in conjunction with products that conform with the sample initially tested. The conformity is verified by audits.

**This authorisation is valid until 31.01.2015**

Alcoy (Alicante) España, 31.01.2014

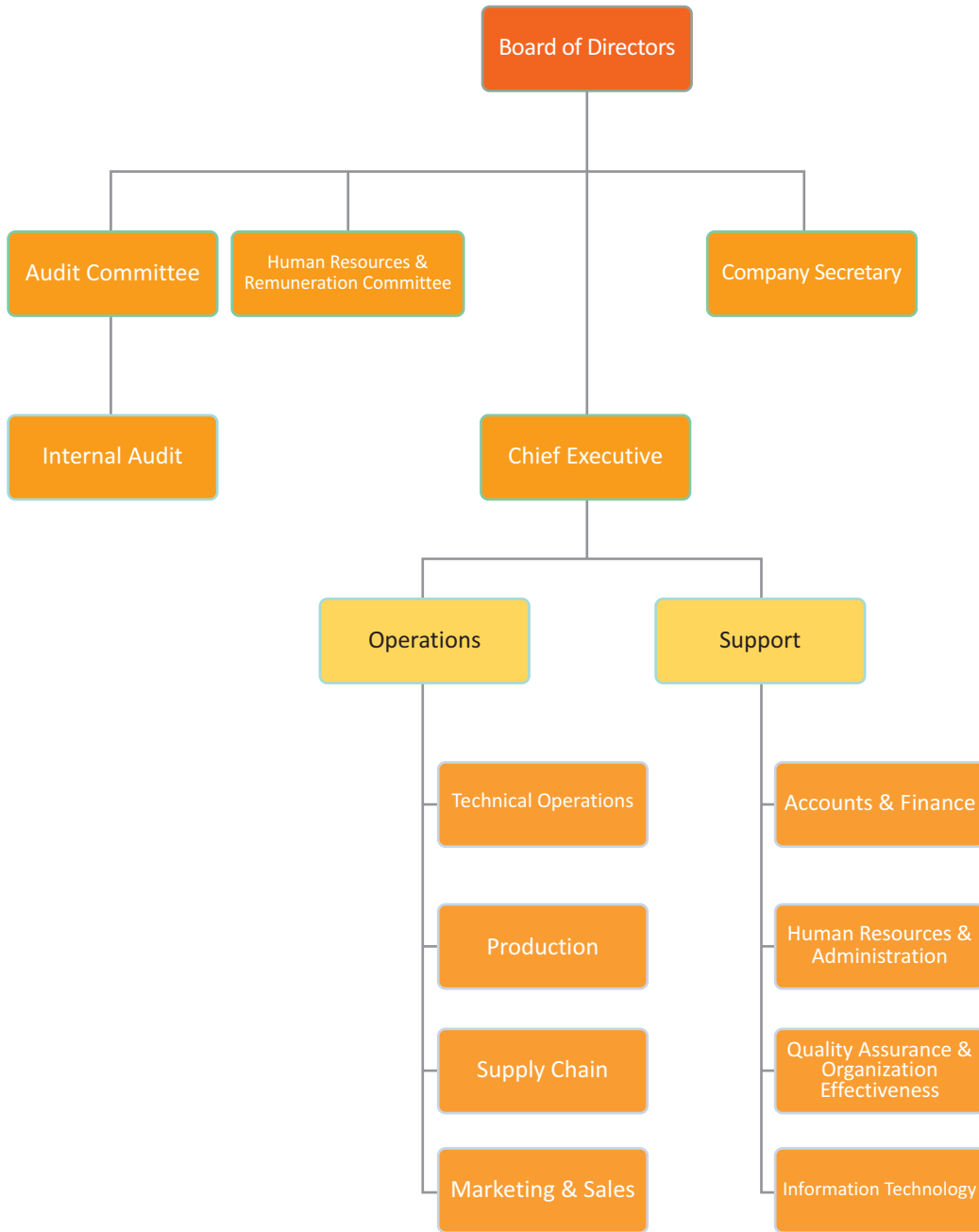
Silvia Devesa Valencia  
Innovation Assistant Manager



Isabel Soriano Sarrió  
Chief of Innovation Area



Organization Chart



## CHAIRMAN'S REVIEW

Assalam-o-Alaikum,

As Chairman of Salfi Textile Mills Limited, I am pleased to present the Annual Audited Accounts along with the auditor's report thereon for the year ended June 30, 2014. During the period under review, the financial results are not encouraging however the Company has been able to make an after tax profit of Rs.34.82 Million in the year ended June 30, 2014.

The company's performance was better during the first six months but then there was a sudden and abrupt revaluation of Pak Rupee which took us all by surprise. Even if the Government had thought that undue devaluation had taken place then it should have been more careful in strengthening the Rupee and a more prudent way could have been that further devaluation of Pak Rupee is withheld for a period deemed appropriate.

This sudden and abrupt revaluation had put the entire Textile Chain in trouble. The Spinning Industry confronted issues of high inventory level of cotton bought during the Cotton season when the US\$ - Rupee parity was around 105 -106. Similarly all other sectors of Textile Industry faced financial losses on their outstanding Sales Orders as well, going forward the Sales stopped for two - three months because of this uncertainty. The policy of Pak Rupee revaluation alone has resulted in huge loss to the Country's Textile Industry.

Moreover, the sudden and unexpected revaluation of Pak Rupee has also not resulted in any reduction in cost and inflation, so the entire textile value chain in Pakistan has become uncompetitive and thus created opportunities to our competing countries like Vietnam, India and Bangladesh.

### COTTON SITUATION

China, as with many other businesses, has become the single most critical factor in determining the Cotton World prices as it is the largest producer and largest consumer of Cotton. Now, the entire Cotton Industry in the world looks towards Chinese Government as to how they are going to manage their Cotton related affairs. For the last three years, China was pursuing a policy of directly purchasing Cotton from Ginners / Farmers. However, this year they intend to change the System and instead of buying Cotton for reserve they would now encourage Mills in China to buy Cotton directly from Ginners. The Cotton Prices offered during the last three years to Chinese growers had been much higher in comparison to World Cotton prices. This year, the challenge for the Chinese Government would be that the growers and ginners are able to sell their cotton directly to the Mills at a good price and the entire cotton available is lifted. The Government has given indication of some direct subsidies to the growers but the details are still unclear. Nevertheless, China will remain a very critical factor in determining the world cotton situation.

There is a good surplus of cotton crop in the rest of the world. USA and India is estimated to produce a record crop, round about 50 Million bales and it seems Pakistan will also harvest a good crop. Though, we do not know yet the damages on cotton crop caused by the floods but before the floods everyone was estimating it at 15 Million bales. However, the final crop size will be determined later but at present, the quality of Pakistani Cotton is good and prices are reasonable, so hopefully it will be a good year for cotton purchasing.

### GLOBAL TEXTILE COMPETITION

**INDIA:** The Indian Government has come up with a number of schemes for the growth and consolidation of Textile Industry and they have sanctioned subsidies and incentives for further industrialization in Textile sector with 4% Rebate on Yarn Exports. India has made lots of investments in technologies in all the sectors of the Textile chain and they will definitely give us a tough competition as they have a large and surplus capacity. Now Indian Textile Industry is geared up for exports, unlike in the past where they were mostly catering for the local market.

**BANGLADESH:** Bangladesh remains a tough competition in some of the Textile chain, i.e. knitting, stitched woven garments and further they have also invested huge amount in Spinning and Weaving Industry; being much cheaper in labour and power cost, yet again, tough competition with Bangladesh as well.

**VIETNAM:** Vietnam has also emerged as a very serious competitor being in the vicinity of China and having good relationship with its neighbors with facility of Duty Free Yarn import into China and other ASEAN Countries.

It is unfortunate to note that the textile exports in China have remained firm and steady, however, the share of Pakistan in all sectors of Textile has continued to decline.

### POWER ISSUES

Energy shortages have continued this year as well beside this, the Govt. has also raised power tariffs which will put extra financial burden. However we are hopeful that the current government will take these power related issues very seriously and will endeavor to rectify it.



# Annual Report 2014

## PROJECTS

Our commitment to quality is very high; therefore most of our investments have remained in quality and product diversification. We are plan to expand much in spindleage and to enhance the production capacity.

## HUMAN RESOURCE MANAGEMENT

Human Resource planning, development and management is one of the essential matters in order to make ourselves competitive and to succeed in the longer run. The company aims to develop the people through investments in training, providing them the right exposure, knowledge, and opportunities for future. We have a Human Resource and Remuneration Committee that guides in the selection, evaluation, compensation and succession planning of key management personnel. Its responsibility entails recommending improvement in the Company's human resource policies and procedures and their periodic review. The Committee keeps abreast with the market's "Best Practices" and ensures to discuss and implement these in an attempt to remain ahead of the competition at all times.

## BEST MARKET PRACTICES

Our rigorous recruitment activities enable us to have a data pool of potential talent available irrespective of racism, cast, religion or gender that are selected based on a stringent screening process. The company provides ample training opportunities including local and international. Not only the attracting and developing potential talent has been the prime focus of the management but acknowledging and rewarding outstanding performances is also considered imperative for the retention of the best talent.

Management's philosophy encourages free flow of communication and promotes exchanging new ideas contributing to the culture of the organization. We are highly concerned about the occupational health and safety of the employees by remaining preemptive towards a safe, hazard free and congenial workplace. Regular on-job trainings are conducted on subjects like firefighting, emergency evacuation procedures, medical emergencies, life threatening diseases and their prevention etc. Employees are facilitated with Financial Assistance to cater to their personal emergent needs. The company also provides mills' employees with furnished residential facilities, guest houses and recreational activities to name a few more.

## CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility is an integral part of our business. Being among the top rated spinning mills in the country we completely realize our responsibility towards the society. We desire to create difference in the society by raising the economic conditions of the people, protect the environment through our initiatives and policies. As a group we continually endeavor to contribute towards society and humanity in all possible dimensions.

## OUR CORE VALUES

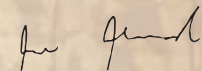
1. **INTEGRITY** - *"We do what we say"*:  
Contribute to support family orientated work environment founded on trust, honesty, transparency, with open communication and fair dealing.
2. **RESPECT** - *"We value people as our greatest resource"*  
Value and treat others as we would want others to treat/value us.
3. **TEAMWORK** - *"To be a business partner and not just as employee"*  
Work effectively with each other to achieve organizational goals with a helping and a positive attitude
4. **ACCOUNTABILITY** - *"To deliver excellence in results with commitment to all stakeholders"*  
Take responsibility for the success of business marked by continuous development whilst achieving shareholders objectives.

## ACKNOWLEDGMENT

While signing off this narration; I would wholeheartedly acknowledge the untiring endeavors of our various teams constantly engaged in upholding their commitment to make this organization surpass all the benchmarks of quality and productivity set by the giants of the industry. As a team we stand highly grateful towards our vendors, bankers and business associates for siding us during the crests and troughs of the business and socioeconomic conditions all around. Above all, we would like to extend highest order gratitude towards our customers who have continued to value and rely their credence in our product line.

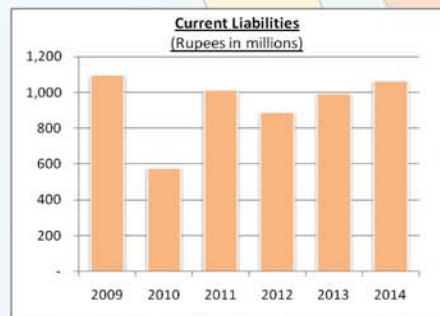
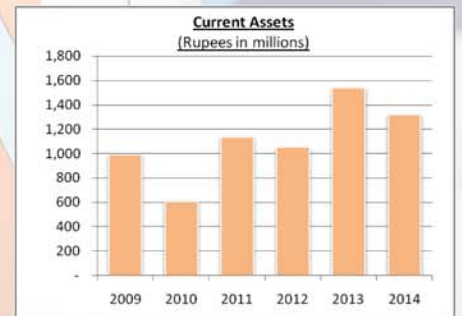
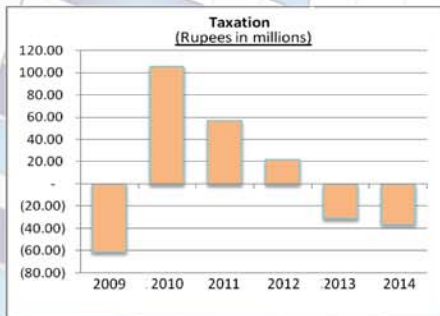
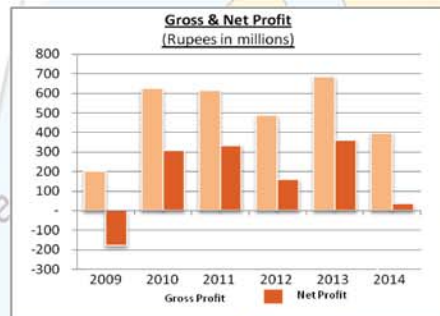
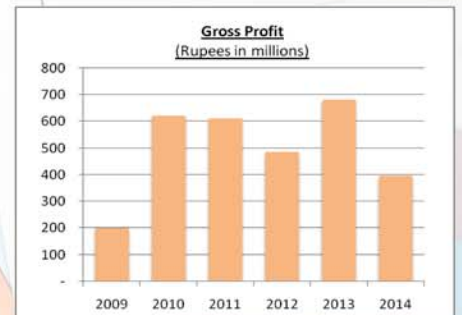
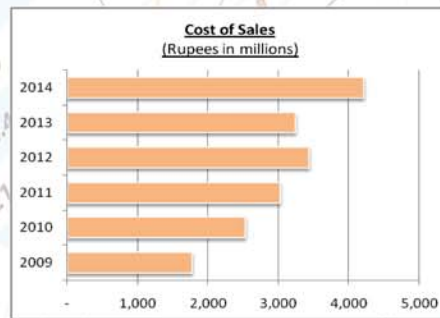
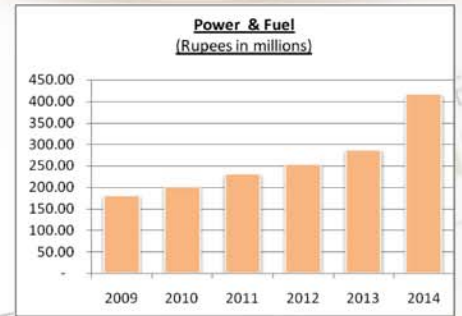
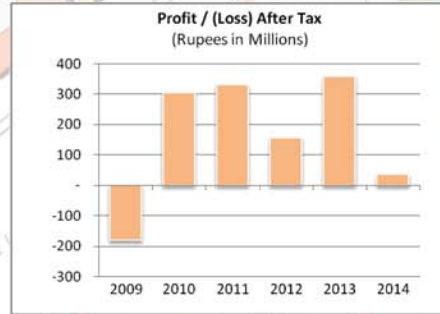
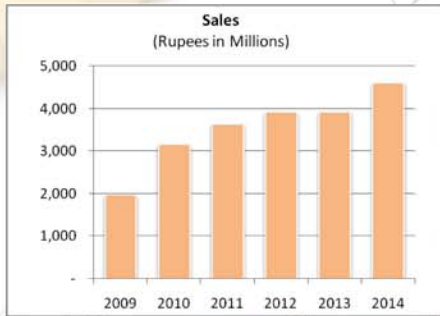
Karachi.

Dated: September 20, 2014

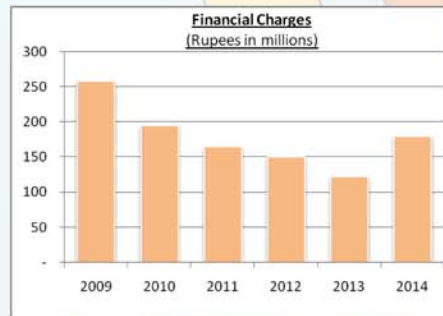
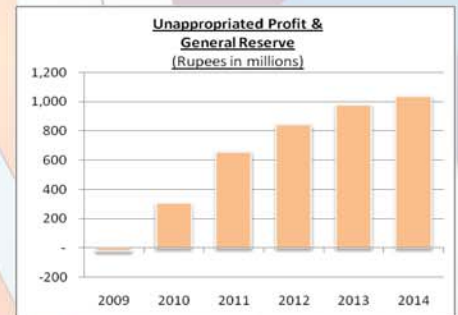
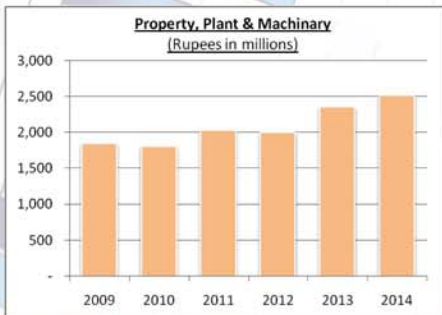
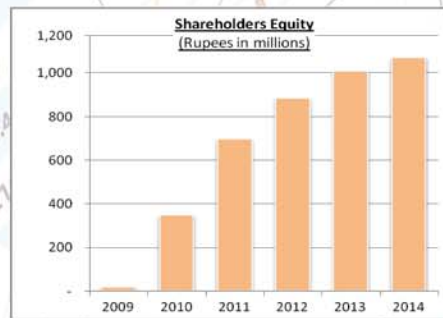
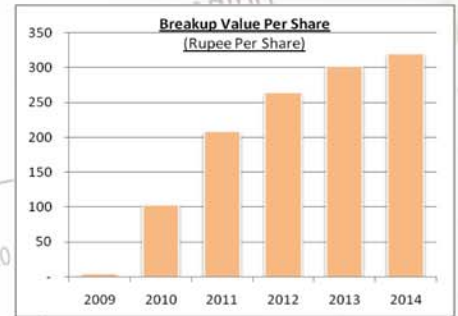
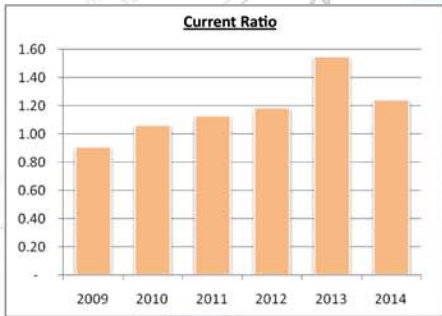
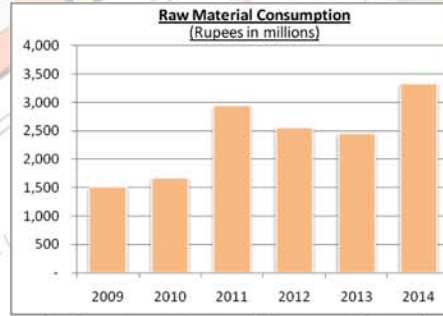


**Anwar Ahmed Tata**  
Chairman

# Annual Report 2014



# Annual Report 2014



## DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting before you the 47<sup>th</sup> Annual Report together with the Audited Accounts for the year ended June 30, 2014.

### FINANCIAL RESULTS

The Company made a Pre-tax loss of Rs.1.185 million after charging costs, expenses and depreciation for the year.

	(Rupees)
Pre-tax loss for the year	(1,185,291)
Taxation	36,007,327
Profit after taxation	<u>34,822,036</u>
Other Comprehensive Income	(2,265,353)
Accumulated Profit Brought Forward (Restated)	221,477,956
Less: Dividend Paid	(6,685,140)
	<u>247,349,499</u>
Transfer from Surplus on Revaluation of Property Plant & Equipment	33,181,573
Accumulated Profit Carried Forward	<u>280,531,072</u>

### CHAIRMAN'S REVIEW

The Directors of the Company endorse the contents of the Chairman's review, which is deemed to be a part of the Directors' report.

### DIVIDEND

The Directors of the Company are pleased to recommend final cash dividend @ 15% for the year ended June 30, 2014

### STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

- a. The financial statements, prepared by the management of the Company, present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- b. Proper books of account of the Company have been maintained.
- c. Appropriate accounting policies as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. The International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- e. There are no significant doubts upon the Company's ability to continue as a going concern.
- f. The system of internal control is sound in design and has been effectively implemented and monitored.
- g. Key operating and financial data of last six years in a summarized form is annexed.
- h. Outstanding duties, statutory charges and taxes if any have been adequately disclosed in the annexed audited financial statements
- i. During the year under review, four Board of Directors Meetings, four Audit Committee Meetings and three Human Resource & Remuneration committee meeting were held. The attendance of the directors is as follow:

# Annual Report 2014

Name of Director	Number of Meeting Attended		
	Board Meeting	Audit Committee	Human Resource & Remuneration Committee
Mr. Anwar Ahmed Tata	3	N/A	1
Mr. Shahid Anwar Tata	2	1	N/A
Mr. Adeel Shahid Anwar	4	N/A	2
Mr. Bilal Shahid Anwar*	2	2	2
Mr. Muhammad Naseem	4	3	3
Mr. Aijaz Ahmed Tariq	4	1	N/A
Mr. Kausar Ejaz	4	4	1
Mr. Farooq Advani**	1	N/A	N/A

\* Elected in Annual General Meeting on 21<sup>st</sup> October 2013

\*\* Term Expired on 21<sup>st</sup> October 2013

(However, leave of absence was granted to the Directors who could not attend the Meetings due to their pre-occupations)

- During the year under review, Mr. Bilal Shahid Anwar have completed the Directors Training Program and become the certified director from Pakistan Institute of Corporate Governance. In addition, Mr. Anwar Ahmed Tata and Mr. Shahid Anwar Tata met the criteria of exemption under clause (xi) of Code of Corporate Governance and were accordingly exempted from directors' training program.
- The statement of pattern of share holding of the Company as at June 30, 2014 is annexed. This statement is prepared in accordance with the Code of Corporate Governance.
- Apart from the following transactions, the Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children did not carry out any transaction in the shares of the company during the year

	Opening Balance As on 01-07-2013	Purchase	Sales	Closing Balance As on 30-06-2014
Mr. Anwar Ahmed Tata	2,413,128	2,000	-	2,415,128
Mr. Bilal Shahid Anwar	505	2,000	-	2,505

## Abstract Under Section 218(1) of the Companies Ordinance, 1984

During the year under review, the Board of Directors in their meeting held on October 21, 2013, has appointed Mr. Adeel Shahid Anwar as Chief Executive Officer of the Company for the term of three years commencing from 21<sup>st</sup> October 2013. The resolution has already been circulated to shareholders under section 218(2) of the Companies Ordinance 1984.

“Resolved that as per terms and conditions, Mr. Adeel Shahid Anwar will be entitled to a monthly remuneration of Rs.400,000/- (Rupees four hundred thousand only) and also approves and authorizes the provision of company's maintained cars to him, disbursement of utility bills, club bills and entertainments bills at actual, Bonuses, Medical and leave fare facilities for him & his family, Leave Encashment, Retirement Benefit and other benefits under his terms of employment with the company.”

## AUDITORS

The Auditors Messer M. Yousuf Adil Saleem & Co. Chartered Accountants retire at the conclusion of the Annual General Meeting and being eligible, offer themselves for reappointment for the financial year ending June 30, 2015.

## ON BEHALF OF THE BOARD OF DIRECTORS



**ADEEL SHAHID ANWAR**  
CHIEF EXECUTIVE

Karachi:

Date: September 20, 2014

## KEY OPERATING AND FINANCIAL DATA

Description		2014	2013	2012	2011	2010	2009
<b>OPERATING DATA</b>							
Sales	Rs.'000'	4,612,764	3,925,774	3,927,483	3,640,287	3,160,366	1,980,144
Cost of Goods Sold	Rs.'000'	4,216,657	3,243,068	3,442,401	3,027,956	2,537,320	1,778,839
Gross Profit	Rs.'000'	396,107	682,706	485,082	612,331	623,046	201,305
Profit / (Loss) Before Taxation	Rs.'000'	(1,185)	329,210	178,470	389,480	411,463	(241,175)
Profit / (Loss) After Taxation	Rs.'000'	34,822	360,187	156,922	332,528	305,931	(179,872)
<b>FINANCIAL DATA</b>							
Equity Balance	Rs.'000'	1,069,953	1,010,900	884,371	697,351	346,612	16,748
Property, Plant & Equipment	Rs.'000'	2,520,999	2,356,478	2,003,448	2,035,309	1,812,686	1,853,707
Current Assets	Rs.'000'	1,320,929	1,538,821	1,053,121	1,140,265	613,593	993,437
Current Liabilities	Rs.'000'	1,064,409	993,303	887,716	1,011,095	578,795	1,097,656
<b>RATIOS</b>							
<b>PROFITABILITY RATIOS</b>							
Gross Profit Margin	%	8.59	17.39	12.35	16.82	19.71	10.17
Operating Profit Margin	%	(0.83)	6.96	4.10	8.66	9.77	(9.69)
Net Profit Margin	%	(0.03)	8.39	4.54	10.70	13.02	(12.18)
<b>LIQUIDITY RATIOS</b>							
Current Ratio	Times	1.24	1.55	1.19	1.13	1.06	0.91
Quick Ratio	Times	0.41	0.46	0.44	0.34	0.61	0.25
<b>ACTIVITY / TURNOVER RATIOS</b>							
Days in Receivables	Days	19.17	26.32	21.87	14.53	29.50	38.10
Accounts Receivable Turnover	Times	18.78	13.68	16.46	24.78	12.20	9.45
Inventory Turnover	Times	4.96	3.09	5.36	3.90	10.39	2.54
Working Capital Turnover	Times	17.98	7.20	23.74	28.18	90.82	(19.00)
Total Assets Turnover	Times	1.20	1.01	1.11	1.00	1.12	0.63
Total Assets Turnover	Times	1.83	1.67	1.96	1.79	1.74	1.07
Return on Total Assets	%	0.90	9.23	4.43	9.15	10.84	(5.75)
Return on Equity	%	1.59	17.23	7.07	16.66	20.51	(15.34)
<b>LEVERAGE RATIOS</b>							
Long Term Debt to Equity Ratio	%	27.06	39.08	19.59	31.42	50.35	73.09
Total Debt to Equity Ratio	%	75.65	86.58	59.57	82.09	89.16	166.71
Long Term Debt to Total Assets	Times	0.15	0.21	0.12	0.17	0.27	0.27
Total Debt to Total Assets	Times	0.43	0.46	0.37	0.45	0.47	0.63
Equity to Total Assets	Times	0.57	0.54	0.63	0.55	0.53	0.37
Interest Coverage Ratio	Times	0.99	3.70	2.19	3.37	3.12	0.06
<b>OTHERS</b>							
Earning per Shares	Rs	10.42	107.76	46.95	99.48	91.53	(53.81)
Breakup Value of Shares w/o Revaluation Surplus	Rs	320.10	302.43	264.58	208.63	103.70	5.01
Breakup Value of Shares with Revaluation Surplus	Rs	655.40	625.58	664.30	596.98	446.22	350.75
Cash Dividend	%	15.00	20.00	30.00	30.00	25.00	-

## ANALYSIS OF THE FINANCIAL STATEMENT BALANCE SHEET

Description	2014	2013	2012	2011	2010	2009
----- Rupees in '000' -----						
<b>Assets</b>						
<b>Non Current Assets</b>						
Property, plant and equipment	2,520,999	2,356,478	2,003,448	2,035,309	1,812,686	1,853,707
Intangible assets	4,360	5,276	5,332	3,437	-	-
Long Term Investments	609	417	480,834	454,211	394,727	279,176
Long Term Deposit	1,012	463	463	295	295	620
<b>Total Non Current Assets</b>	<b>2,526,980</b>	<b>2,362,634</b>	<b>2,490,077</b>	<b>2,493,252</b>	<b>2,207,708</b>	<b>2,133,503</b>
<b>Current Assets</b>						
Stores, Spares and loose tools	36,067	34,570	22,050	16,299	16,270	20,178
Stock in Trade	849,720	1,049,400	642,292	775,930	244,289	700,534
Trade Debtors	245,653	287,022	238,579	146,892	258,970	209,547
Loans and Advances	130,201	80,906	66,837	93,096	47,444	22,531
Trade Deposit & Short Term Prepayment	1,409	1,464	1,834	938	424	603
Other Receivables	1,345	2,430	493	2,666	2,406	5,825
Other Financial Assets	4,135	17,212	9,629	8,066	6,606	6,606
Sales Tax Refundable	16,101	12,779	15,397	10,189	5,817	5,949
Cash and Bank	36,298	53,038	56,009	86,190	31,367	21,664
<b>Total Current Assets</b>	<b>1,320,929</b>	<b>1,538,821</b>	<b>1,053,120</b>	<b>1,140,266</b>	<b>613,593</b>	<b>993,437</b>
<b>TOTAL ASSETS</b>	<b>3,847,909</b>	<b>3,901,455</b>	<b>3,543,197</b>	<b>3,633,518</b>	<b>2,821,301</b>	<b>3,126,940</b>
<b>Equity and Liabilities</b>						
<b>EQUITY</b>						
Issued Subscribed & Paid up Capital	33,426	33,426	33,426	33,426	33,426	33,426
Reserve	755,798	755,606	5,562	5,466	5,557	5,672
Unappropriated Profit	280,729	221,868	845,383	658,459	307,629	(22,350)
<b>Total Share Capital and Reserves</b>	<b>1,069,953</b>	<b>1,010,900</b>	<b>884,371</b>	<b>697,351</b>	<b>346,612</b>	<b>16,748</b>
Surplus on revaluation of Fixed Assets	1,120,753	1,080,131	1,336,087	1,298,095	1,144,905	1,155,664
<b>Non Current Liabilities</b>						
Long Term Loans	538,656	634,120	182,522	330,995	523,282	709,733
Liabilities against assets subject to finance lease	-	-	-	-	-	9,417
Deferred Liabilities	54,138	183,001	252,502	295,980	227,706	137,722
<b>Total Non Current Liabilities</b>	<b>592,794</b>	<b>817,121</b>	<b>435,024</b>	<b>626,975</b>	<b>750,988</b>	<b>856,872</b>
<b>Current Liabilities</b>						
Trade and other Payables	390,143	308,525	283,954	290,963	223,803	168,655
Interest/ Markup	24,799	32,703	68,197	59,664	64,534	73,338
Short Term Borrowing	499,909	603,946	314,496	382,755	66,555	785,923
Current Portion of Long Term Loans	121,554	48,129	175,191	196,086	201,569	67,381
Taxation	28,004	-	45,877	81,629	22,335	2,359
<b>Total Current Liabilities</b>	<b>1,064,409</b>	<b>993,303</b>	<b>887,715</b>	<b>1,011,097</b>	<b>578,796</b>	<b>1,097,656</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>3,847,909</b>	<b>3,901,455</b>	<b>3,543,197</b>	<b>3,633,518</b>	<b>2,821,301</b>	<b>3,126,940</b>

## ANALYSIS OF THE FINANCIAL STATEMENT BALANCE SHEET VERTICAL ANALYSIS

Description	2014	2013	2012	2011	2010	2009
	%	%	%	%	%	%
<b>Assets</b>						
<b>Non Current Assets</b>						
Property, plant and equipment	65.52	60.40	56.54	56.01	64.25	59.28
Intangible assets	0.11	0.14	0.15	0.09	0.00	0.00
Long Term Investments	0.02	0.01	13.57	12.50	13.99	8.93
Long Term Deposit	0.03	0.01	0.01	0.01	0.01	0.02
<b>Total Non Current Assets</b>	<b>65.67</b>	<b>60.56</b>	<b>70.28</b>	<b>68.62</b>	<b>78.25</b>	<b>68.23</b>
<b>Current Assets</b>						
Stores, Spares and loose tools	0.94	0.89	0.62	0.45	0.58	0.65
Stock in Trade	22.08	26.90	18.13	21.35	8.66	22.40
Trade Debtors	6.38	7.36	6.73	4.04	9.18	6.70
Loans and Advances	3.38	2.07	1.89	2.56	1.68	0.72
Trade Deposit & Short Term Prepayment	0.04	0.04	0.05	0.03	0.02	0.02
Other Receivables	0.03	0.06	0.01	0.07	0.09	0.19
Other Financial Assets	0.11	0.44	0.27	0.22	0.23	0.21
Sales Tax Refundable	0.42	0.33	0.43	0.28	0.21	0.19
Cash and Bank	0.94	1.36	1.58	2.37	1.11	0.69
<b>Total Current Assets</b>	<b>34.33</b>	<b>39.44</b>	<b>29.72</b>	<b>31.38</b>	<b>21.75</b>	<b>31.77</b>
<b>TOTAL ASSETS</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>Equity and Liabilities</b>						
<b>EQUITY</b>						
Issued Subscribed & Paid up Capital	0.87	0.86	0.94	0.92	1.18	1.07
Reserve	19.64	19.37	0.16	0.15	0.20	0.18
Unappropriated Profit	7.30	5.69	23.86	18.12	10.90	-0.71
<b>Total Share Capital and Reserves</b>	<b>27.81</b>	<b>25.91</b>	<b>24.96</b>	<b>19.19</b>	<b>12.29</b>	<b>0.54</b>
Surplus on revaluation of Fixed Assets	29.13	27.69	37.71	35.73	40.58	36.96
<b>Non Current Liabilities</b>						
Long Term Loans	14.00	16.25	5.15	9.11	18.55	22.70
Liabilities against assets subject to finance lease	0.00	0.00	0.00	0.00	0.00	0.30
Deferred Liabilities	1.41	4.69	7.13	8.15	8.07	4.40
<b>Total Non Current Liabilities</b>	<b>15.41</b>	<b>20.94</b>	<b>12.28</b>	<b>17.26</b>	<b>26.62</b>	<b>27.40</b>
<b>Current Liabilities</b>						
Trade and other Payables	10.14	7.91	8.01	8.01	7.93	5.39
Interest/ Markup	0.64	0.84	1.92	1.64	2.29	2.35
Short Term Borrowing	12.99	15.48	8.88	10.53	2.36	25.13
Current Portion of Long Term Loans	3.16	1.23	4.94	5.40	7.14	2.15
Taxation	0.73	0.00	1.29	2.25	0.79	0.08
<b>Total Current Liabilities</b>	<b>27.66</b>	<b>25.46</b>	<b>25.05</b>	<b>27.83</b>	<b>20.52</b>	<b>35.10</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>



## ANALYSIS OF THE FINANCIAL STATEMENT PROFIT & LOSS ACCOUNT

Description	2014	2013	2012	2011	2010	2009
	----- Rupees in '000' -----					
Sales	4,612,764	3,925,774	3,927,483	3,640,287	3,160,366	1,980,144
Cost of Goods Sold	4,216,657	3,243,068	3,442,401	3,027,956	2,537,320	1,778,839
<b>GROSS PROFIT</b>	<b>396,107</b>	<b>682,706</b>	<b>485,082</b>	<b>612,331</b>	<b>623,046</b>	<b>201,305</b>
Distribution cost	145,610	142,092	96,618	47,441	49,366	33,736
Administrative expenses	82,574	67,638	53,316	46,537	40,844	41,548
Other operating expenses	26,680	77,638	23,565	38,435	29,582	60,236
Financial Cost	179,566	121,946	150,579	164,653	194,530	257,565
	434,430	409,314	324,078	297,066	314,322	393,085
Other Income	37,138	5,640	7,991	4,721	1,841	4,317
Share of Profit / (Loss) from Associates net of Tax	-	50,178	9,475	69,494	100,898	(53,712)
	37,138	55,818	17,466	74,215	102,739	(49,395)
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>(1,185)</b>	<b>329,210</b>	<b>178,470</b>	<b>389,480</b>	<b>411,463</b>	<b>(241,175)</b>
Provision for taxation	36,007	30,978	(21,548)	(56,952)	(105,532)	61,303
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>34,822</b>	<b>360,188</b>	<b>156,922</b>	<b>332,528</b>	<b>305,931</b>	<b>(179,872)</b>

## ANALYSIS OF THE FINANCIAL STATEMENT PROFIT & LOSS VERTICAL ANALYSIS

Description	2014	2013	2012	2011	2010	2009
	%	%	%	%	%	%
Sales	100.00	100.00	100.00	100.00	100.00	100.00
Cost of Goods Sold	91.41	82.61	87.65	83.18	80.29	89.83
<b>GROSS PROFIT</b>	<b>8.59</b>	<b>17.39</b>	<b>12.35</b>	<b>16.82</b>	<b>19.71</b>	<b>10.17</b>
Distribution cost	3.16	3.62	2.46	1.30	1.56	1.70
Administrative expenses	1.79	1.72	1.36	1.28	1.29	2.10
Other operating expenses	0.58	1.98	0.60	1.06	0.94	3.04
Financial Cost	3.89	3.11	3.83	4.52	6.16	13.01
	9.42	10.43	8.25	8.16	9.95	19.85
Other Income	0.81	0.14	0.20	0.13	0.06	0.22
Share of Profit / (Loss) from Associates net of Tax	0.00	1.28	0.24	1.91	3.19	-2.71
	0.81	1.42	0.44	2.04	3.25	-2.49
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>-0.03</b>	<b>8.39</b>	<b>4.54</b>	<b>10.70</b>	<b>13.02</b>	<b>-12.18</b>
Provision for taxation	0.78	0.79	-0.55	-1.56	-3.34	3.10
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>0.75</b>	<b>9.17</b>	<b>4.00</b>	<b>9.13</b>	<b>9.68</b>	<b>-9.08</b>

## PATTERN OF SHAREHOLDING AS AT JUNE 30, 2014

NO. OF SHAREHOLDERS	SHARE-HOLDING FROM	TO	TOTAL SHARES HELD
750	1	100	32,281
172	101	500	38,243
35	501	1000	27,441
31	1001	5000	68,525
5	5001	10000	36,727
1	10001	15000	14,500
1	15001	20000	16,750
1	35001	40000	38,000
1	100001	105000	104,645
1	180001	185000	184,030
1	365001	370000	366,300
1	2415001	2420000	2,415,128
<u>1000</u>			<u>3,342,570</u>

### CATEGORIES OF SHAREHOLDERS

As at June 30 , 2014

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors, their Spouse(s) and Minor Children	9	2,623,883	78.50
Associated Companies, Undertakings and Related Parties	1	366,300	10.96
Public Sector companies & Corporations	3	17,958	0.54
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and pension funds	2	10,127	0.30
Mutual Funds	1	104,645	3.13
Others	9	14,482	0.43
General Public	975	205,175	6.14
	<u>1000</u>	<u>3,342,570</u>	<u>100.00</u>

**Detail Categories of Shareholders  
As At June 30, 2014**

	No. of Shareholders	Shares Held
<b>DIRECTORS, THEIR SPOUSE(S) &amp; MINOR CHILDREN</b>		
Mr. Anwar Ahmed Tata (Chairman/Director)	1	2,415,128
Mr. Shahid Anwar Tata (Director)	1	184,030
Mr. Adeel Shahid Anwar (Chief Executive)	1	8,720
Mr. Bilal Shahid Anwar (Director)	1	2,505
Mr. Muhammad Naseem (Director)	1	2,500
Mr. Aijaz Ahmed Tariq (Director)	1	2,750
Mr. Kausar Ejaz (Director)	1	2,750
Mrs. Parveen Anwar (W/o of Mr. Anwar Ahmed Tata)	1	2,750
Mrs. Saiqa Shahid (W/o of Mr. Shahid Anwar Tata)	1	2,750
	<u>9</u>	<u>2,623,883</u>
<b>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>		
Island Textile Mills Ltd.	1	366,300
<b>PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>		
Investment Corporation of Pakistan	1	16,750
IDBL (ICP Unit)	1	1,150
National Bank of Pakistan	1	58
	<u>3</u>	<u>17,958</u>
<b>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARBAS AND PENSION FUNDS</b>		
Central Insurance Co. Ltd.	1	560
Trustee National Bank of Pakistan Employee Pension Fund	1	9,567
	<u>2</u>	<u>10,127</u>
<b>MUTUAL FUNDS</b>		
CDC Trustee National Investment (Unit) Trust	1	104,645
<b>OTHERS</b>		
M/s Naseer Shahid Ltd.	1	20
M/s Guardian Modaraba Management (Pvt) Ltd	1	4,620
M/s The Administrator Abandoned Properties	1	50
Fateh Textile Mills Limited	1	55
Deputy Administrator Abandoned Properties Organization	1	5,340
Trustee National Bank of Pakistan Employee Benevolent Fund Trust	1	336
Securities & Exchange Authority	1	1
HH Misbah Securities (Private) Limited	1	4,000
Fikree's (SMC-Pvt) Ltd.	1	60
	<u>9</u>	<u>14,482</u>
<b>GENERAL PUBLIC</b>		
Local	975	205,175
<b>Grand Total</b>	<u><u>1,000</u></u>	<u><u>3,342,570</u></u>
<b>Shareholders Holding 5% or more As At June 30, 2014</b>		
Mr. Anwar Ahmed Tata	2,415,128	72.25
Mr. Shahid Anwar Tata	184,030	5.51
Island Textile Mills Ltd.	366,300	10.96

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance ( the Code) contained in Regulation No. 35 of 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 practice of corporate governance.

The Company has applied the principles contained in the Code in the following manner.

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

Category	Names
Independent Director	Mr. Muhammad Naseem
Non - Executive Director	Mr. Anwar Ahmed Tata Mr. Bilal Shahid Anwar Mr. Aijaz Ahmed Tariq Mr. Kausar Ejaz
Executive Directors	Mr. Shahid Anwar Tata Mr. Adeel Shahid Anwar

The independent director meets the criteria of Independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy has occurred on the Board during the year under review.
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.
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 condition of employment of the Chief Executive and other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met 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 meeting were appropriately recorded and circulated.
9. The Board arranged internally an orientation program for its directors during year. The Board had also initiated the training of directors for certification program and two of the directors have completed the Director's Training Program and became certified director from PICG (Pakistan Institute of Corporate Governance). Two of the directors are sufficiently experienced to qualify for the criteria for exemption from formal training requirement stated in the Code. Remaining directors will acquire the required directors' training certification within the time specified in the Code, unless exempt there under.

10. No new appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit was made during the year.
11. The directors' report for the year ended June 30, 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 Chief Executive and Chief Financial Officer before approval of the Board.
13. The directors, chief executive and executives do not hold any interest in the share 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 Code.
15. The Board has formed an audit committee. It comprises of three members, all of them are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held once in every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, of whom two are non-executive director including the chairman of the committee who is also an independent director.
18. The Board has outsourced the internal audit function to a firm of Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. The Company has assigned Head of Internal Audit to act as coordinator between the firm providing internal audit services and the Board.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan ("ICAP"), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the Code have complied with.

**ON BEHALF OF THE BOARD OF DIRECTORS**



**ADEEL SHAHID ANWAR  
CHIEF EXECUTIVE**

Karachi  
Dated: September 20, 2014

# NOTICE

## of Annual General Meeting

Notice is hereby given that the **47<sup>th</sup> Annual General Meeting** of the Shareholders of **Salfi Textile Mills Limited** will be held on **Wednesday the October 29, 2014** at **1:30 P.M.** at **5<sup>th</sup> Floor Textile Plaza M.A. Jinnah Road Karachi**, to transact the following business: -

1. To confirm the minutes of the 46<sup>th</sup> Annual General Meeting held on October 21, 2013.
2. To receive, consider and adopt the report of the Directors and Auditors and Audited Accounts of the Company for the year ended June 30, 2014.
3. To appoint Auditors for the year 2014-15 and fix their remuneration. The retiring auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants being eligible have offered themselves for reappointment.
4. To approve final cash dividend @ 15% (i.e. Rs.1.50 per share), for the year ended June 30, 2014 as recommended by the Board of Directors.
5. To transact any other business or businesses with the permission of the Chairman.

By order of the Board of Directors



**Farooq Advani**  
**Company Secretary**

Karachi:

Dated: October 02, 2014

**Notes:**

1. The Share Transfer Books of the Company will remain closed from October 21, 2014 to October 29, 2014 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint proxy. Proxies, in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her Original CNIC or Passport to prove his/her identity and in case of Proxy must enclose additionally an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. Shareholders are requested to notify the change of address, if any, immediately.
5. Members who have not yet submitted photocopies of their CNIC to the Company's Share Registrar, are requested to send the same at earliest.



M. Yousuf Adil Saleem & Co  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Sharea Faisal,  
Karachi-75350  
Pakistan

Phone: +92 (0) 21- 3454 6494-7  
Fax: +92 (0) 21- 3454 1314  
Web: [www.deloitte.com](http://www.deloitte.com)

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

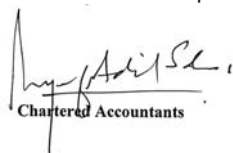
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the code) prepared by the Board of Directors of **Salfi Textile Mills Limited** (the Company) for the year ended June 30, 2014 to comply with the Listing Regulation No. 35 of the 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 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 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 recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of 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.



Chartered Accountants

**Engagement Partner:**  
**Mushtaq Ali Hirani**

KARACHI  
DATED: September 20, 2014

Member of  
Deloitte Touche Tohmatsu Limited



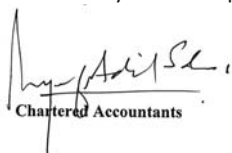
## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SALFI 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 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 said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
- i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 3.1 to the financial statements with which we concur;
  - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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.



Chartered Accountants

**Engagement Partner:**  
**Mushtaq Ali Hirani**

KARACHI  
DATED: September 20, 2014

Member of  
Deloitte Touche Tohmatsu Limited



# Financial Statements

for the Year Ended June 30, 2014



## BALANCE SHEET AS AT JUNE 30, 2014

ASSETS	Note	2014	2013 (Restated)
		..... Rupees .....	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	2,520,998,933	2,356,478,239
Intangible assets	5	4,359,398	5,276,018
Long term investment	6	608,950	416,767
Long term deposits		1,012,339	462,570
		<b>2,526,979,620</b>	<b>2,362,633,594</b>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	7	36,067,009	34,569,648
Stock-in-trade	8	849,720,208	1,049,399,719
Trade debts	9	245,653,253	287,022,412
Loans and advances	10	130,200,532	80,906,472
Trade deposits and short-term prepayments	11	1,409,072	1,463,526
Other receivables		1,344,630	2,429,677
Other financial assets	12	4,135,000	17,211,737
Sales tax refundable		16,101,397	12,779,401
Cash and bank balances	13	36,297,774	53,038,015
		<b>1,320,928,875</b>	<b>1,538,820,607</b>
<b>TOTAL ASSETS</b>		<b>3,847,908,495</b>	<b>3,901,454,201</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	14	33,425,700	33,425,700
Reserves	15	755,798,120	755,605,937
Unappropriated profit		280,729,312	221,868,379
		<b>1,069,953,132</b>	<b>1,010,900,016</b>
Surplus on revaluation of property, plant and equipment	16	1,120,752,654	1,080,131,115
<b>NON-CURRENT LIABILITIES</b>			
Long-term finance	17	538,656,238	634,119,588
Deferred liabilities	18	54,137,608	183,000,255
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	390,142,935	308,525,246
Interest / mark-up accrued on borrowings	20	24,799,125	32,702,740
Short-term borrowings	21	499,909,164	603,946,144
Current portion of long-term finance	17	121,553,704	48,129,097
Provision for income tax		28,003,935	-
		<b>1,064,408,863</b>	<b>993,303,227</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	22		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,847,908,495</b>	<b>3,901,454,201</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.



**ADEEL SHAHID ANWAR**  
CHIEF EXECUTIVE



**ANWAR AHMED TATA**  
CHAIRMAN/DIRECTOR

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 ..... Rupees .....	2013 (Restated) .....
Sales - net	23	4,612,763,633	3,925,774,310
Cost of goods sold	24	(4,216,656,553)	(3,243,067,912)
Gross profit		396,107,080	682,706,398
Distribution cost	25	(145,609,853)	(142,092,216)
Administrative expenses	26	(82,573,823)	(67,638,070)
Other operating expenses	27	(26,680,301)	(77,637,698)
Finance cost	28	(179,566,153)	(121,945,671)
		(434,430,130)	(409,313,655)
Other income	29	37,137,759	5,639,496
Share of profit from associate - net of tax		-	50,177,966
		37,137,759	55,817,462
(Loss) / profit before taxation		(1,185,291)	329,210,205
Taxation	30	36,007,327	30,977,719
Profit for the year		34,822,036	360,187,924
<b>Other comprehensive income for the year:</b>			
Item that will be reclassified to profit or loss			
Unrealised gain on remeasurement of available-for-sale investments	6.1	192,183	43,785
Item that may be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability		(2,457,536)	(2,789,219)
Less: Deferred tax thereon		-	348,373
		(2,457,536)	(2,440,846)
Other comprehensive income		(2,265,353)	(2,397,061)
Total comprehensive income for the year		32,556,683	357,790,863
Earnings per share - basic and diluted	31	10.42	107.76

The annexed notes from 1 to 43 form an integral part of these financial statements.



**ADEEL SHAHID ANWAR**  
CHIEF EXECUTIVE



**ANWAR AHMED TATA**  
CHAIRMAN/DIRECTOR

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

	Note	2014 ..... Rupees .....	2013 (Restated)
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / profit before taxation		(1,185,291)	329,210,205
<b>Adjustments for</b>			
Depreciation on property, plant and equipment	4.2	97,851,453	78,663,939
Amortization on intangible assets	5.1	1,338,622	1,156,321
Provision for staff gratuity		17,020,648	13,726,263
Provision for compensated absences		5,276,052	4,159,395
Finance cost	28	179,566,153	121,945,671
Share of profit from associate		-	(50,177,966)
Loss on disposal of property, plant and equipment	27	3,383,096	22,845,936
<b>Operating cash flows before change in working capital</b>		<b>303,250,733</b>	<b>521,529,764</b>
<b>(Increase) / decrease in current assets</b>			
Stores, spares and loose tools		(1,497,361)	(12,519,286)
Stock-in-trade		199,679,511	(407,107,479)
Trade debts		41,369,159	(48,443,139)
Loans and advances		6,349,618	(7,495,830)
Trade deposits and short-term prepayments		54,454	370,549
Other receivables		1,085,047	(1,936,551)
Other financial assets		13,076,737	(7,582,876)
Sales tax refundable		(3,321,996)	2,617,513
<b>(Decrease) / increase in current liabilities</b>			
Trade and other payables		81,457,774	24,331,869
<b>Cash generated from operations</b>		<b>641,503,676</b>	<b>63,764,534</b>
Finance cost paid		(187,469,768)	(157,440,346)
Income taxes paid		(55,643,678)	(47,066,371)
Staff gratuity and compensated absences paid		(15,802,509)	(14,753,152)
<b>Net cash generated from / (used in) operating activities</b>		<b>382,587,721</b>	<b>(155,495,335)</b>

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

	Note	2014 Rupees	2013 (Restated)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividend received from an associated company		-	3,967,550
Purchase of property, plant and equipment		(269,656,716)	(515,364,845)
Proceeds from disposal of property, plant and equipment	4.4	3,901,473	60,825,092
Purchase of intangible assets		(422,002)	(1,100,001)
Long-term deposits		(549,769)	-
Net cash used in investing activities		(266,727,014)	(451,672,204)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term finances obtained		26,090,360	625,321,492
Repayment of long-term finance		(48,129,103)	(300,732,044)
Proceeds from short-term borrowings		248,109,880	133,029,616
Dividend paid		(6,525,225)	(9,843,387)
Net cash generated from financing activities		219,545,912	447,775,677
Net increase / (decrease) in cash and cash equivalents (A+B+C)		335,406,619	(159,391,862)
Cash and cash equivalents at beginning of the year		(299,108,845)	(139,716,983)
Cash and cash equivalents at end of the year	32	36,297,774	(299,108,845)

The annexed notes from 1 to 43 form an integral part of these financial statements.



ADEEL SHAHID ANWAR  
CHIEF EXECUTIVE



ANWAR AHMED TATA  
CHAIRMAN/DIRECTOR

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2014

Note	Issued subscribed and paid up share capital	Reserves			Unappropriated profit	Total
		General reserve	Other reserve Rupees	Unrealised loss on investment available-for-sale		
	33,425,700	-	5,996,360	(434,208)	845,382,737	884,370,589
Effect of retrospective application of change in accounting policy due to application of IAS 19 (Revised) (note 3.1.1)						
Actuarial losses recognised	-	-	-	-	(3,208,225)	(3,208,225)
Less: deferred tax thereon	-	-	-	-	539,623	539,623
	-	-	-	-	(2,668,602)	(2,668,602)
Balance as at July 01, 2012 - restated	33,425,700	-	5,996,360	(434,208)	842,714,135	881,701,987
Profit for the year ended June 30, 2013 as originally reported	-	-	-	-	359,892,649	359,892,649
Effect of change in accounting policy resulting in reversal of previously amortized actuarial losses (note 3.1.1)	-	-	-	-	337,419	337,419
Less: deferred tax thereon	-	-	-	-	(42,144)	(42,144)
	-	-	-	-	295,275	295,275
Profit after taxation for the year ended June 30, 2013 - restated	-	-	-	-	360,187,924	360,187,924
<b>Other comprehensive income</b>						
Other comprehensive income as originally reported	-	-	-	43,785	-	43,785
Loss on remeasurement of defined benefit scheme (note 3.1.1)	-	-	-	-	(2,789,219)	(2,789,219)
Less: deferred tax thereon	-	-	-	-	348,373	348,373
	-	-	-	-	(2,440,846)	(2,440,846)
Other comprehensive income - restated	-	-	-	43,785	(2,440,846)	(2,397,061)
<b>Total comprehensive income for the year</b>	-	-	-	43,785	357,747,078	357,790,863
Transfer from surplus on revaluation of property, plant and equipment on account of:						
-incremental depreciation - net of deferred tax	-	-	-	-	28,678,993	28,678,993
-disposal - net of deferred tax	-	-	-	-	55,363,173	55,363,173
16	-	-	-	-	84,042,166	84,042,166
Transfer to general reserve	-	750,000,000	-	-	(750,000,000)	-
<b>Transactions with owners</b>						
Final cash dividend for the year ended June 30, 2012 @ Rs. 3 per share	-	-	-	-	(10,027,710)	(10,027,710)
Specie dividend	-	-	-	-	(130,927,500)	(130,927,500)
Change in value of investment due to specie dividend	-	-	-	-	(171,679,790)	(171,679,790)
	-	-	-	-	(302,607,290)	(302,607,290)
<b>Balance as at June 30, 2013 - restated</b>	<b>33,425,700</b>	<b>750,000,000</b>	<b>5,996,360</b>	<b>(390,423)</b>	<b>221,868,379</b>	<b>1,010,900,016</b>
Profit for the year	-	-	-	-	34,822,036	34,822,036
<b>Other comprehensive income</b>						
Loss on remeasurement of defined benefit scheme	-	-	-	-	(2,457,536)	(2,457,536)
Remeasurement of available for sale investment	-	-	-	192,183	-	192,183
Other comprehensive income - net of tax	-	-	-	-	(2,457,536)	(2,265,353)
Total comprehensive income for the year	-	-	-	192,183	32,364,500	32,556,683
Transfer from surplus on revaluation of property, plant and equipment on account of:						
-incremental depreciation - net of deferred tax	-	-	-	-	29,003,251	29,003,251
-disposal - net of deferred tax	-	-	-	-	4,178,322	4,178,322
16	-	-	-	-	33,181,573	33,181,573
<b>Transactions with owners</b>						
Final cash dividend for the year ended June 30, 2013 @ Rs. 2 per share	-	-	-	-	(6,685,140)	(6,685,140)
<b>Balance as at June 30, 2014</b>	<b>33,425,700</b>	<b>750,000,000</b>	<b>5,996,360</b>	<b>(198,240)</b>	<b>280,729,312</b>	<b>1,069,953,132</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.



**ADEEL SHAHID ANWAR**  
CHIEF EXECUTIVE



**ANWAR AHMED TATA**  
CHAIRMAN/DIRECTOR

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

### 1. LEGAL STATUS AND NATURE OF BUSINESS

Salfi Textile Mills Limited (the Company) was incorporated in Pakistan as a public limited company on January 05, 1968 under the Companies Act, 1913 as repealed by the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange. The registered office of the Company is situated at 6th floor Textile Plaza, M.A. Jinnah road, Karachi in the province of Sindh. The principal activity of the Company is manufacturing and sale of yarn. The Company's manufacturing facilities are located at Landhi Industrial Estate, Karachi in the province of Sindh.

### 2. BASIS OF PREPERATION

#### 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 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 of or directives issued under the Companies Ordinance, 1984 shall prevail.

#### 2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for:-

- property, plant and equipment measured at revalued amounts less accumulated depreciation thereon;
- recognition of certain staff retirement benefits at present value; and
- certain financial instruments at measured fair value

#### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional and presentation currency.

#### 2.4 Critical accounting estimates and judgments

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

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. Areas where judgments and estimates made by the management that may have a significant effect on the amounts recognised in the financial statements are included in the following notes:

- revaluation of certain items of property, plant and equipment (note 3.2)
- Useful lives of property, plant and equipment (note 3.2)
- Useful lives of intangible assets (note 3.3)
- Valuation of stores and spares and stock-in-trade (note 3.4 & 3.5)
- impairment of financial and non-financial assets (note 3.10)
- Staff retirement benefit - gratuity scheme (note 3.16)
- Taxation (note 3.21)



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## 2.5 Initial application of standards, amendments or an interpretation to existing standards

### a) Standards, amendments or interpretations to approved accounting standards that became effective during the year

The following amendments and interpretations are effective for the year ended June 30, 2014. These amendments and interpretations 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 except for IAS 19 Employee Benefits (Revised 2011) whose effects have been disclosed in note 3.1.

<b>Standards or Interpretations</b>	<b>Effective date (accounting periods beginning on or after)</b>
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) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Company

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.

<b>Standards or Interpretations</b>	<b>Effective date (accounting periods beginning on or after)</b>
Amendments to IAS 19 Employee Benefits: Employee contributions IAS 27 (Revised 2011) - Separate Financial Statements	July 01, 2014 January 01, 2015. IAS 27 (Revised 2011) will concurrently apply with IFRS 10.
IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures	January 01, 2015
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2014
IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	January 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	January 01, 2014
IFRS 10 - Consolidated Financial Statements	January 01, 2015

**Standards or Interpretations****Effective date (accounting periods beginning on or after)**

IFRS 11 - Joint Arrangements	January 01, 2015
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 - Fair Value Measurement	January 01, 2015
IFRIC 21 - Levies	January 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2013 except as stated in note 3.1.

**3.1 Change in accounting policy*****IAS - 19 Employee Benefits (Revised)***

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost in the profit and loss account and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the Balance Sheet immediately, with a charge or credit to be recorded in Statement of Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (Revised) - 'Employee Benefits', the Company's policy for staff retirement benefits in respect of remeasurements and past service costs is amended as follows:

- The amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income (OCI) in the periods in which they occur.
- Past service costs are recognised immediately in the profit and loss account in the period in which these arise.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and corresponding figures for the year ended June 30, 2013, have been restated. The third balance sheet as at July 01, 2012, as required under International Accounting Standard 1 "Presentation of Financial Statements", has not been included as the effect of restatement as at such date, is not material.

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**3.1.1** The Company's financial statements are affected by the 'remeasurements relating to prior years. The reconciliation, considering effects of change in accounting policy, have been summarised below:

	Staff Retirement benefits - gratuity (note 18.1)	Deferred tax liability	Un-appropriated profit
	.....Rupees.....		
<b>Balance as at July 01, 2012 as previously reported</b>	8,628,875	216,446,547	845,382,737
Recognition of previously unrecognised cumulative actuarial losses as a result of adoption of IAS 19 (Revised) as at July 01, 2012	<u>3,208,225</u>	<u>(539,623)</u>	<u>(2,668,602)</u>
<b>Balance as at July 01, 2012 - as restated</b>	<u><u>11,837,100</u></u>	<u><u>215,906,924</u></u>	<u><u>842,714,135</u></u>
<b>Balance as at June 30, 2013 as previously reported</b>	8,529,957	138,660,226	226,682,552
Recognition of previously unrecognised cumulative actuarial losses as a result of adoption of IAS 19 (Revised):			
- recognition of cumulative unrecognised actuarial losses in OCI			
- as at June 30, 2012	3,208,225	(539,623)	(2,668,602)
- for the year ended June 30, 2013	2,789,219	(348,373)	(2,440,846)
Reversal of actuarial loss amortised during the year ended June 30, 2013 as a result of adoption of IAS 19 (Revised)	<u>(337,419)</u>	<u>42,144</u>	<u>295,275</u>
<b>Balance as at June 30, 2013 - restated</b>	<u><u>14,189,982</u></u>	<u><u>137,814,374</u></u>	<u><u>221,868,379</u></u>

The change in accounting policy has resulted in decrease in total comprehensive income by Rs. 1.61 million (2013: Rs. 2.10 million) the details of which are as follows:

<b>Impact on comprehensive income</b>	<b>2014</b>	<b>2013</b>
	..... Rupees .....	
- <b>Profit and loss account</b>		
Reversal of amortisation of actuarial losses as a result of adoption of IAS 19 (Revised) from cost of goods sold	848,205	337,419
Increase in profit for the year	<u>848,205</u>	<u>337,419</u>
- <b>Other comprehensive income</b>		
Recognition of loss on remeasurement of retirement and other service benefits during the year	(2,457,536)	(2,789,219)
Less: Deferred tax effect thereon	<u>-</u>	<u>348,373</u>
	<u>(2,457,536)</u>	<u>(2,440,846)</u>
(Decrease) in total comprehensive income for the year	<u><u>(1,609,331)</u></u>	<u><u>(2,103,427)</u></u>
Increase in earnings per share (Rupees)	<u><u>0.25</u></u>	<u><u>0.10</u></u>

Had there been no change in accounting policy, the profit for the year would have been decreased by Rs. 0.85 million, other comprehensive would have been increased by Rs. 2.46 million and unappropriated profit would have decrease by Rs. 1.61 million.

### 3.2 Property, plant and equipment

Property, plant and equipment except free hold land, building and plant and machinery are stated at cost less accumulated depreciation and impairment, if any.

Leasehold land, building, plant and machinery and electric installations are stated at revalued amount being the fair value at the date of revaluation, less subsequent accumulated depreciation and impairment losses, if any. Revaluations are performed with sufficient regularity so that the fair value and carrying value do not differ materially at the balance sheet date.

Depreciation is charged to income applying the reducing balance method at the rates specified in note 4. Depreciation on all additions in fixed assets is charged from the month in which the asset is available for use and on disposals upto the month preceding the month of disposal

Assets useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of property, plant and equipment have different useful lives, they are recognised as separate items of property plant and equipment.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Improvements are capitalised when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably. Assets replaced, if any, are derecognised.

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

Gains and losses on disposal of assets are taken to the profit and loss account, and the related surplus / deficit on revaluation of property, plant and equipment is transferred directly to unappropriated profits.

#### Capital work-in-progress

Capital work-in-progress (CWIP) is stated at cost less any impairment loss. All expenditures connected to the specific assets incurred during installation and construction period are carried under CWIP. Expenditures include borrowing costs as referred to in note 3.17. These are transferred to operating property, plant and equipment as and when assets are ready for their intended use.

### 3.3 Intangibles assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the Company and the cost of such asset can be measured reliably.

Generally costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding one year, are recognised as an intangible asset. Direct costs include the purchase cost of software and related overhead cost. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any, thereon.

Intangible asset with a definite useful life is amortised on a straight line basis over its useful life. Amortization on all additions in intangibles is charged from the month in which the asset is available for use and on disposals upto the month of disposal. Amortisation charge is recognised in the profit and loss account. The rates of amortization are disclosed in note 5.1.

# Annual Report 2014

## 3.4 Stores, spares and loose tools

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

## 3.5 Stock-in-trade

These are valued at lower of cost and net realizable value applying the following basis:

- Raw material - at moving average cost.
- Material in transit - at invoice value plus other charges incurred upto balance sheet date.
- Work-in-process - at average manufacturing cost.
- Finished goods - at average manufacturing cost.

Average manufacturing cost signifies, in relation to work in process and finished goods, the monthly average cost which consist of prime cost and appropriate manufacturing overheads.

Waste stock is valued and recorded at net realizable value.

Net realizable value (NRV) represents the estimated selling price at which the inventories can be realized in the normal course of business less estimated cost of completion and selling expense.

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 recognised. A reversal of NRV is recognised in the profit and loss account.

## 3.6 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value plus directly attributable cost if any, and subsequently measured at amortized cost. A provision for impairment of trade debts and other receivables is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is charged to the profit and loss account. Trade debts and other receivables are written off when considered irrecoverable.

Exchange gains or losses arising in respect of trade and other receivables in foreign currency are added to or subtracted from their respective carrying amounts.

## 3.7 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, balances with banks, highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value, and short-term running finance. Running finances under mark-up arrangements are shown with short term borrowings in current liabilities on the balance sheet.

## 3.8 Financial instruments

### Financial assets

The Company classifies its financial assets at initial recognition in the following categories depending on the purpose for which the financial assets were acquired:

**(i) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets. There were no financial assets at fair value through profit or loss at the balance sheet date.

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits, interest accrued, other receivables and cash and bank balances in the balance sheet.

**(iii) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or the management intends to dispose of the investments within twelve months from the balance sheet date.

**(iv) Held to maturity**

Financial assets with fixed or determinable payments and fixed maturity, where management has intention and ability to hold till maturity are classified as held to maturity.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of investments are recognised on trade date (the date on which the Company commits to purchase or sell the asset). Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method.

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the profit and loss account as a reclassification adjustment. Mark-up on available-for-sale debt securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account as part of other income when the Company's right to receive payments is established. Amortization of premium on acquisition of the investments is carried out using the effective yield method and charged to profit and loss account.

The fair values of quoted equity investments are based on current market prices. Subsequent to initial measurement equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment in value, if any.

The Company assesses at each balance sheet date whether there is objective evidence that any investment is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit and loss account as a reclassification adjustment. Impairment losses recognised in the profit and loss account on equity instruments classified as available-for-sale are not reversed through the profit and loss account. Policy relating to impairment testing of other financial assets is stated in note 3.10.

## Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

## 3.9 Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair values. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

## 3.10 Impairment

### Financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and inventories may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**3.11 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.

**3.12 Foreign currency transactions and translation**

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rate prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translations of monetary assets and liabilities denominated in foreign currencies at balance sheet date are included in profit and loss account.

**3.13 Share capital**

Ordinary shares are classified as equity and are recorded at their face value.

**3.14 Dividend distribution**

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 for distribution to shareholders.

**3.15 Surplus on revaluation of fixed assets**

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of Fixed Assets account" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002 and accordingly the Company has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated January 13, 2003:

- a) depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and
- b) an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profits / losses through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

**3.16 Staff retirement benefits**

The Company has categorized its employees into workmen and non-workmen for post-employment benefits that comprise defined benefit scheme and other staff retirement benefits. Both plans are un-funded. The details of plans are as follows:

**Defined benefit scheme**

The Company operates a gratuity scheme for all its employees under workmen category who have completed the minimum qualifying period of service as defined under the respective scheme. Provisions are made to cover the obligations under the schemes on the basis of actuarial valuation and charged to profit and loss and other comprehensive income. The most recent valuation was carried out as at June 30, 2014 using "Projected Unit Credit Cost Method". The amount recognized in the balance sheet represents the present value of defined benefit obligations.



As more fully explained in note 3.1, effective from July 1, 2013 all actuarial gains and losses are recognised in 'other comprehensive income' as they occur. Previously actuarial gains / losses exceeding 10 percent of the present value of the defined benefit obligation at the beginning of the year, were amortised over the average future service lives of the employees.

Details of the schemes are given in note 18.1 to these financial statements.

## **Other staff retirement benefits**

The Company also maintains a retirement plan for all its employees under non-workmen category. Under this plan, every employee under non-workmen category is entitled to receive benefit of one month salary based on last month of each year's service. The Company accounts for liability of each employee at year end and such liability is treated as full and final of that year. In future years, the liability amount is not revised for any increase or decrease in salary of any non-workmen.

## **Compensated absences**

The Company provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

### **3.17 Borrowing cost**

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. Borrowing costs eligible for capitalization are determined using effective interest rate method.

### **3.18 Provisions**

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

### **3.19 Trade and other payables**

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

### **3.20 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent that these are directly attributable to the contribution or production of a qualifying asset. Such borrowing cost, if any, are capitalized as part of the cost of that asset as detailed in note 3.2 to the financial statements.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least twelve months after the balance sheet date. Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the borrowing.

### 3.21 Taxation

#### Current

Provision for current taxation is based on taxable income at the current tax rates after taking into account tax credits and rebates available, if any or on turnover at the specified rates or Alternate Corporate Tax as defined in section 113C of the Income Tax Ordinance, 2001, whichever is higher. The charge for current tax also includes adjustments, where necessary, relating to prior years which arise due to assessment framed / finalized during the year.

#### Deferred

Deferred tax is provided using the balance sheet 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 of Institute of Chartered Accountants of Pakistan.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred 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 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.

### 3.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Sales are recorded on dispatch of goods or on segregation of goods for delivery against confirmed customer's orders where risks and rewards are transferred to a customer.
- Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the applicable effective interest rate.

### 3.23 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 period. 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.

### 3.24 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker (CODM). The Company considers Chief Executive as its CODM who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 40 to these financial statements.

## 4. PROPERTY, PLANT AND EQUIPMENT

	Note	2014 .....Rupees.....	2013 .....Rupees.....
Operating assets	4.1	2,302,930,777	2,310,455,609
Capital work in progress	4.5	218,068,156	46,022,630
		<u>2,520,998,933</u>	<u>2,356,478,239</u>

### 4.1 Operating assets

Particulars	Cost / revaluation at July 01, 2013	Additions during the year	Disposals during the year	Cost / revaluation at June 30, 2014	Accumulated depreciation and impairment at July 01, 2013	Depreciation for the year	Disposals during the year	Accumulated depreciation and impairment at June 30, 2014	Written down value at June 30, 2014	Rate (%)
Land - lease hold	564,000,000	-	-	564,000,000	-	-	-	-	564,000,000	-
Buildings on lease hold land										
- Mills	243,064,305	11,475,759	-	254,540,064	23,556,952	11,055,378	-	34,612,330	219,927,734	5
- Others	118,900	-	-	118,900	80,549	3,837	-	84,386	34,514	10
Office premises	450,000	-	-	450,000	409,010	4,099	-	413,109	36,891	10
Plant and machinery	1,569,131,627	33,100,390	(7,047,128)	1,595,184,889	109,760,377	73,670,650	(844,237)	182,586,790	1,412,598,099	5
Airconditioner, gas and electric installations	37,414,494	-	-	37,414,494	24,152,928	1,325,157	-	25,479,085	11,935,409	10
Factory equipment	9,406,828	5,678,990	-	15,085,818	4,986,643	665,982	-	5,652,625	9,433,193	10
Furniture and fixtures	13,167,361	292,286	-	13,459,647	3,851,462	954,364	-	4,805,826	8,653,821	10
Office equipment	17,578,981	5,298,523	-	22,877,504	8,987,232	2,181,160	-	11,168,392	11,709,112	10-30
Leasehold improvements	19,716,700	-	-	19,716,700	2,119,545	1,759,716	-	3,879,261	15,837,439	10
Vehicles	28,101,004	41,765,242	(1,262,220)	68,604,026	13,789,893	6,230,110	(180,542)	19,839,461	48,764,565	20
<b>June 30, 2014</b>	<b>2,502,150,200</b>	<b>97,611,190</b>	<b>(8,309,348)</b>	<b>2,591,452,042</b>	<b>191,694,591</b>	<b>97,851,453</b>	<b>(1,024,779)</b>	<b>288,521,265</b>	<b>2,302,930,777</b>	

## - For comparative figures

Particulars	Cost / revaluation at July 01, 2012	Additions during the year	Disposals during the year	Cost / revaluation at June 30, 2013	Accumulated depreciation and impairment at July 01, 2012			Disposals during the year	Depreciation for the year	Accumulated depreciation and impairment at June 30, 2013	Written down value at June 30, 2013	Rate (%)
					Depreciation at July 01, 2012	Impairment at July 01, 2012	Disposals during the year					
Land - lease hold	564,000,000	-	-	564,000,000	-	-	-	-	-	-	564,000,000	-
Buildings on lease hold land												
- Mills	240,988,902	2,075,403	-	243,064,305	12,049,445	11,507,507	-	11,507,507	23,556,952	219,507,353	219,507,353	5
- Others	118,900	-	-	118,900	76,289	4,260	-	4,260	80,549	38,351	38,351	10
Office premises	450,000	-	-	450,000	404,456	4,554	-	4,554	409,010	40,990	40,990	10
Plant and machinery	1,198,271,542	461,191,502	(90,331,417)	1,569,131,627	59,718,402	57,772,695	(7,730,720)	57,772,695	109,760,377	1,459,371,250	1,459,371,250	5
Air conditioner, gas and electric installations	37,414,494	-	-	37,414,494	22,679,419	1,473,509	-	1,473,509	24,152,928	13,261,566	13,261,566	10
Factory equipment	8,157,341	1,249,487	-	9,406,828	4,576,519	410,124	-	410,124	4,986,643	4,420,185	4,420,185	10
Furniture and fixtures	12,681,804	485,557	-	13,167,361	2,841,426	1,010,036	-	1,010,036	3,851,462	9,315,899	9,315,899	10
Office equipment	15,535,881	2,043,100	-	17,578,981	7,065,618	1,921,614	-	1,921,614	8,987,232	8,591,749	8,591,749	10-30
Leasehold improvements	19,716,700	-	-	19,716,700	164,306	1,955,239	-	1,955,239	2,119,545	17,597,155	17,597,155	10
Vehicles	27,720,659	7,217,405	(6,837,060)	28,101,004	16,952,218	2,604,401	(5,766,726)	2,604,401	13,789,893	14,311,111	14,311,111	20
	2,125,056,223	474,262,454	(97,168,477)	2,502,150,200	126,528,098	78,663,939	(13,497,446)	78,663,939	191,694,591	2,310,455,609	2,310,455,609	

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## 4.2 Depreciation for the year has been allocated as under:

	Note	2014	2013
		Rupees	
Cost of goods manufactured	24.1	<b>90,341,917</b>	72,539,861
Administrative expenses	26	<b>7,509,536</b>	6,124,078
		<b><u>97,851,453</u></b>	<b><u>78,663,939</u></b>

4.3 Revaluation of lease hold land, building and plant and machinery had been carried out in 1994, 2003, 2005 (land only), 2008 and 2011 by an independent professional valuers M/s. Iqbal A. Nanjee & Co. on the basis of market value or depreciated replacement values as applicable. Revaluation surplus has been credited to surplus on revaluation of property, plant and equipment account to comply with the requirement of Section 235 of the Companies Ordinance, 1984. Had there been no revaluation, the related figures of lease hold land, buildings and plant and machinery at June 30, 2014 would have been as follows :

	June 30, 2014			June 30, 2013		
	Cost	Accumulated Depreciation	Written down value	Cost	Accumulated Depreciation	Written down value
	Rupees					
Land - Lease hold	963,387	-	963,387	963,387	-	963,387
Building on Lease hold land	169,931,862	71,352,934	98,578,928	158,456,103	66,684,332	91,771,771
Plant and machinery	1,359,760,059	383,529,199	976,230,860	1,331,836,079	335,626,861	996,209,218
	<b><u>1,530,655,308</u></b>	<b><u>454,882,133</u></b>	<b><u>1,075,773,175</u></b>	<b><u>1,491,255,569</u></b>	<b><u>402,311,193</u></b>	<b><u>1,088,944,376</u></b>

## 4.4 Disposal of property, plant and equipment

Details of operating property, plant and equipment disposed off during the year are as follows:

Particulars	Cost / revalued amount	Accumulated depreciation	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
Machinery	486,310	47,415	438,895	197,425	Negotiation	Ghulam Rasool Textile Mill, 32-K opposite madni Ghee Mill, Sheikhpura Road, Faisalabad
Machinery	1,165,750	126,812	1,038,938	625,000	Negotiation	A. A. Cotton Mills Limited, BR. 1/61 G-1 & 2 Soorti Masion, New Neham road, Kharadar, Karachi.
Machinery	1,259,532	137,014	1,122,518	400,000	Negotiation	Rastgar & Company (Pvt) Ltd.,10-A, Hasan homes, block-5 Kehkashan, Clifton Karachi.
Machinery	458,568	54,194	404,374	625,000	Negotiation	Makki Madni Textiles,25 K.M Seikhpura Road, Faisalabad
Machinery	210,290	24,457	185,833	37,608	Negotiation	Al Rehman Enterprises,Plot no C-57, Sector No 32-A, Korangi, Karachi.
Machinery	582,875	67,790	515,085	225,000	Negotiation	Terry World Textiles,CT-9, Gabol Town, North Industrial Area, Karachi.
Machinery	582,875	67,790	515,085	225,000	Negotiation	HA Fibres (Pvt) Limited, 236-CCA, Sector-FF, Phase IV DHA, Lahore Cant.
Machinery	200,000	27,020	172,980	160,000	Negotiation	Premium textile,1st floor, Haji Adam Chambers, Altaf Hussain Road, New Challi, Karachi.
Machinery	2,100,928	291,745	1,809,183	170,940	Negotiation	Mr. Shabbir Ahmed, House No.54, Gujrati Para, Tando Yousuf Road, Hyderabad.
Vehicles	1,262,220	180,542	1,081,677	1,235,500	Insurance claim	EFU General Insurance Limited,J.P Unit EFU House, M.A Jinnah Road, Karachi.
<b>June 30, 2014</b>	<b>8,309,348</b>	<b>1,024,779</b>	<b>7,284,569</b>	<b>3,901,473</b>		
June 30, 2013	97,168,477	13,497,446	83,671,031	60,825,092		

	Note	2014	2013
		..... Rupees .....	
<b>4.5 Capital work in Progress</b>			
Civil work		<b>160,215,304</b>	41,550,015
Capital inventory items		<b>3,037,968</b>	1,452,594
Machinery and electric installations		<b>54,814,884</b>	3,020,021
		<b><u>218,068,156</u></b>	<u>46,022,630</u>

## 5. INTANGIBLE ASSETS

License fee	5.1	<b>421,616</b>	363,974
ERP software	5.1	<b>3,937,782</b>	4,912,044
		<b><u>4,359,398</u></b>	<u>5,276,018</u>

### 5.1 License Fee and ERP software

	..... Cost .....		..... Amortization .....			Book value as at June 30, 2014	Rate of Amortization
	As at July 01, 2013	Additions	As at June 30, 2014	As at July 01, 2013	Charge for the year		
	----- Rupees -----						%
License fee	485,300	182,002	667,302	121,326	124,360	245,686	20%
ERP software	5,971,304	240,000	6,211,304	1,059,260	1,214,262	2,273,522	20%
<b>Total</b>	<b><u>6,456,604</u></b>	<b><u>422,002</u></b>	<b><u>6,878,606</u></b>	<b><u>1,180,586</u></b>	<b><u>1,338,622</u></b>	<b><u>2,519,208</u></b>	

#### For comparative period

	..... Cost .....		..... Amortization .....			Book value as at June 30, 2013	Rate of Amortization
	As at July 01, 2012	Additions	As at June 30, 2013	As at July 01, 2012	Charge for the year		
	----- Rupees -----						%
License fee	485,300	-	485,300	24,266	97,060	121,326	20%
ERP software	-	5,971,304	5,971,304	-	1,059,260	1,059,260	20%
<b>Total</b>	<b><u>485,300</u></b>	<b><u>5,971,304</u></b>	<b><u>6,456,604</u></b>	<b><u>24,266</u></b>	<b><u>1,156,320</u></b>	<b><u>1,180,586</u></b>	<b><u>5,276,018</u></b>

	Note	2014	2013
		..... Rupees .....	
<b>6. LONG-TERM INVESTMENTS</b>			
Investment - available-for-sale securities	6.1	<b><u>608,950</u></b>	<u>416,767</u>
<b>6.1 Investment - Available-for-sale</b>			
Opening balance		<b>416,767</b>	377,982
Unrealised gain on remeasurement at fair value		<b>192,183</b>	43,785
Closing balance		<b><u>608,950</u></b>	<u>416,767</u>

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**6.1.1** This represents investment in 91,434 ordinary shares (2013: 162,146) of Rs.10 each in Samba Bank Limited. During the year, a reduction in share capital was made by Samba Bank which results in decrease in total number of shares from 14,334,734,140 to 8,082,386,484. Therefore, the number of shares held by the Company in Samba Bank reduced in the same proportion (43.61%) of reduction in share capital of the investee company.

7. STORES, SPARES AND LOOSE TOOLS	Note	2014	2013
		..... Rupees .....	
Stores and spares	7.1	35,870,915	34,543,066
Loose tools		196,094	26,582
		<u>36,067,009</u>	<u>34,569,648</u>

**7.1** It includes spare parts in transit amounting to Rs. nil (2013 : Rs.5.8 million).

8. STOCK-IN-TRADE			
Raw material		629,002,568	847,153,628
Work-in-process		34,047,966	26,795,868
Finished goods	8.1	181,356,526	172,756,783
Waste		5,313,148	2,693,440
		<u>849,720,208</u>	<u>1,049,399,719</u>

**8.1** It includes stock in transit amounting to Rs. 10.80 million (2013 : Nil).

**8.2** Net realizable value of finished goods and raw material were lower than its cost, which resulted in write down of Rs. 9.36 million (2013: Nil) and Rs. 3.25 million (2013: Nil) respectively, charged to cost of sales.

## 9. TRADE DEBTS

### Considered good

Export - secured	9.1	132,328,145	11,875,632
Local - unsecured		113,325,108	275,146,780
		<u>245,653,253</u>	<u>287,022,412</u>

**9.1** These are secured against letters of credit in favour of the Company.

**9.2** Trade debts are non-interest bearing and are generally on 7 to 90 (2013: 3 to 120) days terms.

**9.3** As at June 30, 2014, trade debts aggregating Rs. 33.92 million (2013: Rs. 64.11 million) were past due for which the Company has not made any provision. Based on past experience, past track record of recoveries, management believes that the above past due trade debts do not require any provision for impairment. The ageing of these past due trade debts is as follows:

### 9.3.1 Ageing of debts past due but not impaired

0-30 days	29,899,508	44,771,769
31-90 days	3,799,492	18,407,767
91 and above days	225,025	933,304
	<u>33,924,025</u>	<u>64,112,840</u>

	Note	2014	2013
..... Rupees .....			
<b>10. LOANS AND ADVANCES</b>			
<b>Considered good</b>			
Due from employees	10.1	<b>3,187,271</b>	2,469,664
Advance:			
to suppliers		<b>3,037,354</b>	5,314,038
against letters of credit		<b>1,413,077</b>	6,140,832
against expenses		<b>289,391</b>	352,177
Advance income tax		<b>122,273,439</b>	66,629,761
		<b><u>130,200,532</u></b>	<u>80,906,472</u>

**10.1** These represent short term interest free loan to employees as per Company's policy. These are adjustable against salaries and recoverable within a period of one year.

<b>11. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Deposits		<b>122,825</b>	22,825
Short-term prepayments		<b>1,286,247</b>	1,440,701
		<b><u>1,409,072</u></b>	<u>1,463,526</u>
<b>12. OTHER FINANCIAL ASSETS</b>			
Held-to-maturity investments	12.1	<b><u>4,135,000</u></b>	<u>17,211,737</u>

**12.1** This represent investment made in term deposit receipts held for a period of six months with a markup rate of 7.67% (2013: 10.25%) per annum.

<b>13. CASH AND BANK BALANCES</b>			
Cash at bank			
In current accounts		<b>31,789,928</b>	51,805,974
In savings accounts	13.1	<b>3,607,916</b>	670,953
		<b><u>35,397,844</u></b>	<u>52,476,927</u>
Cash in hand		<b>899,930</b>	561,088
		<b><u>36,297,774</u></b>	<u>53,038,015</u>

**13.1** These carry effective markup rate of 7% (2013: 6%) per annum.



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		Note	2014	2013
			Rupees .....	
<b>14.</b>	<b>SHARE CAPITAL</b>			
			<b>2014</b>	<b>2013</b>
			<b>Number of shares</b>	
			<b>5,000,000</b>	<b>5,000,000</b>
	<b>Authorised</b>			
	Ordinary shares of Rs.10/- each		<b>50,000,000</b>	<b>50,000,000</b>
	Issued, subscribed and paid-up capital			
	Ordinary shares of Rs. 10 each fully paid :			
	In cash		<b>20,000,000</b>	20,000,000
	Other than cash against loan		<b>10,387,000</b>	10,387,000
	As bonus shares		<b>3,038,700</b>	3,038,700
			<b>33,425,700</b>	<b>33,425,700</b>

**14.1** The Company has one class of ordinary shares which carries no right to fixed income. The holders are entitled to receive dividend from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

**14.2** Following shares of the Company were held by an associate as at the balance sheet date.

	2014	2013
	Number of Ordinary shares of Rs. 10 each	
<b>Name of the associate</b>		
Island Textile Mills Limited	<b>366,300</b>	<b>366,300</b>

**14.3** The Company has no reserved shares for issuance under options and sales contracts.

		Note	2014	2013
			Rupees .....	
<b>15.</b>	<b>RESERVES</b>			
	General reserve		<b>750,000,000</b>	750,000,000
	Other reserve	15.1	<b>5,996,360</b>	5,996,360
	Unrealized loss on available-for-sale investment		<b>(198,240)</b>	(390,423)
			<b>755,798,120</b>	<b>755,605,937</b>

**15.1** This represents remission of principal amount payable to associated undertaking and directors in term of revival package in the year 1983.

	Note	2014	2013
		..... Rupees .....	
<b>16. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF DEFERRED TAX</b>			
This represents surplus over book values resulting from the revaluation of leasehold land, building, plant and machinery of own assets			
<b>Balance at July 01,</b>		<b>1,153,934,227</b>	1,474,035,543
Transferred to unappropriated profit on account of			
- incremental depreciation - net of deferred tax		<b>(29,003,251)</b>	(34,767,544)
- disposal of property, plant and equipment - net of deferred tax		<b>(4,178,322)</b>	(55,363,173)
Related deferred tax liability		-	(11,995,048)
		<b>(33,181,573)</b>	(102,125,765)
Derecognition of surplus on Company's share in associate on its distribution as specie dividend		-	(217,975,551)
Balance at June 30,		<b>1,120,752,654</b>	<u>1,153,934,227</u>
Less:			
<b>Related deferred tax liability</b>			
Balance at July 01,		<b>73,803,112</b>	137,948,849
Adjustment due to change in			
- income subject to FTR		-	(26,446,991)
- normal tax rate		<b>(2,186,322)</b>	(3,297,287)
Transferred to profit and loss account on account of:			
- incremental depreciation - net of deferred tax		-	(4,093,252)
- disposal - net of deferred tax		<b>(410,514)</b>	(7,901,796)
Derecognition of related tax on surplus on Company's share in associate on its distribution as specie dividend		-	(22,406,411)
Derecognition of deferred tax on adoption of final tax regime in entirety	18.2	<b>(71,206,276)</b>	-
		-	(73,803,112)
Balance at June 30,		<b>1,120,752,654</b>	<u>1,080,131,115</u>
<b>17. LONG-TERM FINANCES</b>			
<b>From banking companies and other financial institutions - secured</b>			
Term finance	17.1	<b>657,780,022</b>	676,715,418
Export oriented projects	17.2	<b>1,155,000</b>	3,473,000
Car finance	17.3	<b>1,274,920</b>	2,060,267
		<b>660,209,942</b>	682,248,685
<b>Less: Current portion shown under current liabilities</b>			
Term finance		<b>(119,652,092)</b>	(45,025,750)
Export oriented projects		<b>(1,155,000)</b>	(2,318,000)
Car finance		<b>(746,612)</b>	(785,347)
		<b>(121,553,704)</b>	(48,129,097)
		<b>538,656,238</b>	<u>634,119,588</u>

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- 17.1** The facility is obtained from a banking company which is secured against first equitable mortgage on fixed assets and first specific charge over imported machinery. The facility is subject to mark-up rate of six month KIBOR plus 1.00 % to 1.25 % per annum (2013: six months KIBOR plus 1 % to 1.25 % per annum) with half yearly payments. This finance is repayable in six monthly installment upto July 2019. The aggregate unavailed long-term finance facility available amounting to Rs. 1.4 million (2013: Rs. 95.4 million).
- 17.2** The facility is obtained from a banking company which is secured against first specific charge over imported machinery of Rs. 10 million. This finance is subject to markup at 9.7% (2013: 9.7%) per annum and is repayable in 8 equal half yearly installments commencing from May 2011.
- 17.3** This represent finance obtained from a banking company which is secured against vehicles acquired from such loans and guarantee of the Company. This finance is subject to mark-up at the rate of three months KIBOR +1% per annum (2013: 13 %) per annum and is repayable in 25 monthly installments ending in August 2016.

	Note	2014 ..... Rupees .....	2013 (Restated) .....
<b>18. DEFERRED LIABILITIES</b>			
Staff gratuity	18.1	<b>51,266,843</b>	43,286,422
Compensated absences		<b>2,870,765</b>	1,899,459
Deferred taxation	18.2	-	137,814,374
		<b>54,137,608</b>	<b>183,000,255</b>
<b>18.1 Staff gratuity</b>			
Workmen - Defined benefit scheme	18.1.1	<b>18,628,217</b>	14,189,982
Non-workmen - Other staff retirement benefits	18.1.13	<b>32,638,626</b>	29,096,440
		<b>51,266,843</b>	<b>43,286,422</b>
<b>18.1.1 Workmen - Defined benefit scheme</b>			
The details of the workmen - defined benefit scheme obligation based on actuarial valuations carried out by independent actuary as at June 30, 2014 under the Projected Unit Credit Method, are as follows:			
<b>Net Liability in the balance sheet</b>			
Present value of defined benefit obligation		<b>18,628,217</b>	<b>14,189,982</b>
<b>18.1.2 Expense recognised in the profit and loss account</b>			
Current service cost		<b>7,951,551</b>	5,761,810
Net Interest cost		<b>1,631,848</b>	1,028,003
		<b>9,583,399</b>	<b>6,789,813</b>
<b>18.1.3 Remeasurement losses / (gains) recognised in other comprehensive income</b>			
Actuarial losses/ (gains) on defined benefit obligation		<b>(4,096,736)</b>	-
Changes in financial assumptions		<b>(35,312)</b>	-
Changes in demographic assumptions		<b>6,589,584</b>	2,789,219
Experience adjustments		<b>2,457,536</b>	<b>2,789,219</b>
<b>18.1.4 Movement in defined benefit obligation</b>			
Opening defined benefit obligation		<b>14,189,982</b>	11,837,100
Current service cost		<b>7,951,551</b>	5,761,810
Net Interest cost		<b>1,631,848</b>	1,028,003
Actuarial loss		<b>2,457,536</b>	2,789,219
Benefits paid during the year		<b>(7,602,700)</b>	(7,226,150)
Closing defined benefit obligation		<b>18,628,217</b>	<b>14,189,982</b>

	Note	2014	2013 (Restated)
		..... Rupees .....	
<b>18.1.5 Movement in net liability in the balance sheet</b>			
Opening balance of net liability as at July 01,		14,189,982	11,837,100
Add: Charge for the year		9,583,399	6,789,813
Remeasurement loss recognised in other comprehensive income		2,457,536	2,789,219
Less: Payment made during the year		(7,602,700)	(7,226,150)
Closing balance of net liability as at June 30,		<u>18,628,217</u>	<u>14,189,982</u>

<b>18.1.6 The principal assumptions used in the valuation of gratuity (Workmen - Defined benefit scheme)</b>	2014	2013
Discount rate ( % per annum )	13.25	11.5
Expected rate of salary increase ( % per annum )	11.25	11.5
Mortality rate	SLIC 2001-05	EFU 1961-66
Expected withdrawal rate for actuarial assumptions	Moderate	Low

**18.1.7 Sensitivity analysis**

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

		Increase/(decrease) in obligation (Rupees)	
Discount rate	+ / - 1%	(1,601,703)	1,892,590
Expected rate of salary increase	+ / - 1%	1,728,064	(1,487,790)
Mortality rate	1 Year set back/ set forward	(12,030)	119,59

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability for gratuity recognised within the balance sheet.

**18.1.8 The scheme exposes the Company to the actuarial risks such as:****Salary risks****Mortality / withdrawal risks**

The risks that the actual mortality / withdrawal experience is different. The effect depends upon the beneficiaries' service / age distribution and the benefit.

**Longevity risks**

The risk arises when the actual lifetime of the retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

**18.1.9 Expected contribution to the scheme for the year ending June 30, 2015 is Rs. 13,264,327.**

	2014	2013
<b>18.1.10</b> The weighted average duration of the defined benefit obligation in years	12	15.2

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18.1.11 The expected maturity analysis of undiscounted retirement benefit obligation is:

	Undiscounted payments (Rupee)
Less than a year	2,997,336
Between 1-2 years	3,789,702
Between 2-3 years	3,856,493
Between 3-4 years	4,281,500
Between 4-5 years	4,249,288
Between 6-10 years	17,657,676
11 years and above	78,882,065

18.1.12 There is no plan assets against defined benefit obligation.

18.1.13 Non-workmen - Other staff retirement benefits (defined contribution plan)

	2014	2013
	..... Rupees .....	
Opening balance	<b>29,096,440</b>	25,254,971
Charge for the year	<b>7,437,249</b>	6,936,450
Payment during the year	<b>(3,895,063)</b>	(3,094,981)
Closing balance	<b><u>32,638,626</u></b>	<u>29,096,440</u>

18.2 Deferred taxation

As per circular 20 of 1992 issued by tax authorities, a Company having export sales more than 80 percent of the overall sales can opt for taxation under Final Tax Regime. The Company's management, has considered the said option and willing to adopt the same for filing the income tax return for tax year 2014 relevant to the year ended on June 30, 2014. Therefore no deferred tax has been recognised as at year end and the deferred tax balance carried forward from prior year has been derecognised/reversed.

	2014	2013 (Restated)
	..... Rupees .....	
Deferred tax liabilities on taxable temporary differences arising in respect of :		
- Property, plant and equipment - owned assets	-	78,635,476
- Surplus on revaluation of property, plant and equipment	-	73,803,112
	-	<u>152,438,588</u>
Deferred tax assets on deductible temporary differences arising in respect of :		
- Staff gratuity	-	(5,547,943)
- Unrealized loss on forward contract	-	(270,599)
- Tax credit	-	(8,805,672)
	-	<u>137,814,374</u>
The net variation in deferred tax has been charged to the following:		
- profit and loss account	<b>64,011,262</b>	25,593,488
- other comprehensive income	-	845,852
- surplus on revaluation of property, plant and equipment	<b>73,803,112</b>	52,150,689
	<b><u>137,814,374</u></b>	<u>78,590,029</u>

	Note	2014	2013
		Rupees .....	
<b>19. TRADE AND OTHER PAYABLES</b>			
Creditors		<b>43,906,734</b>	35,468,994
Bills payable		-	3,616,200
Accrued liabilities	19.1 & 19.2	<b>305,186,921</b>	221,607,973
Advance from customers		<b>6,940,277</b>	535,858
Workers' Profit Participation Fund	19.3	<b>354,694</b>	15,031,130
Workers' Welfare Fund		<b>30,910,031</b>	27,219,734
Other financial liabilities		-	2,165,350
Withholding income tax		<b>847,301</b>	1,090,387
Sales tax payable		<b>835,613</b>	611,548
Unclaimed dividend		<b>1,070,115</b>	910,200
Others		<b>91,249</b>	267,872
		<b><u>390,142,935</u></b>	<b><u>308,525,246</u></b>
<b>19.1</b>	This includes Rs. 186.02 million (2013: Rs.109.31 million ) payable to an associated undertaking in respect of power charges.		
<b>19.2</b>	This includes Rs. 41.13 million provision for Sindh Development and Infrastructure Cess and Duty which was levied by the Excise and Tax Department on goods entering or leaving the province through air or sea at prescribed rate under Sindh Finance Ordinance, 2001. The levy was challenged by the Company along with other companies in the High Court of Sindh. The High Court of Sindh through an interim order passed on May 31, 2011 ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure cess should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed. The management is confident for a favorable outcome however, as a matter of prudence Company has paid Rs. 41.13 million ( 50%) of the value of infrastructure cess in cash and recorded liability for the remaining amount which is supported by a bank guarantee.		
	Note	2014	2013
		Rupees .....	
<b>19.3 Workers' Profit Participation Fund</b>			
Opening balance		<b>15,031,130</b>	9,194,532
Add: Allocation for the year		<b>354,694</b>	15,031,130
Interest on funds utilized in the Company's business	28	<b>1,006,880</b>	884,187
		<b>16,392,704</b>	25,109,849
Less: Payments made to the fund during the year		<b>(16,038,010)</b>	(10,078,719)
Closing balance		<b>354,694</b>	15,031,130
<b>19.3.1</b>	Interest on fund is charged @ 15% (2013: 22.5%) per annum.		
<b>20. INTEREST / MARK-UP ACCRUED ON BORROWINGS</b>			
<b>From banking companies</b>			
Long-term finance		<b>20,315,456</b>	17,784,989
Short-term borrowings		<b>4,483,669</b>	14,917,751
		<b><u>24,799,125</u></b>	<b><u>32,702,740</u></b>
<b>21. SHORT-TERM BORROWINGS</b>			
<b>From banking companies - secured</b>			
Finance against import / export	21.1	<b>499,909,164</b>	251,799,284
Short term running finances	21.2	-	352,146,860
		<b><u>499,909,164</u></b>	<b><u>603,946,144</u></b>

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**21.1** These arrangements are secured against pledge of imported cotton with 10% margin and against realization of export proceeds. These facilities are subject to markup at three months KIBOR plus 0.7% to 1% (2013: three month KIBOR plus 1%) per annum.

**21.2** Total facilities available to the Company from various commercial banks amounted to Rs. 3,420 million (2013: Rs.1,795 million) out of which aggregate unavailed facilities amounted to Rs 2,920 million (2013: Rs. 1,191 million)

## 22. CONTINGENCIES AND COMMITMENTS

### 22.1 Contingencies

There is no contingency outstanding against the Company at year end.

### 22.2 Commitments

	Note	2014	2013
		..... Rupees .....	
(i) Civil works		<u>43,035,549</u>	<u>10,004,757</u>
(ii) Letters of credit			
- plant and machinery		<u>253,859,084</u>	-
- stores and spares		<u>13,406,721</u>	<u>25,367,918</u>
		<u>267,265,805</u>	<u>25,367,918</u>
(iii) Bank guarantees issued on behalf of the Company	22.2.1	<u>109,465,955</u>	<u>90,165,872</u>
(iv) Bills discounted			
- local		<u>86,185,721</u>	<u>57,937,402</u>
- Export		<u>548,101,676</u>	<u>154,517,106</u>
		<u>634,287,397</u>	<u>212,454,508</u>
(v) Outstanding sales contract		<u>32,782,943</u>	<u>124,953,720</u>
(vi) Forward contracts		<u>-</u>	<u>15,490,700</u>

**22.2.1** This includes bank guarantee related to infrastructure cess amounting to Rs. 54.1 million (2013: Rs. 49.1 million).

## 23. SALES NET

	Note	2014	2013
		..... Rupees .....	
Export			
-Yarn		<u>2,148,992,806</u>	<u>1,122,385,293</u>
-Yarn (indirect export)		<u>2,057,289,552</u>	<u>1,468,233,288</u>
-Waste		<u>196,899</u>	<u>-</u>
		<u>4,206,479,257</u>	<u>2,590,618,581</u>
Local			
-Yarn		<u>412,539,118</u>	<u>1,335,791,065</u>
-Raw material		<u>982,098</u>	<u>62,624</u>
-Waste		<u>42,319,385</u>	<u>26,916,812</u>
		<u>455,840,601</u>	<u>1,362,770,501</u>
		<u>4,662,319,858</u>	<u>3,953,389,082</u>
Less:			
Discount		<u>(1,072,487)</u>	<u>(10,630,201)</u>
Sales tax		<u>(48,483,738)</u>	<u>(16,984,571)</u>
		<u>4,612,763,633</u>	<u>3,925,774,310</u>

24. COST OF GOODS SOLD	Note	2014	2013 (Restated)
		..... Rupees .....	
Cost of goods manufactured	24.1	4,225,956,664	3,147,352,665
Finished goods			
Opening stock		175,450,223	271,113,549
Closing stock	8 & 24.2	(186,669,674)	(175,450,223)
		(11,219,451)	95,663,326
Cost of manufactured goods		4,214,737,213	3,243,015,991
Cost of raw material sold		1,919,340	51,921
		<u>4,216,656,553</u>	<u>3,243,067,912</u>
<b>24.1 Cost of goods manufactured</b>			
Raw material	24.1.1	3,335,547,196	2,454,893,341
Packing material		70,234,191	52,514,270
Stores and spares		62,296,837	50,703,413
Power and fuel		416,733,405	287,333,758
Salaries, wages and benefits	24.1.2	214,749,189	196,881,064
Depreciation	4.2	90,341,917	72,539,861
Insurance		13,766,512	11,687,848
Repairs and maintenance		11,251,203	6,095,464
Other overheads		18,288,312	19,822,774
		4,233,208,762	3,152,471,793
Work-in-process			
Opening stock		26,795,868	21,676,740
Closing stock	8	(34,047,966)	(26,795,868)
		(7,252,098)	(5,119,128)
		<u>4,225,956,664</u>	<u>3,147,352,665</u>
<b>24.1.1 Raw material consumed</b>			
Opening stock		847,153,628	323,226,099
Purchases - net		3,117,396,136	2,978,820,870
		3,964,549,764	3,302,046,969
Closing stock	8	(629,002,568)	(847,153,628)
		<u>3,335,547,196</u>	<u>2,454,893,341</u>

**24.1.2** Salaries, wages and benefits include Rs. 14.03 million (2013: Rs. 11.06 million) in respect of staff retirement benefits.

**24.2** It includes waste stock amounting to Rs. 5.31 million (2013 : Rs. 2.69 million).

25. DISTRIBUTION COST	Note	2014	2013
		..... Rupees .....	
Brokerage and commission		76,513,809	60,572,450
Export expenses		27,835,936	31,248,486
Local freight and handling		11,634,491	29,780,041
Sea freight		18,384,021	10,594,509
Staff salaries and benefits	25.1	4,925,275	6,092,214
Bank Charges		2,576,101	2,550,387
Local selling expense		3,011,676	482,145
Others		728,544	771,984
		<u>145,609,853</u>	<u>142,092,216</u>

**25.1** Staff salaries and benefits include Rs. 0.43 million (2013 : Rs. 0.48 million) in respect of the staff retirement benefits.



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	Note	2014	2013
..... Rupees .....			
<b>26. ADMINISTRATIVE EXPENSES</b>			
Staff salaries and benefits	26.1	<b>43,145,395</b>	38,676,459
Depreciation	4.2	<b>7,509,536</b>	6,124,078
Legal and professional		<b>4,126,833</b>	3,415,912
Rent rates and taxes		<b>4,158,982</b>	3,028,920
Fees and subscription		<b>2,801,838</b>	2,824,959
Utilities		<b>3,300,405</b>	1,816,946
Traveling and conveyance		<b>4,411,839</b>	1,760,117
Vehicles running		<b>1,947,319</b>	1,687,632
Printing and stationery		<b>1,002,473</b>	1,512,357
Postage and telephone		<b>2,476,236</b>	1,379,719
Amortization	5.1	<b>1,338,622</b>	1,156,320
Auditors' remuneration	26.3	<b>1,130,000</b>	1,130,000
Donation	26.2	<b>1,500,000</b>	1,000,000
Repairs and maintenance		<b>2,273,534</b>	778,117
Insurance		<b>897,002</b>	488,611
Advertisement		<b>36,000</b>	81,056
Other		<b>517,809</b>	776,867
		<b><u>82,573,823</u></b>	<b><u>67,638,070</u></b>
<b>26.1</b>	Staff salaries and benefits include Rs. 2.55 million (2013 : Rs. 2.14 million) in respect of the staff retirement benefits.		
<b>26.2</b>	None of the directors or their spouse had any interest in the donee's fund.		
<b>26.3 Auditors' remuneration</b>			
Annual audit fee		<b>650,000</b>	650,000
Fee for review of :			
- Half yearly financial information		<b>75,000</b>	75,000
- Code of Corporate Governance		<b>25,000</b>	25,000
Certifications and other services		<b>380,000</b>	380,000
		<b><u>1,130,000</u></b>	<b><u>1,130,000</u></b>
<b>27. OTHER OPERATING EXPENSES</b>			
Workers' Profit Participation Fund		<b>354,694</b>	15,031,130
Workers' Welfare Fund		<b>3,690,299</b>	6,012,452
Loss on disposal of property, plant and equipment		<b>3,383,096</b>	22,845,936
Realized loss on forward contracts		<b>19,252,212</b>	15,786,478
Exchange loss - net		-	14,853,602
Unrealised loss on revaluation of forward contracts		-	3,108,100
		<b><u>26,680,301</u></b>	<b><u>77,637,698</u></b>
<b>28. FINANCE COST</b>			
Interest / mark-up on :			
Long-term finance			
- from banking companies		<b>70,954,797</b>	30,283,703
- from an associated company		-	719,262
- from directors		-	219,476
Short-term borrowings		<b>88,476,353</b>	70,437,926
Workers' Profit Participation Fund	19.3	<b>1,006,880</b>	884,187
Letters of credit discounting charges		<b>14,883,892</b>	12,763,829
Bank charges and guarantee commission		<b>4,244,231</b>	6,637,288
		<b><u>179,566,153</u></b>	<b><u>121,945,671</u></b>

	Note	2014	2013
		..... Rupees .....	
<b>29. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Exchange gain - net		27,436,404	-
Profit on term deposits		1,974,265	989,660
Profit on saving accounts		664,602	402,736
		<b>30,075,271</b>	1,392,396
<b>Income from non-financial assets</b>			
License income		4,247,100	4,247,100
Insurance claim		2,815,388	-
		<b>7,062,488</b>	4,247,100
		<b>37,137,759</b>	5,639,496

	Note	2014	2013
		..... Rupees .....	
			(Restated)
<b>30. TAXATION</b>			
<b>Current</b>			
- for the year		28,003,935	-
- for prior year		-	(5,384,231)
<b>Deferred</b>			
	18.2	(64,011,262)	(25,593,488)
		<b>(36,007,327)</b>	(30,977,719)

### 30.1 TAXATION

The numerical reconciliation between the tax expense and accounting profit has not been presented for the current and comparative year in these financial statements as the total income of the Company for the current and comparative year attracted minimum tax under Section 113 of the Income Tax Ordinance, 2001 and its export sales fall under final tax regime.

	Note	2014	2013
			(Restated)

### 31. EARNINGS PER SHARE - BASIC AND DILUTED

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

Profit for the year	Rupee	34,822,036	360,187,924
Weighted average number of ordinary shares in issue during the year		3,342,570	3,342,570
Earnings per share	Rupee	10.42	107.76

	Note	2014	2013
		..... Rupees .....	
<b>32. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	13	36,297,774	53,038,015
Short-term running finances	21	-	(352,146,860)
		<b>36,297,774</b>	(299,108,845)

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## 33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements in respect of remuneration and benefits to the Chief Executive and Executives are as follows:

	.....2014.....		.....2013.....	
	Chief Executive	Executives	Chief Executive	Executives
	..... Rupees .....			
Remuneration	4,700,569	29,755,025	4,047,000	24,813,308
Bonus / Ex-gratia	-	2,827,900	373,820	2,240,096
Retirement benefits	-	2,827,900	373,820	2,240,096
Leave encashment	-	1,413,950	-	1,120,048
Utilities	497,462	-	1,171,315	-
	<b>5,198,031</b>	<b>36,824,775</b>	<b>5,965,955</b>	<b>30,413,548</b>
No. of person	<b>1</b>	<b>15</b>	<b>1</b>	<b>20</b>

**33.1** The Chief Executive and Executive Directors are also entitled for use of car owned and maintained by the Company.

**33.2** An amount of Rs 0.12 million (2013: Rs 0.17 million) has been charged in these financial statements in respect of fee paid to Directors for attending Board meetings.

## 34. PLANT CAPACITY AND ACTUAL PRODUCTION

	2014	2013
Number of spindles installed	30,564	36,324
Number of spindles worked	30,564	36,324
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count-kgs	10,128,466	12,357,535
Actual production of yarn after conversion into 20/s count-kgs	9,446,157	11,123,403

## 35. 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	1,262	1,220
Number of employees as at June 30	1,326	1,171

## 36. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings and key management personnel. The transactions between the Company and the related parties are carried out as per agreed terms. Amounts due from and to related parties and key management personnel, if any, are shown under receivables and payables. Remuneration of key management personnel is disclosed in note 33 and amount due in respect of staff retirement benefits is disclosed in note 18. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2014	2013
		..... Rupees	.....
<b>Associated undertakings</b>	Purchase of power	<b>416,400,228</b>	287,126,368
	Purchase of goods / property, plant and equipment	-	15,427,169
	Share of expenses paid	<b>1,015,335</b>	100,728
	Share of expenses received	<b>7,219,634</b>	2,171,747
	Mark-up on long term loan paid	-	41,053,290
	Mark-up on long term loan expense	-	719,262
	Dividend received	-	3,967,500
	Dividend paid	<b>732,600</b>	1,098,900
	License income	<b>4,247,100</b>	4,247,100
	Long term loans paid	-	65,000,000
	Specie dividend	-	14,349,570
<b>Directors</b>	Rent expense	<b>3,628,595</b>	3,587,475
	Long term loans repaid	-	10,000,000
	Mark-up on long term loan	-	8,892,651

## 37. FINANCIAL INSTRUMENTS BY CATEGORY

### Financial assets as per balance sheet

#### Loans and receivables at amortized cost

- Trade debts	245,653,253	287,022,412
- Loans and advances	3,187,271	2,469,664
- Trade deposits	122,825	22,825
- Other receivables	1,344,630	2,429,677
- Cash and bank balances	36,297,774	53,038,015
	<b>286,605,753</b>	<b>344,982,593</b>

#### Held to maturity

- Other financial assets	4,135,000	17,211,737
	<b>290,740,753</b>	<b>362,194,330</b>

### Financial liabilities as per balance sheet

#### Financial liabilities measured at amortized cost

- Long term finance	660,209,942	682,248,685
- Trade and other payables	350,255,019	264,036,589
- Accrued interest / mark-up	24,799,125	32,702,740
- Short term borrowings	499,909,164	603,946,144
	<b>1,535,173,250</b>	<b>1,582,934,158</b>

### 37.1 Fair values of financial assets and liabilities

- (a) 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 values of all financial assets and liabilities reflected in the financial statements approximate their fair values as the items are short term in nature.

**(b)** Fair value estimation

The Company discloses the financial instruments measured in the balance sheet at fair value in accordance with the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2014, the Company holds an investment in shares of a listed banking company (note 12) which has been valued using methodology stated in level 1.

## **38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

### **38.1 Financial risk factors**

#### **Introduction and overview**

The Company has exposure to the following risks from financial instruments:

- market risk
- credit risk
- liquidity risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, Company's objectives, policies and processes for measuring and managing risk and fair value of financial instruments.

#### **Financial risk factors and risk management framework**

The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

The Company's objective in managing risk is the creation and protection of shareholders' value. Risk is inherent in Company's activities but it is managed through monitoring and controlling activities which are based on internal controls set on different activities of the Company by the Board of Directors. These controls reflect the business strategy and market environment of the Company as well as the level of the risk that the Company is willing to accept.

The Board along with the Company's finance and treasury department oversees the management of the financial risks reflecting changes in the market conditions and also the Company's risk taking activities providing assurance that these activities are governed by appropriate policies and procedures and that the financial risk are identified, measured and managed in accordance with the Company policies and risk appetite.

- 38.2** The Company's principal financial liabilities comprise long-term finances, short-term borrowings, accrued markup/interest and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company's financial assets comprise of trade debts, loans and advances, trade deposits, other receivables, other financial assets and cash and bank balances that arrive directly from its operations.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, and price risk), credit risk and liquidity risk.

## 38.2.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates, foreign exchange rates or the equity prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Under market risk the Company is exposed to currency risk, interest rate risk and other price risk (equity price risk).

### (a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company exports yarn and waste stock to foreign customers which exposes it to currency risk. As at June 30, 2014, financial assets include Rs. 143.82 million (2013: Rs. 34.44 million) equivalent to US\$ 1.46 million (2013: US\$ 0.35 million) and financial liabilities include foreign commission payable amounting to Rs. 508.99 million (2013: Rs. 270.30 million) equivalent to US\$ 5.16 million (2013: US\$ 2.27 million). The average rates applied during the year is Rs. 102.88 / US \$ (2013: Rs. 96.85 /US \$) and the spot rate as at June 30, 2014 was Rs. 98.75 / US\$ (2013: Rs. 98.6 /US\$).

At June 30, 2014, if the Pakistan Rupee had weakened/strengthened by 10% against the US Dollar with all other variables held constant, profit for the year would have been lower/higher by Rs. 36.52 million (2013: Rs. 23.58 million), mainly as a result of foreign exchange losses/gains on translation of US Dollar-denominated trade debts and accrued expenses.

### (b) 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.

The Company's interest rate risk arises from bank deposit accounts, long term finance and short term borrowings amounting to Rs. 1.15 billion (financial liabilities on a net basis) (2013: Rs. 1.28 billion). These are benchmarked to variable rates which exposes the Company to cash flow interest rate risk only.

<b>Variable rate instruments</b>	<b>Carrying amount</b>	
	<b>2014</b>	<b>2013</b>
	..... Rupees .....	
Financial assets		
- Profit and loss sharing accounts	3,607,916	670,953
Financial liabilities		
- Long term finance	657,780,022	676,715,418
- Short term borrowings	499,909,164	603,946,144
	<b>1,157,689,186</b>	1,280,661,562
Net financial liabilities at variable interest rates	<b>(1,154,081,270)</b>	<b>(1,279,990,609)</b>

### **Cash flow sensitivity analysis for variable rate instrument**

A change of 100 basis points in interest rates at the year end would have increased or decreased the profit/ loss for the year and shareholder's equity by Rs. 12.19 million (2013: Rs. 9.49 million). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 2013.

## 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.

### (c) Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As at year end, there are no financial instruments of the Company which are subject to equity price risk.

### 38.2.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Out of the total financial assets of Rs. 291.03 million (2013: Rs. 362.19 million), the financial assets which are subject to credit risk amounted to Rs. 290.13 million (2013: Rs. 361.63 million).

The Company is exposed to credit risk from its operating activities (primarily balances with banks, trade debts and loans and advances) and from its investing activities, including deposits with banks and financial institutions and other financial instruments. The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating. The names and credit rating of major banks where the Company maintains its bank balances are as follows:

Name of bank	Credit rating	
	Short-term	Long-term
Soneri Bank Limited	A1+	AA-
Bank of Punjab	A1+	AA-
Bank Al-Falah Limited	A1+	AA
NIB Bank Limited	A1+	AA-
MCB Bank Limited	A1+	AAA
Allied Bank Limited	A1+	AA+
National Bank of Pakistan	A-1+	AAA
JS Bank Limited	A1	A+
Meezan Bank Limited	A-1+	AA

### Credit risk related to receivables

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable, where appropriate. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

### 38.2.3 Liquidity risk

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.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts. 76% of the Company's debt will mature in less than one year at June 30, 2014 (2013: 89%) based on the carrying value of borrowings reflected in the financial statements.

#### Liquidity and interest risk table

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

	Interest rate	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
<b>2014</b>							
Rupees .....							
Long term financing	9.7% - 13%	2,669,903	48,129,146	70,754,655	538,656,238	-	660,209,942
Trade and other payables		28,684,264	83,685,867	277,772,804	-	-	390,142,935
Interest / mark-up accrued on loans		20,168,587	1,352,222	3,278,316	-	-	24,799,125
Short-term borrowings Finance against import / export	Three months KIBOR plus 0.7 to 1%	-	183,759,164	316,150,000	-	-	499,909,164
		51,522,754	316,926,399	667,955,775	538,656,238	-	1,575,061,166
<b>2013</b>							
Rupees .....							
Long term financing	9.7% - 13%	4,999,654	38,852,541	8,315,946	612,796,659	17,283,885	682,248,685
Trade and other payables		59,282,912	163,958,308	85,284,026	-	-	308,525,246
Interest / mark-up accrued on loans		20,673,563	1,669,568	10,359,609	-	-	32,702,740
Short-term borrowings Finance against import / export	Three months KIBOR plus 0.7 % to 1%	-	-	251,799,284	-	-	251,799,284
Short term running finance	Three months KIBOR plus 0.7 % to 1%	-	352,146,860	-	-	-	352,146,860
		84,956,129	556,627,277	355,758,865	612,796,659	17,283,885	1,627,422,815



## 38.2.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities, either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operation behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its business objective and generating returns for investors.

Primary responsibility for the development and implementation of controls over operational risk rests with the management of the Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.
- operational and qualitative track record of the plant and equipment supplier and related service providers.

## 39. CAPITAL RISK MANAGEMENT

The objectives of the Company when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for stakeholders, and to maintain a strong capital base to support the sustained development of its business. The Company is not subject to any externally imposed capital requirements.

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 dividend payment to the shareholders or issue new shares. The Company's overall strategy remains unchanged from previous year.

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

	2014	2013 (Restated)
	..... Rupees .....	
Total debts	<b>1,160,119,106</b>	1,286,194,829
Less: Cash and bank balances	<b>(36,297,774)</b>	(53,038,015)
Net debt	<b>1,123,821,332</b>	1,233,156,814
Total equity	<b>1,069,953,132</b>	1,010,900,016
Adjusted capital	<b>2,193,774,464</b>	2,244,056,830
Gearing ratio	<b>0.51</b>	0.55

## 40. OPERATING SEGMENTS

Chief Executive considers the business as a single operating segment as 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.

The information with respect to operating segment is stated below:

- (a) 46.6 percent sales of the Company relate to customers outside Pakistan.
- (b) All non-current assets of the Company as at year end are allocated within Pakistan.
- (c) There are no customers whom sales made during the year exceeded 10 percent of total sales for the year.

## 41. SUBSEQUENT EVENTS

The Board of Directors at their meeting held on September 20, 2014 have proposed a dividend of Rs.1.50 per share (2013: Rs. 2.00 per share) for the year ended June 30, 2014, amounting to Rs. 5.01 million (2013: Rs. 6.68 million), subject to the approval of members at the annual general meeting to be held on October 29, 2014.

## 42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on September 20, 2014.

## 43. GENERAL

Figures have been rounded off to the nearest Rupee.



**ADEEL SHAHID ANWAR**  
CHIEF EXECUTIVE



**ANWAR AHMED TATA**  
CHAIRMAN/DIRECTOR

# Blank

**FORM OF PROXY**

SALFI TEXTILE MILLS LIMITED

I/We \_\_\_\_\_  
of \_\_\_\_\_ being a member(s) of **SALFI TEXTILE MILLS LIMITED** registered  
at Folio No. \_\_\_\_\_ holder of \_\_\_\_\_  
ordinary shares hereby appoint Mr./Mrs./Miss. \_\_\_\_\_

who is also a member of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 47<sup>th</sup> Annual General Meeting of the Company at 5<sup>th</sup> Floor Textile Plaza, M.A. Jinnah Road, Karachi on Wednesday, October 29, 2014 at 1:30 pm or at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of 2014  
signed by the said \_\_\_\_\_ in the presence of

**1. Witness:**

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_

Affix Revenue  
Stamps of Rs.5/-

\_\_\_\_\_  
Signature of Member

**2. Witness:**

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_

Shareholder's Folio No. \_\_\_\_\_  
CDC Participant I.D/Sub A/c # \_\_\_\_\_  
CNIC No.

**NOTES:**

- Proxies, in order to be effective, must be receives at the Company's Registered Office 6<sup>th</sup> Floor Textile Plaza, M.A. Jinnah Road, Karachi, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
- Signature must agree with the specimen signature registered with the Company.
- An individual beneficial owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC/Passport to prove his/her identity, and in case of proxy must enclose additionally an attested copy of his/her CNIC/Passport. Representative of corporate members should bring the original usual documents required of such purpose.
- No person shall act as proxy unless he is a member of the Company.



**SALFI TEXTILE MILLS LIMITED**

**HEAD OFFICE :**

6th Floor, Textile Plaza,  
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