TATA PAKISTAN

TATA TEXTILE MILLS LIMITED

Annual Report 2014

CONTENTS

TATA PAKISTAN

COMPANY INFORMATION

BOARD OF DIRECTORS	
CHAIRMAN:	Mr. Anwar Ahmed Tata
CHIEF EXECUTIVE:	Mr. Shahid Anwar Tata
DIRECTORS:	Mr. Adeel Shahid Anwar Mr. Bilal Shahid Anwar Mr. Farooq Advani Mr. Muhammad Salman H. Chawala (NIT) Mr. Muhammad Naseem
AUDIT COMMITTEE **CHAIRMAN:**	Mr. Muhammad Naseem
MEMBERS:	Mr. Adeel Shahid Anwar Mr. Bilal Shahid Anwar
SECRETARY:	Mr. Owais Ahmed Abbasi
HUMAN RESOURCE & REMUNERATION COMMITTEE	
CHAIRMAN:	Mr. Muhammad Naseem
MEMBERS:	Mr. Shahid Anwar Tata Mr. Bilal Shahid Anwar
SECRETARY:	Mr. Umar Khawajah
COMPANY SECRETARY & **CHIEF FINANCIAL OFFICER:**	Mr. Farooq Advani
BANKERS:	Faysal Bank Limited 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 Samba Bank Limited NIB Bank Limited
AUDITORS:	M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants
LEGAL ADVISOR:	Rajwana & Rajwana 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
E- MAIL ADDRESS:	ttm.corporate@tatatex.com
MILLS:	10th K.M. M.M. Road, Khanpur-Baggasher, District Muzaffargarh

VISION 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.

MISSION STATEMENT

We are committed to the higher expectations of our customers. We strive for the production of best quality yarns for high value products.

CERTIFICATE

aitex

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

TATA TEXTILE MILLS LTD

6TH FLOOR, TEXTILE PLAZA, M.A. JINNAH ROAD

74000 KARACHI, PAKISTAN

is granted authorisation according to Oeko-Tex® Standard 100 to use the Oeko-Tex® mark, based on our **test report 2014OK0008**

CONFIDENCE IN TEXTILES

Tested for harmful substances

according to Oeko-Tex® Standard 100

2012PK0018 AITEX

for the following articles:

100% greige cotton yarn and its blends with elastane.

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.

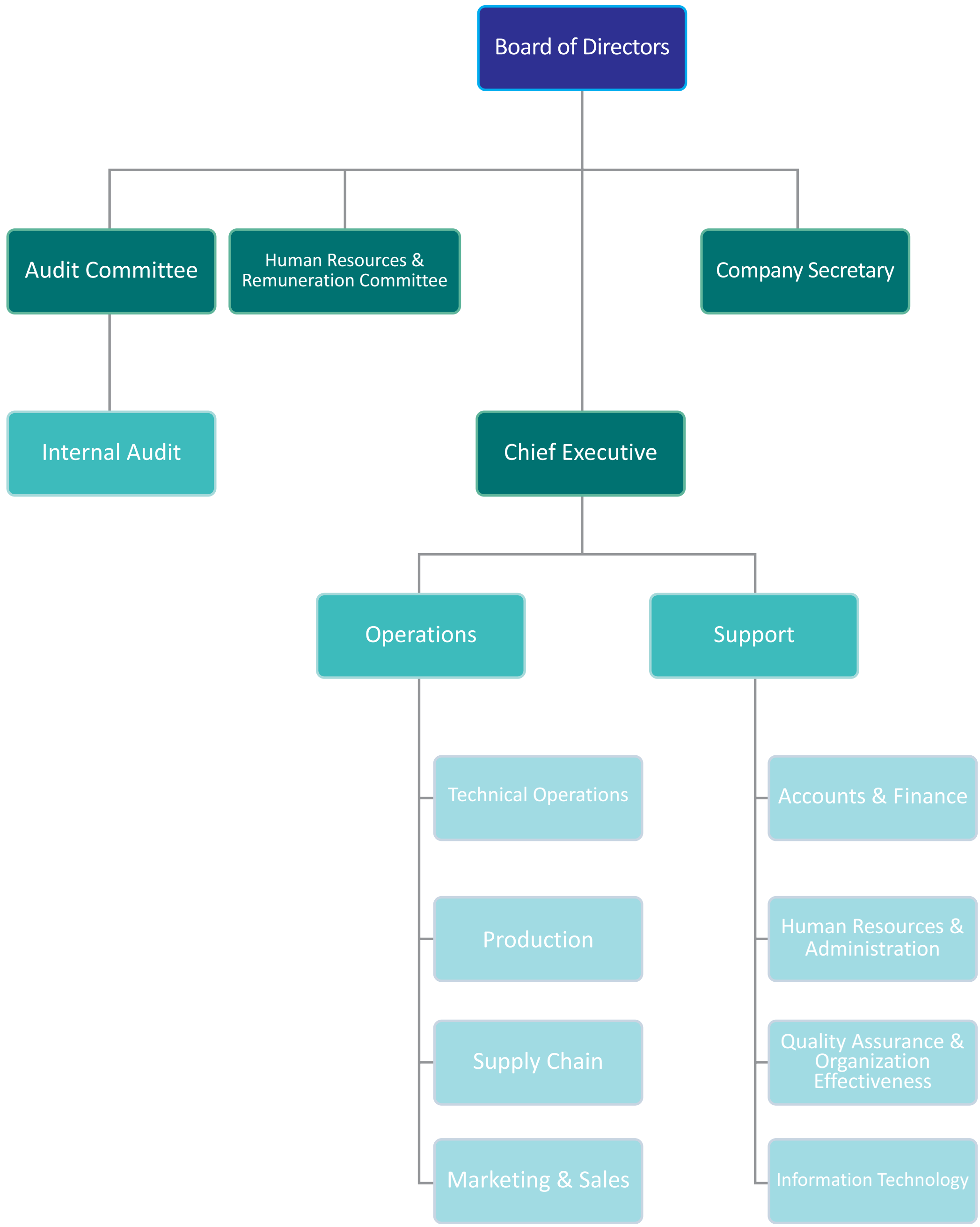
This authorisation is valid until 31.03.2015

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 Tata 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, Alhamdulillah the Company performed well and has been able to make a pretax profit of Rs.124.52 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 AVAILABILITY – HIGHEST COST OF ENERGY IN OUR REGION.

Textile Industry continues to face persistent energy crisis with Grid shut downs of numbers of hours and unavailability of gas which still remains scarce. We have invested huge amount in power generation but our cost is still escalating due to the increase of the Grid proportion in our Power Mix. This increase in the proportion of the Grid is also causing deterioration in our Gas Generators as our generators operate between 6 to 8 hours only which cause thermal shocks thus increasing maintenance cost of the generators. Apart from cost escalation the quality of power from the Grid is also an issue where due to voltage fluctuation, the electronic components of our machines have very high break downs.

PROJECTS
Our commitment to quality is very high; therefore most of our investments have remained in quality and product diversification. The company is financially well placed and we have plans for either increasing spinning capacity or putting up air jet looms depending upon the availability of power.

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.

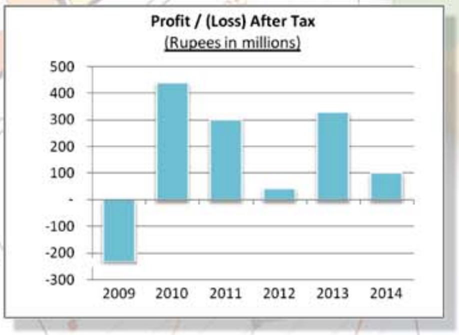
3. **TEAMWORK** - *"To be a business partner and not just as employee"*
   Work effectively with each other to achieve organizational goals with a helping and a positive attitude

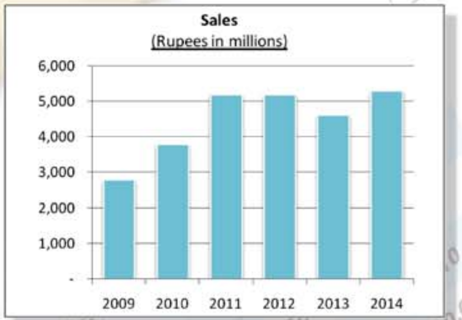
4. **ACCOUNTABILITY** - *"To deliver excellence in results with commitment to all stakeholders"*
   Take responsibility for the success of business marked by continuous development whilst achieving shareholders objectives.

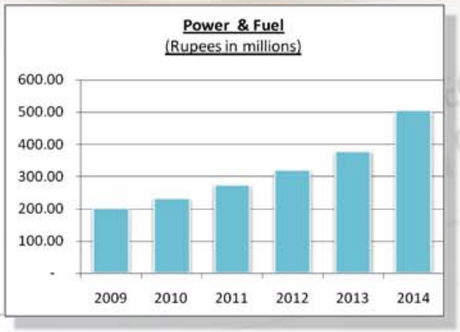
ACKNOWLEDGMENT
While signing off this narration; I would wholeheartedly acknowledge the untiring endeavors of our various teams constantly engaged in upholding their commitment to make this organization surpass all the benchmarks of quality and productivity set by the giants of the industry. As a team 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

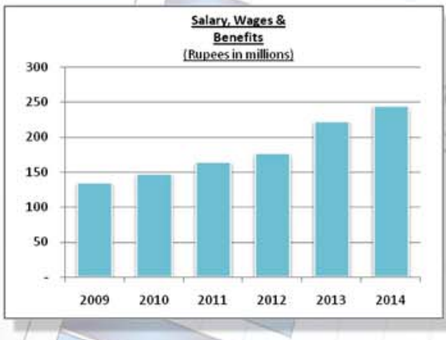
Anwar Ahmed Tata
Chairman

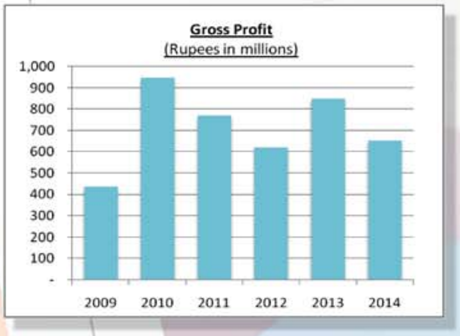

Profit / (Loss) After Tax
(Rupees in millions)
500
400
300
200
100
-
-100
-200
-300
2009 2010 2011 2012 2013 2014

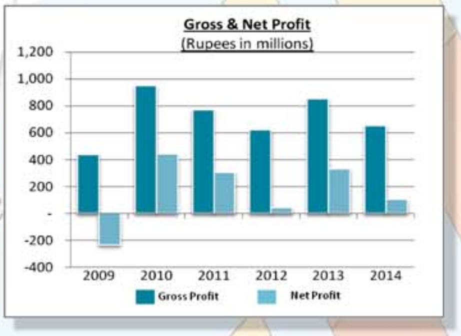

Sales
(Rupees in millions)
6,000
5,000
4,000
3,000
2,000
1,000
-
2009 2010 2011 2012 2013 2014

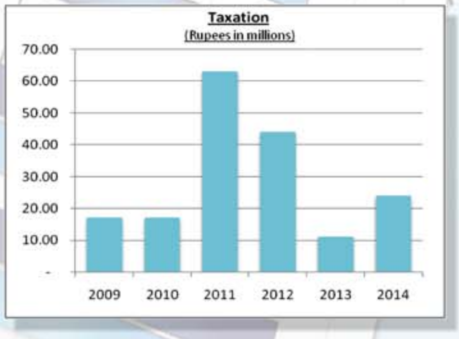

Power & Fuel
(Rupees in millions)
600.00
500.00
400.00
300.00
200.00
100.00
-
2009 2010 2011 2012 2013 2014

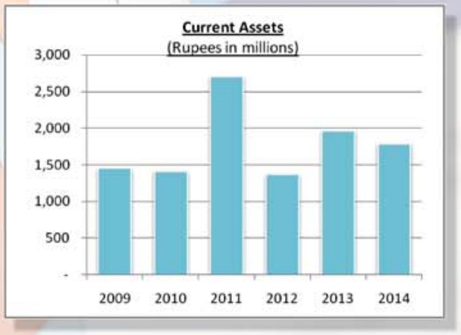

Cost of Sales
(Rupees in millions)
2014
2013
2012
2011
2010
2009
- 1,000 2,000 3,000 4,000 5,000

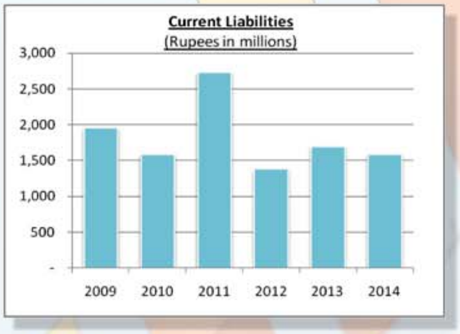

Salary, Wages & Benefits
(Rupees in millions)
300
250
200
150
100
50
-
2009 2010 2011 2012 2013 2014

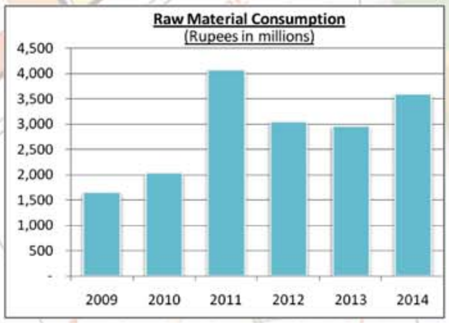

Gross Profit
(Rupees in millions)
1,000
900
800
700
600
500
400
300
200
100
-
2009 2010 2011 2012 2013 2014

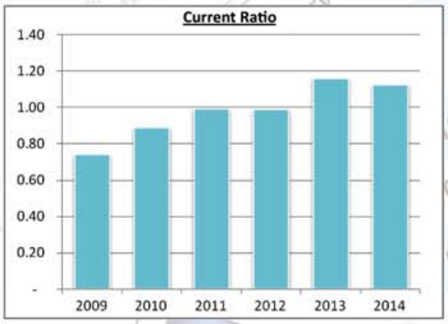

Gross & Net Profit
(Rupees in millions)
1,200
1,000
800
600
400
200
-
-200
-400
2009 2010 2011 2012 2013 2014
Gross Profit
Net Profit


Taxation
(Rupees in millions)
70.00
60.00
50.00
40.00
30.00
20.00
10.00
-
2009 2010 2011 2012 2013 2014


Current Assets
(Rupees in millions)
3,000
2,500
2,000
1,500
1,000
500
-
2009 2010 2011 2012 2013 2014


Current Liabilities
(Rupees in millions)
3,000
2,500
2,000
1,500
1,000
500
-
2009 2010 2011 2012 2013 2014

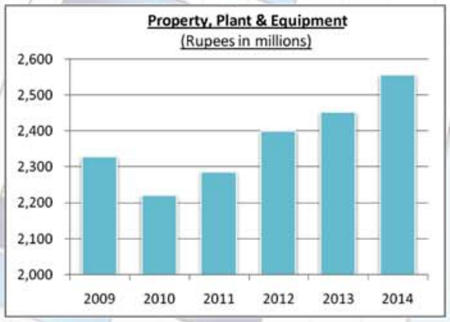

Raw Material Consumption
(Rupees in millions)
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
-
2009
2010
2011
2012
2013
2014

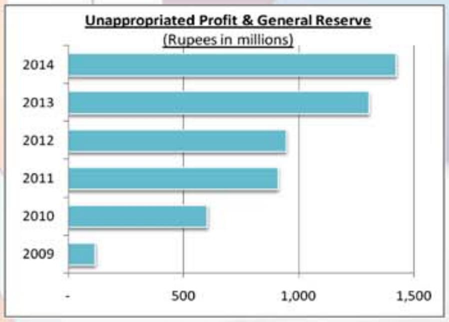

Current Ratio
1.40
1.20
1.00
0.80
0.60
0.40
0.20
-
2009
2010
2011
2012
2013
2014

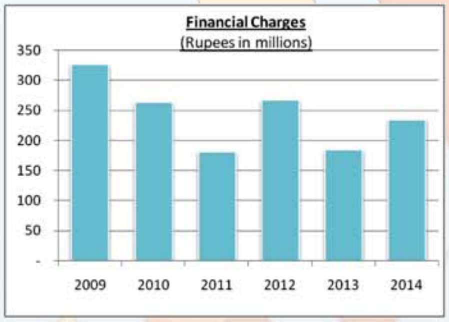

Shareholders Equity
(Rupees in millions)
1,600
1,400
1,200
1,000
800
600
400
200
-
2009
2010
2011
2012
2013
2014


Breakup Value Per Share
(Rupees)
100
90
80
70
60
50
40
30
20
10
-
2009
2010
2011
2012
2013
2014


Earning Per Share
(Rupees)
30
25
20
15
10
5
-
-5
-10
-15
-20
2009
2010
2011
2012
2013
2014


Property, Plant & Equipment
(Rupees in millions)
2,600
2,500
2,400
2,300
2,200
2,100
2,000
2009
2010
2011
2012
2013
2014


Unappropriated Profit & General Reserve
(Rupees in millions)
2014
2013
2012
2011
2010
2009
-
500
1,000
1,500


Financial Charges
(Rupees in millions)
350
300
250
200
150
100
50
-
2009
2010
2011
2012
2013
2014

DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting before you the 28th Annual Report together with the Audited Accounts for the year ended June 30, 2014.

FINANCIAL RESULTS

The Company made a pre-tax profit of Rs.124.522 million after charging costs, expenses and depreciation for the year ended June 30, 2014.

	(Rupees)
Pre-tax profit for the year	124,521,547
Taxation	(23,500,470)
Profit after taxation	101,021,077
Other Comprehensive Income	(4,798,266)
Accumulated Profit Brought Forward(Restated)	299,053,134
Less: Dividend Paid	(34,649,500)
	360,626,445
Transfer from Surplus on Revaluation of Property, Plant & Equipment	64,571,280
Accumulated Profit Carried Forward	425,197,725

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 @ 10% 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 Director Meetings, four Audit Committee Meetings and three Human Resource & Remuneration committee meetings were held. The attendance of the directors is as follow:

Name of Director	Number of Meeting Attended		
	Board Meeting	Audit Committee	Human Resource & Remuneration Committee
Mr. Anwar Ahmed Tata	3	N/A	N/A
Mr. Shahid Anwar Tata	2	N/A	3
Mr. Adeel Shahid Anwar	4	3	N/A
Mr. Bilal Shahid Anwar	3	3	2
Mr. Muhammad Naseem	4	4	3
Mr. Muhammad Salman H. Chawala (NIT)	3	N/A	N/A
Mr. Farooq Advani	4	N/A	N/A

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

j. 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.

k. The statement of pattern of shareholding of the Company as at June 30, 2014 is annexed. This statement is prepared in accordance with the Code of Corporate Governance.

l. 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 On 01-07-2013	Purchase	Sales/ Gift	Closing Balance On 30-06-2014
Mr. Anwar Ahmed Tata	**8,695,460**	**178,274**	**428,080**	**8,445,654**

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

During the year under review, the Board of Directors in their meeting held on 22nd February 2014, has approved the 15% annual increment of Mr. Shahid Anwar Tata, Chief Executive as per term of appointment with effect from 1st February 2014. The resolution has already been circulated to shareholders under section 218(2) of the Companies Ordinance 1984.

"Resolved that the monthly remuneration of Mr. Shahid Anwar Tata, Chief Executive would be Rs.764,757/- (Rupees seven hundred sixty four thousand seven hundred and fifty seven only) and also approves and authorizes the provision of company's maintained cars to him, disbursement of utility bills, club bills and other entertainment at actual, bonuses, retirement benefit, medical and leave fare facilities for himself and his family and other benefits under his term 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

Shahid Anwar Tata
Chief Executive

Karachi:
Date: September 20, 2014

KEY OPERATING AND FINANCIAL DATA

Particulars		2014	2013	2012	2011	2010	2009
OPERATING DATA							
Sales	Rs.'000'	5,297,307	4,615,713	5,186,235	5,198,073	3,783,989	2,683,128
Cost of Goods Sold	Rs.'000'	4,643,041	3,764,303	4,564,204	4,427,677	2,836,376	2,265,656
Gross Profit	Rs.'000'	654,266	851,410	622,031	770,396	947,612	417,472
Profit / (Loss) Before Taxation	Rs.'000'	124,522	340,413	85,119	366,051	457,293	(214,391)
Profit / (Loss) After Taxation	Rs.'000'	101,021	328,973	41,375	303,466	440,601	(231,214)
FINANCIAL DATA							
Equity Balance	Rs.'000'	1,598,445	1,472,301	1,119,638	1,084,443	777,438	306,354
Property, Plant & Equipment	Rs.'000'	2,556,791	2,454,098	2,400,344	2,291,389	2,222,127	2,330,419
Current Assets	Rs.'000'	1,791,631	1,967,311	1,371,909	2,707,393	1,416,780	1,452,118
Current Liabilities	Rs.'000'	1,591,008	1,694,464	1,387,803	2,726,725	1,590,614	1,941,920
RATIOS							
PROFITABILITY RATIOS							
Gross Profit Margin	%	12.35	18.45	11.99	14.82	25.04	15.56
Operating Profit Margin	%	1.15	7.22	1.42	6.28	11.69	(9.09)
Net Profit Margin	%	2.35	7.38	1.64	7.04	12.08	(7.99)
LIQUIDITY RATIOS							
Current Ratio	Times	1.13	1.16	0.99	0.99	0.89	0.75
Quick Ratio	Times	0.33	0.26	0.28	0.20	0.23	0.13
ACTIVITY / TURNOVER RATIOS							
Days in Receivables	Days	17.51	14.59	8.27	20.47	18.08	19.09
Accounts Receivable Turnover	Times	20.56	24.67	43.55	17.59	19.91	18.86
Inventory Turnover	Times	3.86	2.53	4.89	2.09	2.78	1.95
Total Assets Turnover	Times	1.22	1.04	1.37	1.04	1.04	0.71
Return on Total Assets	%	2.32	7.43	1.09	6.07	12.11	(6.11)
Return on Equity	%	4.10	13.66	1.97	15.31	25.59	(18.76)
LEVERAGE RATIOS							
Long Term Debt to Equity Ratio	%	12.08	13.56	14.11	14.65	18.98	49.36
Total Debt to Equity Ratio	%	76.57	83.90	80.26	152.21	111.34	206.90
Long Term Debt to Total Assets	Times	0.07	0.07	0.08	0.06	0.09	0.16
Total Debt to Total Assets	Times	0.43	0.46	0.45	0.60	0.53	0.67
Equity to Total Assets	Times	0.57	0.54	0.55	0.40	0.47	0.33
Interest Coverage Ratio	Times	1.53	2.84	1.32	3.01	2.73	0.34
OTHERS							
Earning per Shares	Rs	5.83	18.99	2.39	17.52	25.43	(13.35)
Breakup Value of Shares w/o Revaluation Surplus	Rs	92.26	84.98	64.63	62.60	44.87	17.68
Breakup Value of Shares with Revaluation Surplus	Rs	142.39	139.04	121.10	114.42	99.40	71.15
Cash Dividend	%	10.00	20.00	10.00	30.00	25.00	-

ANALYSIS OF THE FINANCIAL STATEMENT
BALANCE SHEET

Particulars	2014	2013	2012	2011	2010	2009
	---------- Rupees in '000 ----------					
Assets						
Non Current Assets						
Property, plant and equipment	2,556,791	2,454,098	2,400,344	2,291,389	2,222,127	2,330,419
Intangible assets	5,336	6,530	7,768	-	-	-
Long-term Deposits	1,964	1,964	1,939	650	606	574
Total Non Current Assets	**2,564,091**	**2,462,592**	**2,410,051**	**2,292,039**	**2,222,733**	**2,330,993**
Current Assets						
Stores, Spares and loose tools	54,044	44,130	47,285	49,284	35,742	41,251
Stock-in-trade	1,203,400	1,486,943	933,111	2,116,356	1,019,574	1,159,838
Trade debts	257,670	187,118	119,081	295,594	190,018	142,257
Loans and Advances	118,166	105,138	94,716	150,003	94,124	50,079
Trade Deposit & short-term prepayment	1,667	2,672	3,388	3,426	1,677	2,581
Other receivables	467	1,304	33,800	12,595	5,625	5,847
Other financial assets	-	5,352	8,145	2,483	2,483	1,883
Sales tax refundable	27,050	22,961	13,277	10,456	14,066	7,338
Cash and bank balances	129,168	111,693	119,105	67,196	53,470	41,044
Total Current Assets	**1,791,632**	**1,967,311**	**1,371,908**	**2,707,393**	**1,416,779**	**1,452,118**
Total Assets	**4,355,723**	**4,429,903**	**3,781,959**	**4,999,432**	**3,639,512**	**3,783,111**
Equity and Liabilities						
Share Capital & Reserves						
Share Capital	173,248	173,248	173,248	173,248	173,248	173,248
General Reserve	1,000,000	1,000,000	-	-	-	-
Unappropriated Profit	425,198	299,053	946,390	911,195	604,190	133,106
Total Share Capital and Reserves	**1,598,446**	**1,472,301**	**1,119,638**	**1,084,443**	**777,438**	**306,354**
Surplus on revaluation of Property, Plant & Equipment	**868,349**	**936,597**	**978,445**	**897,799**	**944,649**	**926,342**
Non Current Liabilities						
Long Term Loans	215,347	267,399	234,982	262,266	302,315	492,995
Deferred Liabilities	82,573	59,143	61,091	28,199	24,496	115,500
Total Non Current Liabilities	**297,920**	**326,542**	**296,073**	**290,465**	**326,811**	**608,495**
Current Liabilities						
Trade and other Payables	275,889	290,583	273,299	244,618	166,923	441,852
Interest/ Markup accrued on Borrowings	24,351	31,904	37,048	49,113	47,161	52,524
Short Term Borrowings	1,209,994	1,270,876	943,064	2,176,452	1,088,376	1,220,929
Current Portion of Long Term Finance	52,061	74,290	80,822	123,675	217,872	203,759
Taxation-income tax	28,713	26,810	53,570	132,867	70,282	22,856
Total Current Liabilities	**1,591,008**	**1,694,463**	**1,387,803**	**2,726,725**	**1,590,614**	**1,941,920**
Total Equity and Liabilities	**4,355,723**	**4,429,903**	**3,781,959**	**4,999,432**	**3,639,512**	**3,783,111**

ANALYSIS OF THE FINANCIAL STATEMENT
BALANCE SHEET VERTICAL ANALYSIS

Particulars	2014	2013	2012	2011	2010	2009
	%	%	%	%	%	%
Assets						
Non Current Assets						
Property, plant and equipment	58.70	55.40	63.47	45.83	61.06	61.60
Intangible assets	0.12	0.15	0.21	-	-	-
Long-term Deposits	0.05	0.04	0.05	0.01	0.02	0.02
Total Non Current Assets	58.87	55.59	63.72	45.85	61.07	61.62
Current Assets						
Stores, Spares and loose tools	1.24	1.00	1.25	0.99	0.98	1.09
Stock-in-trade	27.63	33.57	24.67	42.33	28.01	30.66
Trade debts	5.92	4.22	3.15	5.91	5.22	3.76
Loans and Advances	2.71	2.37	2.50	3.00	2.59	1.32
Trade Deposit & short-term prepayment	0.04	0.06	0.09	0.07	0.05	0.07
Other receivables	0.01	0.03	0.89	0.25	0.15	0.15
Other financial assets	-	0.12	0.22	0.05	0.07	0.05
Sales tax refundable	0.62	0.52	0.35	0.21	0.39	0.19
Cash and bank balances	2.97	2.52	3.15	1.34	1.47	1.08
Total Current Assets	41.13	44.41	36.28	54.15	38.93	38.38
Total Assets	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Equity and Liabilities						
Share Capital & Reserves						
Share Capital	3.98	3.91	4.58	3.47	4.76	4.58
General Reserve	22.96	22.57	-	-	-	-
Unappropriated Profit	9.76	6.75	25.02	18.23	16.60	3.52
Total Share Capital and Reserves	36.70	33.24	29.60	21.69	21.36	8.10
Surplus on revaluation of Property, Plant & Equipment	19.94	21.14	25.87	17.96	25.96	24.49
Non Current Liabilities						
Long Term Loans	4.94	6.04	6.21	5.25	8.31	13.03
Deferred Liabilities	1.90	1.34	1.62	0.56	0.67	3.05
Total Non Current Liabilities	6.84	7.37	7.83	5.81	8.98	16.08
Current Liabilities						
Trade and other Payables	6.33	6.56	7.23	4.89	4.59	11.68
Interest/ Markup accrued on Borrowings	0.56	0.72	0.98	0.98	1.30	1.39
Short Term Borrowings	27.78	28.69	24.94	43.53	29.90	32.27
Current Portion of Long Term Finance	1.20	1.68	2.14	2.47	5.99	5.39
Taxation-income tax	0.66	0.61	1.42	2.66	1.93	0.60
Total Current Liabilities	36.53	38.25	36.70	54.54	43.70	51.33
Total Equity and Liabilities	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

ANALYSIS OF THE FINANCIAL STATEMENT
PROFIT & LOSS ACCOUNT

Particulars	2014	2013	2012	2011	2010	2009
	---------- Rupees in '000 ----------					
Sales	5,297,307	4,615,713	5,186,235	5,198,073	3,783,989	2,683,128
Cost of Goods Sold	(4,643,041)	(3,764,303)	(4,564,204)	(4,427,677)	(2,836,376)	(2,265,656)
Gross Profit	**654,266**	**851,410**	**622,031**	**770,396**	**947,613**	**417,472**
Distribution cost	(220,753)	(206,549)	(175,742)	(171,249)	(146,125)	(127,151)
Administrative expenses	(114,060)	(88,719)	(65,167)	(62,647)	(58,718)	(58,854)
Other operating expenses	(23,295)	(38,111)	(40,035)	(27,458)	(35,830)	(149,023)
Financial Cost	(235,089)	(184,571)	(267,609)	(182,375)	(264,402)	(326,381)
	(593,197)	(517,950)	(548,553)	(443,729)	(505,075)	(661,409)
Other Income	63,453	6,953	11,642	39,385	14,756	29,545
Profit before taxation	**124,522**	**340,413**	**85,120**	**366,052**	**457,294**	**(214,392)**
Provision for taxation	(23,501)	(11,440)	(43,744)	(62,585)	(16,693)	(16,823)
Profit after taxation	**101,021**	**328,973**	**41,376**	**303,467**	**440,601**	**(231,215)**

ANALYSIS OF THE FINANCIAL STATEMENT
PROFIT & LOSS ACCOUNT VERTICAL ANALYSIS

Particulars	2014 %	2013 %	2012 %	2011 %	2010 %	2009 %
Sales	100.00	100.00	100.00	100.00	100.00	100.00
Cost of Goods Sold	(87.65)	(81.55)	(88.01)	(85.18)	(74.96)	(84.44)
Gross Profit	12.35	18.45	11.99	14.82	25.04	15.56
Distribution cost	(4.17)	(4.47)	(3.39)	(3.29)	(3.86)	(4.74)
Administrative expenses	(2.15)	(1.92)	(1.26)	(1.21)	(1.55)	(2.19)
Other operating expenses	(0.44)	(0.83)	(0.77)	(0.53)	(0.95)	(5.55)
Financial Cost	(4.44)	(4.00)	(5.16)	(3.51)	(6.99)	(12.16)
	1.15	7.23	1.41	6.28	11.69	(9.08)
Other Income	1.20	0.15	0.22	0.76	0.39	1.10
Profit before taxation	2.35	7.38	1.63	7.04	12.08	(7.98)
Provision for taxation	(0.44)	(0.25)	(0.84)	(1.20)	(0.44)	(0.63)
Profit after taxation	1.91	7.13	0.79	5.84	11.64	(8.61)

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2014

NO. OF SHAREHOLDERS	SHARE-HOLDING FROM	TO	TOTAL SHARES HELD
950	1	100	47,151
511	101	500	131,565
437	501	1000	316,089
204	1001	5000	534,073
52	5001	10000	402,284
19	10001	15000	247,624
7	15001	20000	125,218
2	20001	25000	49,000
4	25001	30000	112,272
1	30001	35000	32,000
1	35001	40000	40,000
2	45001	50000	100,000
1	50001	55000	52,767
1	55001	60000	55,545
2	65001	70000	132,250
1	85001	90000	85,300
1	95001	100000	95,500
1	135001	140000	140,000
1	200001	205000	202,824
1	215001	220000	217,000
1	240001	245000	241,315
3	280001	285000	852,337
1	320001	325000	320,664
1	430001	435000	434,798
1	1690001	1695000	1,693,022
1	2215001	2220000	2,218,498
1	8445001	8450000	8,445,654
2208			**17,324,750**

CATEGORIES OF SHAREHOLDERS
As at June 30, 2014

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDER	SHARES HELD	PERCENTAGE
Directors, their Spouse(s) and Minor Children	8	10,735,727	61.97
Associated Companies, Undertakings and Related Parties	1	434,798	2.51
Public Sector companies & Corporations	5	25,814	0.15
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and pension funds	2	203,488	1.17
Mutual Funds	1	2,218,498	12.81
Others	24	177,350	1.02
General Public	2,167	3,529,075	20.37
	2,208	17,324,750	100.00

Detail of Categories of Shareholders
As at June 30,2014

	Number of Shareholders	Shares Held
DIRECTORS, THEIR SPOUSE(S) & MINOR CHILDREN		
Mr. Anwar Ahmed Tata (Chairman/Director	1	8,445,654
Mr. Shahid Anwar Tata (Chief Executives)	1	1,693,022
Mr. Adeel Shahid Anwar (Director)	1	26,872
Mr. Bilal Shahid Anwar (Director)	1	1,099
Mr. Mohammad Naseem (Director)	1	3,467
Mr. Farooq Advani (Director)	1	3,634
Mrs. Parveen Anwar (W/o Mr. Anwar Ahmed Tata)	1	241,315
Mrs. Saiqa Shahid (W/o Mr. Shahid Anwar Tata)	1	320,664
	8	**10,735,727**
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		
Island Textile Mills Ltd.	**1**	**434,798**
PUBLIC SECTOR COMPANIES AND CORPORATIONS		
Investment Corporation of Pakistan	2	19,982
National Development Finance Corporation	1	3,223
IDBL (ICP Unit)	1	1,365
National Bank Of Pakistan	1	1,244
	5	**25,814**
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARBAS AND PENSION FUNDS		
Central Insurance Co. Ltd.	1	664
Trustee National Bank of Pakistan Employee Pension Fund	1	202,824
	2	**203,488**
MUTUAL FUNDS		
CDC - Trustee National Investment (Unit) Trust	**1**	**2,218,498**
OTHERS		
M/S Naseer Shahid Ltd.	1	23
Afsa (Pvt) Ltd	1	5,000
M/S Guardian Modaraba Management (Pvt) Ltd	1	5,483
M/S Naveena Industries	1	85,300
M/S Securities & Exchange Authority.	1	1
Ali Husain Rajabali Ltd	1	10,000
Y.S. Securities & Services (Pvt) Ltd.	1	132
Fateh Textile Mills Ltd.	1	65
Naveena Exports (Pvt) Ltd	1	50
Trustee National Bank Of Pakistan Emp Benevolent Fund Trust	1	7,117
NH Capital Fund Ltd.	1	2
Capital Vision Securities Pvt Limited	1	8,000
M.R.A. Securities (Pvt) Limited	1	800
Time Securities (Pvt.) Ltd.	1	1,000
Abandoned Properties Organization	1	6,397
HH Misbah Securities (Private) Limited	1	10,000
A. H. M. Securities (Private) Limited1		17,500
Darson Securities (Pvt) Limited	1	1
AWJ Securities (Private) Limited.	1	500
Ismail Abdul Shakoor Securities (Private) Limited	1	2,402
Seven Star Securities (Pvt.) Ltd.	1	7,000
Pak Asian Fund Limited	1	1,000
Ghani Osman Securities (Private) Limited	1	9,000
Fikree's (SMC Pvt) Ltd.	1	577
	24	**177,350**
GENERAL PUBLIC		
Local	**2,167**	**3,529,075**
Grand Total	**2,208**	**17,324,750**

Sharehoders Holding 5% or more As at June 30, 2014	**Shares Held**	**Percentage**
Mr. Anwar Ahmed Tata	8,445,654	48.75
CDC - Trustee National Investment (Unit) Trust	2,218,498	12.81
Mr. Shahid Anwar Tata	1,693,022	9.77

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi and Lahore Stock Exchanges 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 CCG 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
Executive Director	Mr. Shahid Anwar Tata Mr. Adeel Shahid Anwar Mr. Farooq Advani
Non-Executive Directors	Mr. Anwar Ahmed Tata Mr. Salman H. Chawala (NIT) Mr. Bilal Shahid Anwar

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

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 NBFI 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/training programs for its directors during year. The Board had also initiated the training of directors for certification program and four of the directors, Mr. Farooq Advani, Mr. Adeel Shahid Anwar, Mr. Bilal Shahid Anwar and Mr. Salman H. Chawala (NIT) have completed the Director's Training Program and become the certified director from PICG (Pakistan Institute of Corporate Governance) and the remaining directors will acquire the required directors training certification within the time specified in CCG, unless exempt there under.

10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by 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 CCG.
15. The board has formed an audit committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is 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 exchanges
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all applicable other material principles enshrined in the CCG have complied with.

ON BEHALF OF THE BOARD OF DIRECTORS

SHAHID ANWAR TATA
CHIEF EXECUTIVE

KARACHI
DATED: September 20, 2014

NOTICE
of Annual General Meeting

Notice is hereby given that the 28th Annual General Meeting of the Shareholders of Tata Textile Mills Limited will be held on Friday the October 24, 2014 at 3:00 P.M. at 5th Floor Textile Plaza M.A. Jinnah Road Karachi, to transact the following business: -

1. To confirm the minutes of the 27th 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 to offer themselves for reappointment.
4. To approve the payment of cash dividend @10% (i.e. Re. 1.00 per share) for the year ended June 30, 2014 as recommended by the Board of Directors.
5. To elect Seven Directors of the Company as fixed by the Board for a term of three years in accordance with the provision of Section 178(1) of the Companies Ordinance 1984. Retiring Directors are;
   (i) Mr. Anwar Ahmed Tata
   (ii) Mr. Shahid Anwar Tata
   (iii) Mr. Adeel Shahid Anwar
   (iv) Mr. Bilal Shahid Anwar
   (v) Mr. Muhammad Naseem
   (vi) Mr. Farooq Advani
   (vii) Mr. Muhammad Salman H. Chawala (NIT)

   The retiring Directors are eligible for re-election.

6. To transact any other ordinary business or businesses with the permission of the Chairman.

By order of the Board of Directors

Farooq Advani
Company Secretary

Karachi:
Dated: October 01, 2014

Notes:

1. The Share Transfer Books of the Company will remain closed from October 17, 2014 to October 24, 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. Any member who seeks to contest the election of the office of Director shall, file with the Company, not later than 14 days before the meeting at which elections are to be held a notice of his/her intention to offer him / herself for election as a Director. Declaration in accordance with the Listing Regulations along with consent to act as Director under section 184 of the Companies Ordinance, 1984 shall also be filed.
5. Shareholders are requested to notify the change of address, if any, immediately.
6. Members who have not yet submitted photocopies of their CNIC to the Company's Share Registrar, are requested to send the same at earliest.

Deloitte.

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

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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 TATA TEXTILE MILLS LIMITED (the Company) for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi & Lahore Stock Exchanges where the Company is listed.

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

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

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

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

Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Member of
Deloitte Touche Tohmatsu Limited

KARACHI
Date: September 20, 2014

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **TATA 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

	Note	2014	2013 (Restated)
		.... Rupees	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**2,556,790,711**	2,454,098,248
Intangible assets	5	**5,335,830**	6,529,615
Long term deposits		**1,964,069**	1,964,069
		2,564,090,610	2,462,591,932
CURRENT ASSETS			
Stores, spares and loose tools	6	**54,044,449**	44,129,628
Stock-in-trade	7	**1,203,399,558**	1,486,942,606
Trade debts	8	**257,669,756**	187,117,871
Loans and advances	9	**118,165,987**	105,138,454
Trade deposits and short-term prepayments	10	**1,666,730**	2,672,063
Other receivables		**466,508**	1,304,382
Other financial assets	11	**-**	5,352,385
Sales tax refundable		**27,049,699**	22,960,838
Cash and bank balances	12	**129,167,854**	111,692,515
		1,791,630,541	1,967,310,742
TOTAL ASSETS		**4,355,721,151**	4,429,902,674
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**173,247,500**	173,247,500
General reserve		**1,000,000,000**	1,000,000,000
Unappropriated profit		**425,197,725**	299,053,134
		1,598,445,225	1,472,300,634
Surplus on revaluation of property, plant and equipment	14	**868,348,843**	936,597,031
NON-CURRENT LIABILITIES			
Long-term finance	15	**215,346,635**	267,398,903
Deferred liabilities	16	**82,572,594**	59,142,510
CURRENT LIABILITIES			
Trade and other payables	17	**275,888,947**	290,583,017
Interest / mark-up accrued on borrowings	18	**24,350,840**	31,904,339
Short-term borrowings	19	**1,209,994,070**	1,270,875,610
Current portion of long-term finance	15	**52,060,627**	74,290,017
Provision for income tax		**28,713,370**	26,810,613
		1,591,007,854	1,694,463,596
CONTINGENCIES AND COMMITMENTS	20		
TOTAL EQUITY AND LIABILITIES		**4,355,721,151**	4,429,902,674

The annexed notes from 1 to 41 form an integral part of this financial statements.

SHAHID ANWAR TATA
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN /DIRECTOR

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

	Note	**2014**	2013 (Restated)
		……………… Rupees	………………
Sales - net	21	**5,297,306,623**	4,615,713,114
Cost of goods sold	22	**(4,643,040,692)**	(3,764,303,333)
Gross profit		**654,265,931**	851,409,781
Distribution cost	23	**(220,753,054)**	(206,548,787)
Administrative expenses	24	**(114,060,497)**	(88,719,443)
Other operating expenses	25	**(23,294,793)**	(38,110,553)
Finance cost	26	**(235,088,719)**	(184,570,535)
		(593,197,063)	(517,949,318)
Other income	27	**63,452,679**	6,952,931
Profit before taxation		**124,521,547**	340,413,394
Provision for taxation	28	**(23,500,470)**	(11,440,374)
Profit for the year		**101,021,077**	328,973,020
Other Comprehensive income			
Items that will not be reclassified subsequently through profit and loss account			
Remeasurement of defined benefit plan		**(4,879,262)**	(1,872,475)
Impact of deferred tax		**80,996**	23,127
		(4,798,266)	(1,849,348)
Total comprehensive income for the year		**96,222,811**	327,123,672
Earnings per share - basic and diluted	29	**5.83**	18.99

The annexed notes from 1 to 41 form an integral part of this financial statements.

SHAHID ANWAR TATA
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN /DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013 (Restated)
		.... Rupees	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**124,521,547**	340,413,394
Adjustments for :			
Depreciation of property, plant and equipment	4.2	**126,715,886**	128,832,589
Amortization of intangibles	5.1	**1,695,787**	1,638,786
Provision for staff gratuity and compensated absences		**27,499,293**	19,787,855
Finance cost	26	**235,088,719**	184,570,535
Loss / (gain) on disposal of property and equipment	25 & 27	**11,651,439**	(5,996,144)
Loss on sale and lease back (ijarah)	25	**219,870**	-
Operating cash flows before movements in working capital		**527,392,541**	669,247,015
(Increase) / decrease in current assets			
Stores, spares and loose tools		**(9,914,821)**	3,155,691
Stock-in-trade		**283,543,048**	(553,831,274)
Trade debts		**(70,551,885)**	(68,036,495)
Loans and advances		**25,328,031**	(20,928,696)
Trade deposits and short-term prepayments		**1,005,333**	716,035
Other receivables		**837,874**	32,495,673
Other financial assets		**5,352,385**	2,792,465
Sales tax refundable		**(4,088,861)**	(9,684,083)
Increase in current liabilities			
Trade and other payables		**(15,366,762)**	18,479,680
Cash generated from operations		**743,536,883**	74,406,011
Finance cost paid		**(242,642,218)**	(189,714,161)
Income taxes paid		**(57,565,920)**	(38,232,532)
Staff gratuity and compensated absences paid		**(14,931,740)**	(12,032,567)
Net cash generated from / (used in) operating activities		**428,397,005**	(165,573,249)

	Note	2014	2013 (Restated)
		……………… Rupees	………………
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(118,751,738)**	(201,510,722)
Proceeds from disposal of property and equipment		**19,016,000**	23,506,550
Proceeds from sale and lease back (ijarah)		**54,950,464**	-
Purchase of intangible assets		**(502,002)**	(400,000)
Long-term deposits		**-**	(25,000)
Net cash used in investing activities		**(45,287,276)**	(178,429,172)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term finance		**-**	131,716,102
Repayment of long-term finance		**(74,281,658)**	(105,831,435)
Proceed from short-term borrowings		**438,120,754**	260,959,303
Dividend paid		**(33,976,808)**	(17,107,124)
Net cash generated from financing activities		**329,862,288**	269,736,846
Net increase / (decrease) in cash and cash equivalents (A+B+C)		**712,972,017**	(74,265,575)
Cash and cash equivalents at July 01		**(675,481,065)**	(601,215,490)
Cash and cash equivalents at June 30	30	**37,490,952**	(675,481,065)

The annexed notes from 1 to 41 form an integral part of this financial statements.

SHAHID ANWAR TATA
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN /DIRECTOR

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

	Note	Share Capital	General Reserve	Revenue reserve Unappropriated Profit	Total
		......	......Rupees......	......	
Balance at July 01, 2012 - as reported earlier		173,247,500	-	946,390,039	1,119,637,539
Effect of change in accounting policy due application of IAS 19 (Revised)-(note 3.1.1)					
Actuarial losses recognised		-	-	(5,243,622)	(5,243,622)
Less: deferred tax thereon		-	-	113,902	113,902
		-	-	(5,129,720)	(5,129,720)
Balance as at July 01, 2012 (Restated)		**173,247,500**	**-**	**941,260,319**	**1,114,507,819**
Total comprehensive income for the year					
Profit for the year ended June 30, 2013 as originally reported		-	-	328,504,223	328,504,223
Effect of change in accounting policy resulting in reversal of previously amortized actuarial losses (note 3.1.1)		-	-	474,660	474,660
Less: deferred tax thereon		-	-	(5,863)	(5,863)
		-	-	468,797	468,797
Profit for the year ended June 30, 2013 (Restated)		-	-	328,973,020	328,973,020
Other comprehensive income					
Other comprehensive income as originally reported		-	-	-	-
Loss on remeasurement of defined benefit scheme (note 3.1.1)		-	-	(1,872,475)	(1,872,475)
Less: deferred tax thereon		-	-	23,127	23,127
		-	-	(1,849,348)	(1,849,348)
Other comprehensive income (Restated)		-	-	(1,849,348)	(1,849,348)
Total comprehensive income for the year (Restated)		-	-	327,123,672	327,123,672
Transferred from surplus on revaluation of property, plant and equipment on account of:					
- incremental depreciation		-	-	44,557,333	44,557,333
- disposal of property, plant and equipment		-	-	3,436,560	3,436,560
	14	-	-	47,993,893	47,993,893
Transfer to general reserve		-	1,000,000,000	(1,000,000,000)	-
Transactions with owners					
Final cash dividend for the year ended June 30, 2012 @ Re. 1 per share		-	-	(17,324,750)	(17,324,750)
Balance as at June 30, 2013 (Restated)		**173,247,500**	**1,000,000,000**	**299,053,134**	**1,472,300,634**
Total comprehensive income for the year					
Profit for the year		-	-	101,021,077	101,021,077
Loss on remeasurement of defined benefit scheme		-	-	(4,879,262)	(4,879,262)
Less: deferred tax thereon		-	-	80,996	80,996
Other comprehensive income - net of tax		-	-	(4,798,266)	(4,798,266)
		-	-	96,222,811	96,222,811
Transferred from surplus on revaluation of property, plant and equipment on account of:					
- incremental depreciation		-	-	44,978,202	44,978,202
- disposal of property, plant and equipment		-	-	19,593,078	19,593,078
	14	-	-	64,571,280	64,571,280
Transactions with owners					
Final cash dividend for the year ended June 30, 2013 @ Rs. 2 per share		-	-	(34,649,500)	(34,649,500)
Balance as at June 30, 2014		**173,247,500**	**1,000,000,000**	**425,197,725**	**1,598,445,225**

The annexed notes from 1 to 41 form an integral part of this financial statements.

SHAHID ANWAR TATA
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

Tata Textile Mills Limited (the Company) is a public limited company incorporated in Pakistan on April 15, 1987 under the Companies Ordinance, 1984 and listed on Karachi and Lahore Stock Exchanges. 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 District Muzaffargarh in the province of Punjab.

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

These 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 measured at 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 and 3.5)
- Impairment of financial and non-financial assets (note 3.10)
- Staff retirement benefit - gratuity scheme (note 3.16)
- Taxation (note 3.22)

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

a) Standards, amendments or interpretations which 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.

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

b) 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.

Standards or Interpretations	**Effective date (accounting periods beginning on or after)**
Amendments to IAS 19 Employee Benefits: Employee contributions	July 01, 2014
IAS 27 (Revised 2011) - Separate Financial Statements	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
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.

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

	Staff Retirement benefits - gratuity (note 16.1)	Deferred tax liability	Un-appropriated profit
	....	Rupees	....
Balance as at July 01, 2012 as previously reported	4,473,217	28,925,804	946,390,039
Recognition of previously unrecognised cumulative actuarial losses as a result of adoption of IAS 19 (Revised) as at July 01, 2012	5,243,622	(113,902)	(5,129,720)
Balance as at July 01, 2012 - as restated	9,716,839	28,811,902	941,260,319
Balance as at June 30, 2013 as previously reported	6,617,418	12,236,338	305,563,404
Recognition of previously unrecognised cumulative actuarial losses as a result of adoption of IAS 19 (Revised):			
- recognition of cumulative unrecognised actuarial losses/(gains) in OCI			
- as at June 30, 2012	5,243,622	(113,902)	(5,129,720)
- for the year ended June 30, 2013	1,872,475	(23,127)	(1,849,348)
Reversal of actuarial loss amortised during the year ended June 30, 2013 as a result of adoption of IAS 19 (Revised)	(474,660)	5,863	468,797
Balance as at June 30, 2013 - restated	13,258,855	12,105,172	299,053,133

The change in accounting policy has resulted in decrease in total comprehensive income by Rs. 4.16 million (2013: Rs. 1.37 million) the details of which are as follows:

	2014	2013
	.... Rupees	
Impact on comprehensive income		
Profit and loss account		
Reversal of amortisation of actuarial losses as a result of adoption of IAS 19 (Revised) from Cost of goods sold	**664,444**	474,660
Increase in profit for the year	**664,444**	474,660
Other comprehensive income		
Recognition of loss on remeasurement of retirement and other service benefits during the year	**(4,879,262)**	(1,872,475)
Less: Deferred tax effect thereon	**57,161**	23,127
	(4,822,101)	(1,849,348)
Decrease in total comprehensive income for the year	**(4,157,657)**	(1,374,688)
Increase in earnings per share (Rupees)	**0.04**	0.03

Had there been no change in accounting policy, the profit for the year would have been decreased by Rs. 0.66 million, other comprehensive would have been increased by Rs. 4.82 million and unappropriated profit would have decreased by Rs. 4.16 million.

3.2 Property, plant and equipment

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

Freehold 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.

The residual values, depreciation method and 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, if material, 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.

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 3.18. Items 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.

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

Stock-in-trade is valued at lower of cost and net realizable value. Cost is determined on 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 net 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, 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 rate 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 rate 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 shall be 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.

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 at year end 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 plan and other staff retirement benefits respectively. Both plans are un-funded. The details of plans are as follows:

Defined benefit plan

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 scheme 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 Actuarial Cost Method". The amount recognized in the balance sheet represents the present value of defined benefit obligation.

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 ten 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 scheme is given in note 16.1 to these financial statements.

Other staff retirement contributory scheme

The Company also maintains an unfunded contributory gratuity scheme for its employees under non-workmen category. Under this scheme, 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 Ijarah contracts

Ijarah agreements irrespective of whether significant portion of risks and rewards relating to ownership of the asset are retained by the lessor are classified as operating leases. Payments made under these agreements are recognized in the profit and loss on straight-line basis over the period of the agreement.

3.18 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.

3.19 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.

3.20 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.

3.21 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 statement

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 in the carrying amount of the borrowing.

3.22 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.

3.23 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.

3.24 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.

3.25 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 38 to these financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
		..........Rupees..........	
Operating assets	4.1	**2,514,481,888**	2,429,349,486
Capital work in progress	4.5	**42,308,823**	24,748,762
		2,556,790,711	2,454,098,248

4.1 Operating assets

Particulars	Cost/ revaluation at July 01, 2013	Additions / (transfers)* during the year	Disposals during the year	Sale and lease back assets	Cost/ revaluation at June 30, 2014	Accumulated depreciation at July 01, 2013	Depreciation/ (transfers)* for the year	Depreciation on disposals	Sale and lease back assets	Accumulated depreciation at June 30, 2014	Written down value at at June 30, 2014	Rate %
	....					R U P E E S	....					
Free hold land	112,632,500	19,132,065	-	-	131,764,565	-	-	-	-	-	131,764,565	-
Buildings on free hold land	500,186,823	3,033,682	-		503,290,636	24,944,940	23,813,264	-	-	48,759,789	454,530,847	5
		70,131 *					1,585 *					
Plant and machinery	1,815,589,453	263,042,816	(33,293,694)	(56,616,657)	1,989,189,735	87,544,243	86,346,913	(2,782,503)	(1,446,323)	169,532,746	1,819,656,989	5 -10
		467,817 *					(129,584) *					
Factory and workshop equipments	10,960,064	2,224,866	-	-	12,503,899	4,979,001	1,164,714	-	-	6,524,605	5,979,294	10
		(681,031) *					380,890 *					
Electric installations	60,355,838	-	-	-	60,355,838	29,980,785	3,037,505	-	-	33,018,290	27,337,548	10
Lease hold improvements	26,089,214	-	-	-	26,089,214	5,550,140	2,053,908	-	-	7,604,048	18,485,166	10
Furniture and fixtures	18,927,916	1,700,068	-		20,957,950	4,626,382	1,506,111	-	-	6,273,791	14,684,159	10
		329,966 *					141,298 *					
Office equipment	24,049,241	2,223,457	-	-	26,085,815	10,366,383	2,344,154	-	-	12,316,348	13,769,467	5-30
		(186,883) *					(394,189) *					
Vehicles	51,435,866	6,329,108	(623,037)	-	57,141,937	22,885,556	6,449,317	(466,789)	-	28,868,084	28,273,853	20
June 30, 2014	**2,620,226,915**	**297,686,062**	**(33,916,731)**	**(56,616,657)**	**2,827,379,589**	**190,877,430**	**126,715,886**	**(3,249,292)**	**(1,446,323)**	**312,897,701**	**2,514,481,888**	

FOR COMPARATIVE PERIOD

Particulars	Cost/ revaluation at July 01, 2012	Additions (Adjustment)* during the year	Disposals during the year	Transfers	Cost/ revaluation at June 30, 2013	Accumulated depreciation at July 01, 2012	Depreciation (Adjustment)* for the year	Depreciation on disposals	Transfers	Accumulated depreciation at June 30, 2013	Written down value at at June 30, 2013	Rate %
	....					R U P E E S	....					
Free hold land	112,632,500	-	-		112,632,500		-	-	-	-	112,632,500	-
Buildings on free hold land	496,634,759	3,552,064	-		500,186,823		24,944,940	-		24,944,940	475,241,883	5
Plant and machinery	1,663,377,506	169,643,781	(17,820,634)	388,800	1,815,589,453		87,841,529	(612,039)	314,753	87,544,243	1,728,045,210	5
Factory and workshop equipments	10,775,456	573,408	-	(388,800)	10,960,064	4,674,072	619,682	-	(314,753)	4,979,001	5,981,063	10
Electric installations	60,355,838	-	-		60,355,838	26,605,779	3,375,006	-	-	29,980,785	30,375,053	10
Lease hold improvements	27,502,309	-	-		26,089,214	3,281,105	2,280,811	-	-	5,550,140	20,539,074	10
		(1,413,095) *					(11,776) *				-	
Furniture and fixtures	15,786,790	1,471,564		1,669,562	18,927,916	3,059,573	1,483,458	-	83,351	4,626,382	14,301,534	10
Office equipment	23,807,697	1,911,106	-	(1,669,562)	24,049,241	7,612,881	2,836,853	-	(83,351)	10,366,383	13,682,858	5-30
Vehicles	42,764,727	10,011,499	(1,340,360)		51,435,866	18,462,019	5,462,086	(1,038,549)	-	22,885,556	28,550,310	20
June 30, 2013	**2,453,637,582**	**187,163,422**	**(19,160,994)**	**-**	**2,620,226,915**	**63,695,429**	**128,844,365**	**(1,650,588)**	**-**	**190,877,430**	**2,429,349,486**	
		(1,413,095)					**(11,776)**					

* These represent reversals of excess accrual made during last year.

		Note	2014	2013
			.... Rupees	
4.2	**Depreciation for the year has been allocated as under:**			
	Cost of goods manufactured	22.1	116,935,102	120,111,225
	Administrative expenses	24	9,780,784	8,721,364
			126,715,886	128,832,589

4.3 Had there been no revaluation the related figures of freehold land, buildings on freehold land, plant and machinery and electric installations at June 30 would have been as follows:

	2014			2013		
	Cost	**Accumulated Depreciation**	**Written down value**	**Cost**	**Accumulated Depreciation**	**Written down value**
	........Rupees........					
Land - freehold land	**39,744,364**	**-**	**39,744,364**	20,612,299	-	20,612,299
Building on free hold land	**269,052,706**	**134,579,755**	**134,472,951**	266,019,024	127,611,644	138,407,380
Plant and Machinery	**2,240,491,352**	**888,613,767**	**1,351,877,585**	2,075,661,510	864,103,029	1,211,558,481
Electric installations	**58,493,501**	**32,751,887**	**25,741,614**	58,493,501	29,891,708	28,601,793
	2,607,781,923	**1,055,945,409**	**1,551,836,514**	2,420,786,334	1,021,606,380	1,399,179,953

Revaluation of free hold land, building and plant and machinery was carried out on September 30, 2003, June 30, 2008 and June 30, 2012 while revaluation of electric installations was carried out on September 30, 2003. All the revaluations were conducted by the 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.

4.4 Disposal of property, plant and equipment

Details of operating, 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
	........Rupees........					
Machinery	15,247,059	1,245,177	14,001,882	7,200,000	Negotiation	Terry World Textiles ST-9, Gabol Town, Karachi.
Machinery	2,000,000	163,333	1,836,667	3,200,000	Negotiation	S.B. Textile Mills B-99, Cotton Exchange Building I.I Chundrigar Road, Karachi.
Machinery	2,666,666	228,333	2,438,333	2,850,000	Negotiation	Saif Textile Mills Ltd State Life Building ,I.I.Chundrigar Road, Karachi.
Machinery	10,164,706	870,353	9,294,353	4,800,000	Negotiation	Island Textile Mills Ltd 6th Floor Textile Plaza M.A.Jinnah Road, Karachi
Machinery	341,616	29,251	312,365	250,000	Negotiation	Island Textile Mills Ltd 6th Floor Textile Plaza M.A.Jinnah Road, Karachi
Machinery	2,100,000	179,813	1,920,187	270,000	Negotiation	Ghani and Company 45-A-4, Eden Value Homes, Multan Road, Lahore.
Machinery	240,000	20,550	219,450	50,000	Negotiation	Island Textile Mills Ltd 6th Floor Textile Plaza M.A.Jinnah Road, Karachi

Particulars	Cost / revalued amount	Accumulated depreciation	Written down value	Sale Proceeds	Mode of disposal	Particulars of buyers
	....................Rupees....................					
Machinery	355,765	30,462	325,303	100,000	Negotiation	Island Textile Mills Ltd 6th Floor Textile Plaza M.A.Jinnah Road, Karachi
Machinery	177,882	15,231	162,651	50,000	Negotiation	Island Textile Mills Ltd 6th Floor Textile Plaza M.A.Jinnah Road, Karachi.
Vehicle	582,225	438,978	143,247	236,000	Negotiation	Mr.Zaheer Riaz B-7, Fl 7/14 Mayamar Sq Gulshan-e-Iqbal Karachi.
Vehicle	40,812	27,811	13,001	10,000	Negotiation	Raja Khalil Ahmed House No. 1, Zia Colony, Industrial Area, Korangi, Sector 32/A, Karachi.
June 30, 2014	**33,916,731**	**3,249,292**	**30,667,439**	**19,016,000**		
June 30, 2013	19,160,994	1,650,588	17,510,406	23,506,550		

4.5 Capital work-in-Progress

	Note	2014	2013
		.... Rupees	
Civil works		**9,158,695**	12,832,129
Machinery and electric installations		**33,150,128**	11,916,633
		42,308,823	24,748,762

5. INTANGIBLES ASSETS

	Note	2014	2013
License fee	5.1	**462,832**	382,950
ERP software	5.1	**4,872,998**	6,146,665
		5,335,830	6,529,615

5.1 License fee & 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	As at June 30, 2014		
	RUPEES							%
License fee	510,600	182,002	692,602	127,650	102,120	229,770	462,832	20
ERP software	7,683,331	320,000	8,003,331	1,536,666	1,593,667	3,130,333	4,872,998	20
	8,193,931	**502,002**	**8,695,933**	**1,664,316**	**1,695,787**	**3,360,103**	**5,335,830**	

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	As at June 30, 2013		
	RUPEES							%
License fee	510,600	-	510,600	25,530	102,120	127,650	382,950	20
ERP software	-	7,683,331	7,683,331	-	1,536,666	1,536,666	6,146,665	20
	510,600	7,683,331	8,193,931	25,530	1,638,786	1,664,316	6,529,615	

	Note	2014	2013
		.... Rupees	

6. STORES, SPARES AND LOOSE TOOLS

	Note	2014	2013
Stores and spares	6.1	**54,031,595**	44,109,384
Loose tools		**12,854**	20,244
		54,044,449	44,129,628

6.1 It includes stores and spares in transit amounting to Nil (2013: Rs. 2.5 million).

7. STOCK-IN-TRADE

	2014	2013
Raw material	**810,022,115**	1,153,464,064
Work-in-process	**47,744,623**	38,751,599
Finished goods	**300,357,223**	257,009,922
Waste	**45,275,597**	37,717,021
	1,203,399,558	1,486,942,606

Net realizable value of finished goods and raw material were lower than its cost, which resulted in write down of Rs. 12.93 million (2013: Nil) and Rs. 32.8 million (2013: Nil) respectively charged to cost of sales.

8. TRADE DEBTS

	Note	2014	2013
		.... Rupees	
Considered good			
Export - secured	8.1	**184,166,615**	119,733,432
Local - unsecured		**73,503,141**	67,384,439
		257,669,756	187,117,871

8.1 These are secured against letters of credit in favor of the Company.

8.2 Trade debts are non-interest bearing and are generally on 7 to 90 days term.

8.3 As at June 30, 2014, trade debts aggregating Rs. 25.74 million (2013: Rs. 34.99 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:

8.3.1 Aging of past due but not impaired

	Note	2014	2013
		.... Rupees	
1-30 days		**19,113,464**	30,301,206
31-90 days		**4,873,545**	4,294,654
91-120 days		**1,752,370**	-
121 days and above		**2,736**	401,730
		25,742,115	34,997,590

9. LOANS AND ADVANCES

	Note	2014	2013
Considered good			
Due from employees	9.1	**4,395,356**	4,622,795
Advance to creditors		**256,719**	27,728,709
Advance for expenses		**124,903**	389,921
Advance income tax		**108,148,798**	69,793,234
Advance against letters of credit		**5,240,211**	2,603,795
		118,165,987	105,138,454

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

10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2014	2013
		.... Rupees	
Bank guarantee margin		**311,241**	811,241
Short-term prepayments		**1,355,489**	1,860,822
		1,666,730	2,672,063

11. OTHER FINANCIAL ASSETS3

	Note	2014	2013
Held-to-maturity investment	11.1	**-**	5,352,385

11.1 This represents investment made in term deposit receipts held for a period of six months with a markup rate of 7.3% (2013: 9 %) per annum. These were matured and encashed during the year ended June 30, 2014.

12. CASH AND BANK BALANCES

	Note	2014	2013
		.... Rupees	
Cash at bank			
In current accounts		**123,736,737**	109,663,556
In saving accounts	12.1	**3,813,805**	758,830
		127,550,542	110,422,386
Cash in hand		**1,617,312**	1,270,129
		129,167,854	111,692,515

12.1 These carry markup rates ranging from 5% to 7% (2013: 4% to 6%) per annum.

13. SHARE CAPITAL

2014	2013		2014	2013
Number of Shares			.... Rupees	
		Authorised		
20,000,000	20,000,000	Ordinary shares of Rs.10/- each	**200,000,000**	200,000,000
		Issued, subscribed and paid-up capital		
		Ordinary shares of Rs. 10 each fully paid:		
13,100,000	13,100,000	- issued for cash	**131,000,000**	131,000,000
4,224,750	4,224,750	- issued as bonus shares	**42,247,500**	42,247,500
17,324,750	17,324,750		**173,247,500**	173,247,500

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

13.2 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	
Name of associate		
Island Textile Mills Limited	**434,789**	434,789

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

14. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

This represents surplus over book value resulting from the revaluation of free hold land, building, plant and machinery and electric installations. (refer note 4.3).

	Note	2014	2013
		.... Rupees	
Balance at July 01,		**947,114,693**	995,706,262
Transferred to unappropriated profit on account of			
- incremental depreciation		**(44,978,202)**	(44,557,333)
- disposal of property, plant and equipment		**(19,593,078)**	(3,436,560)
Related deferred tax liability		**(1,089,978)**	(597,677)
		(65,661,258)	(48,591,569)
Balance at June 30,		**881,453,435**	947,114,693
Less:			
Related deferred tax liability			
Balance at July 01,		**10,517,662**	17,260,404
Adjustment due to change in rate on			
- normal tax		**342,038**	(451,843)
- income subject to final tax regime	14.1	**3,334,870**	(5,693,222)
Incremental depreciation charged during the year transferred to unappropriated profit		**(1,089,978)**	(597,677)
Balance at June 30,		**(13,104,592)**	(10,517,662)
		868,348,843	936,597,031

14.1 This represents the reversal of opening deferred tax liability balance due to revision of deferred tax rate from 1.27% to 1.66% in order to incorporate the affect of charge in proportion of export sales to local sales which falls under Final Tax Regime (FTR).

	Note	2014	2013
		.... Rupees	
15. LONG-TERM FINANCE			
From banking companies - secured			
Demand finances	15.1	**107,474,221**	147,474,218
Term finances	15.2	**44,955,000**	53,025,000
Car finance	15.3	**2,653,401**	4,569,687
Export oriented projects (EOP)	15.4	**112,324,640**	136,620,015
		267,407,262	341,688,920
Less: Current portion shown under current assets			
Demand finances		**(21,494,844)**	(39,999,997)
Term finance		**(8,070,000)**	(8,070,000)
Car finance		**(1,490,123)**	(1,924,645)
Export oriented projects (EOP)		**(21,005,660)**	(24,295,375)
		(52,060,627)	(74,290,017)
		215,346,635	267,398,903

15.1 These facilities are obtained from a banking company which are secured against first pari passu charge over land, building plant and machinery of the Company, specific charge over new machinery and personal guarantee of directors. These facilities are subject to mark-up rate of 3 months' KIBOR plus 1.5% per annum (2013: 3 months' KIBOR plus 1% to 1.5% per annum) in 20 quarterly payments upto June 2019.

15.2 These finances were obtained from banking companies which are secured against first pari passu charge on all present and future fixed assets including land, building, plant and machinery and charge on specific machinery. These facilities are subject to markup at the rate 3 and 6 months average KIBOR plus 1.25% (2013: 6 months' average KIBOR plus 1.25%). These are repayable in 10 and 16 equal half yearly installments upto September 2020.

15.3 These represent finance obtained from a banking company which are secured against vehicles acquired from such financing and guarantee of the Company. These are subject to mark-up at the rate of 3 months' KIBOR + 1% and 13% (2013: 13%) per annum and are repayable in 60 equal monthly installments. The unavailed facility at June 30, 2014 is Rs. 17.35 million (2013: 13.51 million).

15.4 These loans are obtained from banking companies which are secured against joint/first pari passu charge on all present and future fixed assets including land, building, plant and machinery and charge on specific machinery. These loans are subject to mark-up ranging from 7% to 12.7% (2013: 7% to 12.7%) per annum. These loans are repayable in 8 to 16 half yearly installments.

	Note	2014	2013
16. DEFERRED LIABILITIES		.... Rupees	
Staff gratuity	16.1	**59,250,558**	43,959,844
Compensated absences		**5,233,596**	3,077,494
Deferred taxation	16.2	**18,088,440**	12,105,172
		82,572,594	59,142,510

16.1 Staff gratuity

	Note	2014	2013
Workmen - Defined benefit scheme	16.1.1	**19,864,973**	13,258,855
Non-workmen - Other staff retirement benefits	16.1.13	**39,385,585**	30,700,989
		59,250,558	43,959,844

16.1.1Workmen - Defined benefit scheme

The details of the workmen - defined benefit scheme obligation based on actuarial valuations carried out by independ actuary as at June 30, 2014 under the Projected Unit Credit Method, are as follows:

	Note	2014	2013
		.... Rupees	
Net liability in the balance sheet			
Present value of defined benefit obligation		**19,864,973**	13,258,855
16.1.2Expense recognised in the profit and loss account			
Current service cost		**8,057,303**	5,582,221
Net interest cost		**1,097,653**	913,000
		9,154,956	6,495,221
16.1.3 Remeasurement losses / (gains) recognised in other comprehensive income			
Actuarial losses / (gains) on defined benefit obligation			
Changes in financial assumptions		**(4,949,527)**	-
Changes in demographic assumptions		**(40,737)**	-
Experience adjustments		**9,869,526**	1,872,475
		4,879,262	1,872,475
16.1.4 Movement in defined benefit obligation			
Opening defined benefit obligation		**13,258,855**	9,716,839
Current service cost		**8,057,303**	5,582,221
Interest cost		**1,097,653**	913,000
Actuarial loss		**4,879,262**	1,872,475
Benefits paid during the year		**(7,428,100)**	(4,825,680)
Closing defined benefit obligation		**19,864,973**	13,258,855
16.1.5Movement in net liability in the balance sheet			
Opening balance of net liability as at July 01,		**13,258,855**	9,716,839
Add: Charge for the year		**9,154,956**	6,495,221
Remeasurement loss recognised in other comprehensive income		**4,879,262**	1,872,475
Less: Payment made during the year		**(7,428,100)**	(4,825,680)
Closing balance of net liability as at June 30,		**19,864,973**	13,258,855

16.1.6 The principal assumptions used in the valuation of gratuity (Workmen - Defined benefit scheme)	Note	2014	2013
Discount rate (% per annum)		**13.25**	11.50
Expected rate of salary increase (% per annum)		**11.25**	11.50
Mortality rate		**SLIC 2001-05**	EFU 1961-66
Expected withdrawal rate for actuarial assumptions		**Moderate**	Low

16.1.7 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%	(1,873,163)	2,242,752
Expected rate of salary increase	+ / - 1%	2,264,659	(1,919,701)
Mortality rate	1 year age set back / set forward	(14,462)	14,374

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.

16.1.8 The scheme exposes the Company to the actuarial risks such as:

Salary risks
The risks that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

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.

16.1.9 Expected contribution to the scheme for the year ending June 30, 2015 is Rs. 12,665,270.

	2014	2013
16.1.10 The weighted average duration of the defined benefit obligation in year	**12**	18.5

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

	Undiscounted payments Rupees
Less than a year	**3,253,511**
Between 1-2 years	**3,591,701**
Between 2-3 years	**3,704,862**
Between 3-4 years	**3,799,213**
Between 4-5 years	**3,508,239**
Between 6-10 years	**15,269,215**
11 years and above	**83,654,721**

16.1.12 There is no plan assets against defined benefit obligation.

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

	2014	2013
	.... Rupees	....
Opening balance	**30,700,989**	25,675,651
Charge for the year	**10,950,496**	8,188,001
Payment during the year	**(2,265,900)**	(3,162,663)
Closing balance	**39,385,585**	30,700,989

16.2 Deferred taxation

	Opening At July 01, 2013	Deferred tax recognised in Profit and loss account	Deferred tax recognised in other comprehensive income	Surplus on revaluation of assets	Balance At June 30, 2014
	....	....	Rupees	....	....
Movement for the year ended June 30, 2014					
Deferred tax liabilities on taxable temporary differences arising in respect of :					
- Property, plant and equipment	10,395,691	2,405,251	-	-	12,800,942
- Surplus on revaluation of property, plant and equipment	10,517,662	(1,089,978)	-	3,676,908	13,104,592
	20,913,353	1,315,273	-	3,676,908	25,905,534
Deferred tax assets on deductible temporary differences arising in respect of :					
- Staff gratuity	(590,182)	(312,381)	(80,996)	-	(983,559)
- Unused tax losses	(4,227,611)	(2,605,924)	-	-	(6,833,535)
- Turnover tax	(3,990,388)	3,990,388	-	-	-
	12,105,172	**2,387,356**	**(80,996)**	**3,676,908**	**18,088,440**
Movement for the year ended June 30, 2013 (Restated)	28,811,902	(10,538,538)	(23,127)	(6,145,065)	12,105,172

17. TRADE AND OTHER PAYABLES

	Note	2014	2013
		.... Rupees	....
Creditors	17.1	**43,585,153**	52,305,927
Accrued liabilities	17.2	**182,818,083**	177,829,638
Retention money		**1,372,474**	4,512,814
Withholding income tax		**1,491,595**	2,745,144
Workers' Profit Participation Fund	17.3	**7,452,832**	18,289,354
Workers' Welfare Fund		**34,727,235**	30,756,583
Unclaimed dividend		**4,407,234**	3,734,542
Other liabilities		**34,341**	409,015
		275,888,947	290,583,017

17.1 Trade payables are non-interest bearing and are normally settled between 12 to 40 days terms.

17.2 This includes Rs. 49.30 million (2013: 48.33 million) provision for Sindh Development and Infrastructure Cess which was levied by the Excise and Tax Department of Government of Sindh 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 its 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. 49.30 million upto June 30, 2014 (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
17.3 Workers' Profits Participation Fund		.... Rupees	
Opening balance		**18,289,354**	4,301,270
Add: Allocation for the year		**7,452,832**	18,289,354
Interest on funds utilized in the Company's business (note 28)	17.3.1	**1,240,169**	243,228
		26,982,355	22,833,852
Less: Payments made to the fund during the year		**(19,529,523)**	(4,544,498)
Closing balance		**7,452,832**	18,289,354

17.3.1 Interest on funds utilized is charged @ 15% (2013: 13.20 %) per annum.

18. INTEREST / MARK-UP ACCRUED ON BORROWINGS

	Note	2014	2013
From banking companies			
Long-term finances		**4,508,597**	3,546,907
Short-term borrowings		**19,842,243**	28,357,432
		24,350,840	31,904,339

19. SHORT-TERM BORROWINGS

	Note	2014	2013
From banking companies - secured			
Running / cash finances	19.1	**91,676,902**	787,173,580
Finance against import / export	19.2	**921,822,784**	483,702,030
Advance against ijarah	19.3	**196,494,384**	-
	19.4	**1,209,994,070**	1,270,875,610

19.1 These are subject to mark-up at the rate of one to three months KIBOR plus 0.75% (2013: three months KIBOR plus 0.50% to 1.25%) per annum. These facilities are secured against pledge of stock and pari passu charge over stock and receivables.

19.2 These facilities are subject to mark-up at the rate ranging from three months average 1.75% to 3% inclusive of LIBOR (2013: 3 months average 1.25% to 1.75%, inclusive of LIBOR) per annum. These arrangements are secured against pledge of stock, receivables of the Company and personal guarantee of directors.

19.3 The facility is obtained to finance the import of machineries which is subject to profit chargeable at the rate of six months KIBOR + 0.75% (2013: Nil) per annum. The facility is secured against the payment of 10% advance rental paid by the Company for the clearance and installation of machineries and 25% margin in shape of third ranking charge on plant and machinery and exclusive ownership of machinery.

19.4 Total facilities available from various commercial banks is Rs. 5,005 million (2013: Rs. 3,220 million) from which the aggregate unavailed short-term borrowings facilities are of Rs. 3,795 million (2013: Rs. 1,949 million).

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

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

	Note	2014	2013
20.2 Commitments		.... Rupees	
(i) Letters of credit			
- plant and machinery		**32,262,189**	27,741,900
- stores and spares		**19,576,641**	10,691,274
- raw material		**30,144,560**	-
		81,983,391	38,433,174
(ii) Bank guarantees issued on behalf of the Company	20.2.1	**107,812,800**	94,266,800
(iii) Bills discounted			
- Export		**745,708,609**	979,183,497
- Local		**60,489,631**	-
		806,198,240	979,183,497
(iv) Rentals under ijarah finance agreements			
- Not later than one year		**10,258,912**	-
- Later than one year and not later than 5 years		**61,530,539**	-
	20.2.2	**71,789,451**	-

20.2.1 This includes bank guarantee related to infrastructure cess amounting to Rs. 48.40 million (2013: Rs. 48.33 million). Refer note 17.2.

20.2.2 Represents two ijarah agreements entered into with an Islamic Bank in respect of machineries. Total future ijarah payments under agreements are Rs. 71.79 million and are payable in quarterly installments latest by March 2019. These commitme are secured against the exclusive ownership and 25% margin in shape of third ranking charge against property, plant and equipment.

	Note	2014	2013
21. SALES - NET		.... Rupees	
Export			
-Yarn		**3,552,733,908**	3,146,410,701
-Yarn (indirect export)		**1,154,250,428**	985,650,217
-Waste		**276,221,048**	277,650,215
		4,983,205,384	4,409,711,133
Local			
-Yarn		**274,850,220**	127,845,926
-Raw material		**746,473**	14,077,168
-Waste		**65,074,580**	72,893,911
		340,671,273	214,817,005
Less: Sales tax		**(26,570,034)**	(8,815,024)
		5,297,306,623	4,615,713,114
22. COST OF GOODS SOLD			
Cost of goods manufactured	22.1	**4,692,115,834**	3,909,885,817
Finished goods			
Opening stock		**294,726,943**	135,407,791
Closing stock		**(345,632,820)**	(294,726,943)
		(50,905,877)	(159,319,152)
Cost of goods sold		**4,641,209,957**	3,750,566,665
Cost of raw material sold		**1,830,735**	13,736,668
		4,643,040,692	3,764,303,333

22.1 Cost of goods manufactured	Note	2014	2013 (Restated)
		.... Rupees	
Raw material	22.1.1	**3,601,497,662**	2,960,968,394
Stores and spares		**97,411,184**	122,357,822
Packing material		**84,205,531**	67,945,139
Power and fuel		**504,261,778**	377,937,293
Salaries, wages and benefits	22.2	**243,532,400**	221,294,257
Depreciation	4.2	**116,935,102**	120,111,225
Insurance		**19,178,329**	16,219,393
Repairs and maintenance		**19,008,051**	8,454,500
Ijarah rentals		**4,301,410**	-
Other overheads		**10,777,411**	13,895,101
		4,701,108,858	3,909,183,124
Work-in-process			
Opening stock		**38,751,599**	39,454,292
Closing stock	7	**(47,744,623)**	(38,751,599)
		(8,993,024)	702,693
		4,692,115,834	3,909,885,817

22.1.1 Raw material consumed

Opening stock		**1,153,464,064**	733,989,250
Purchases - net		**3,258,055,713**	3,380,443,208
		4,411,519,777	4,114,432,458
Closing stock	7	**(810,022,115)**	(1,153,464,064)
		3,601,497,662	2,960,968,394

22.2 Salaries, wages and benefits include Rs. 14.61 million (2013: Rs. 10.53 million) in respect of staff retirement benefits.

23. DISTRIBUTION COST

	Note	2014	2013
		.... Rupees	
Brokerage and commission		**96,542,756**	99,349,769
Staff salaries and benefits	23.1	**12,830,304**	5,545,540
Ocean freight		**29,251,183**	26,782,111
Inland freight on export		**21,209,370**	21,352,650
Inland freight on local sales		**3,287,500**	1,699,015
Bank charges and commission		**20,436,560**	20,189,919
Customers claims		**5,162,772**	11,982,152
Export development surcharge		**11,435,205**	7,604,750
Wharfage		**7,303,220**	5,463,350
Forwarding charges		**5,104,197**	2,526,747
Miscellaneous export expenses		**4,958,427**	2,403,398
Postage and telegram		**1,729,433**	700,000
Others		**1,502,127**	949,386
		220,753,054	206,548,787

23.1 Staff salaries and benefits include Rs. 0.61 million (2013: Rs. 0.48 million) in respect of staff retirement benefits.

24. ADMINISTRATIVE EXPENSES

	Note	2014	2013
		.... Rupees	
Staff salaries and benefits	24.1 & 31	**50,554,162**	47,807,989
Traveling and conveyance		**8,253,399**	5,794,759
Charity and donation	24.2	**14,685,800**	3,919,000
Vehicles running and maintenance		**3,384,296**	2,936,204
Legal and professional		**6,301,450**	2,884,841
Rent		**2,863,140**	2,863,140
Electricity		**2,719,970**	2,148,987
Fees and subscription		**2,807,554**	2,115,319
Printing and stationery		**1,569,951**	2,034,076
Postage and telephone		**2,442,995**	1,673,429
Depreciation	4.3	**9,780,784**	8,721,364
Amortization	5.1	**1,695,787**	1,638,786
Repairs and maintenance		**3,568,353**	1,332,929
Auditors' remuneration	24.4	**1,130,000**	1,130,000
Insurance		**1,182,512**	927,493
Advertisement		**178,890**	100,850
Others		**941,454**	690,277
		114,060,497	88,719,443

24.1 Staff salaries and benefits include Rs. 4.88 million (2013: Rs. 3.4 million) in respect of staff retirement benefit

24.2 None of the directors or their spouse had any interest in the donee's fund.

24.4 Auditors' remuneration

	Note	2014	2013
		.... Rupees	
Annual audit fee		**650,000**	650,000
Fee for review of :			
- Half yearly financial information		**75,000**	75,000
- Code of Corporate Governance		**25,000**	25,000
- Certifications and other services		**380,000**	380,000
		1,130,000	1,130,000

25. OTHER OPERATING EXPENSES

	2014	2013
Workers' Profit Participation Fund	**7,452,832**	18,289,354
Workers' Welfare Fund	**3,970,652**	7,315,742
Loss on disposal of property and equipment	**11,651,439**	-
Loss on sale and lease back	**219,870**	-
Realized loss on forward contracts	**-**	11,185,458
Exchange loss - net	**-**	1,319,999
	23,294,793	38,110,553

26. FINANCE COST

	Note	2014	2013
Interest / mark-up on:			
Long-term financing			
- from banking companies and other financial institutions		**31,893,064**	39,255,142
- from a related party		**-**	1,215,984
Short-term borrowings		**185,775,145**	123,534,592
Workers' Profit Participation Fund	17.3	**1,240,169**	243,228
Letters of credits discounting charges		**13,729,311**	17,587,196
Bank guarantee commission		**578,042**	1,416,964
Bank charges		**1,872,988**	1,317,429
		235,088,719	184,570,535

27. OTHER INCOME

	2014	2013
	.... Rupees	
Income from financial assets		
Profit on bank accounts and term deposit receipts	**828,387**	885,144
Exchange gain - net	**52,789,282**	-
Gain on forward contracts	**9,835,010**	-
Income from non-financial assets		
Gain on disposal of property and equipment	**-**	5,996,144
Gain on sale of stores and spares	**-**	71,643
	63,452,679	6,952,931

28. TAXATION

	2014	2013 (Restated)
	.... Rupees	
Current		
-for the year	**28,713,370**	26,810,613
-for prior year	**(7,600,256)**	(4,831,701)
Deferred	**2,387,356**	(10,538,538)
	23,500,470	11,440,374

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

29. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2014	2013 (Restated)
Profit for the year	**Rupee**	**101,021,077**	328,973,020
Weighted average number of ordinary shares outstanding during the year		**17,324,750**	17,324,750
Earnings per share	**Rupee**	**5.83**	18.99

30. CASH AND CASH EQUIVALENTS

	Note	2014	2013
		.... Rupees	
Cash and bank balances	12	**129,167,854**	111,692,515
Running / cash finances	19.1	**(91,676,902)**	(787,173,580)
		37,490,952	(675,481,065)

31. 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			
Managerial remuneration	**8,478,755**	**41,231,387**	7,372,862	33,456,452
Bonus / Ex-gratia	**764,751**	**3,892,664**	665,000	2,922,084
Retirement benefits	**764,751**	**3,892,664**	665,000	2,922,084
Leave encashment	**-**	**1,946,332**	-	1,461,042
Utilities	**857,586**	**-**	831,295	-
	10,865,843	**50,963,047**	9,534,157	40,761,662
No. of persons	**1**	**19**	1	19

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

31.2 An amount of Rs. 0.145 million (2013: Rs. 0.195 million) has been changed in these financial statements in respect of fee paid to Directors for attending Board meetings.

32. PLANT CAPACITY AND ACTUAL PRODUCTION

	2014	2013
Number of spindles installed	**44,400**	44,400
Number of spindles worked	**44,400**	44,400
Number of shifts per day	**3**	3
Installed capacity after conversion into 20/s count-kgs	**13,088,089**	13,088,089
Actual production of yarn after conversion into 20/s count-kgs	**14,350,019**	14,108,443

33. NUMBER OF EMPLOYEES

	2014	2013
Average number of employees during the year	**1,295**	1,251
Number of employees as at June 30	**1,358**	1,297

34. 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 31 and amount due in respect of staff retirement benefits is disclosed in note 16. Other significant transactions with related parties are as follows:

Relationship with the party	Nature of transactions	2014	2013
		.... Rupees	....
Associated undertakings	Sale of cotton	**-**	14,077,168
	Sale of stores and spares	**-**	916,400
	Share of expenses paid	**4,381,705**	2,047,207
	Share of expenses received	**2,139,548**	253,022
	Markup charges	**-**	1,215,984
	Repayment of loan	**-**	25,000,000
	Sale of property, plant and equipment	**5,250,000**	9,500,000
	Dividend paid	**869,596**	3,967,500
Directors	Rent expense		
	- godown	**240,000**	240,000
	- office premises	**2,863,140**	2,863,140

35. FINANCIAL INSTRUMENTS BY CATEGORY

	2014	2013
	.... Rupees	....
Financial assets as per balance sheet		
Loans and receivables at amortized cost		
- Long term deposits	**1,964,069**	1,964,069
- Trade debts	**257,669,756**	187,117,871
- Loans and advances	**4,395,356**	4,622,795
- Trade deposits	**311,241**	811,241
- Other receivables	**466,508**	1,304,382
- Cash and bank balances	**129,167,854**	111,692,515
	393,974,784	307,512,873
Held to maturity		
- Other financial assets	**-**	5,352,385
	393,974,784	312,865,258
Financial liabilities as per balance sheet		
Financial liabilities measured at amortized cost		
- Long term finance	**267,407,262**	341,688,920
- Trade and other payables	**232,217,285**	238,791,936
- Accrued interest / mark-up	**24,350,840**	31,904,339
- Short term borrowings	**1,209,994,070**	1,270,875,610
	1,733,969,457	1,883,260,805

35.1 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 does not hold any financial instruments which require classification in above levels.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

36.1 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.

36.2 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.

36.2.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interes 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 and maintain foreign currency accounts for the payment to foreign suppliers which exposes it to currency risk. As at June 30, 2014, financial assets include Rs. 196.74 million (2013: Rs. 172.6 million) equivalent to US$ 1.99 million (2013: US$ 1.75 million) and financial liabilities include foreign commission payable and finance obtained against import / export amounting to Rs. 942.12 million (2013: Rs. 526.48 million) equivalent to US$ 9.54 million (2013: US$ 5.32 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. 98.95 /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. 74.54 million (2013: Rs. 35.38 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

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. 1.36 billion (financial liabilities on a net basis) (2013: Rs. 1.47 billion). These are benchmarked to variable rates which exposes the Company to cash flow interest rate risk only.

	Carrying amount	
Variable rate instruments	**2014**	2013
	.... Rupees	
Financial assets		
- Saving accounts	**3,813,805**	758,830
Financial liabilities		
- Long term finance	**152,429,221**	200,499,218
- Short term borrowings	**1,209,994,070**	1,270,875,610
	(1,362,423,291)	(1,471,374,828)
Net financial liabilities at variable interest rates	**(1,358,609,486)**	(1,470,615,998)

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. 14.2 million (2013: Rs. 12.91 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.

36.2.2 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. 393.97 million (2013: Rs. 312.86 million), the financial assets which are subject to credit risk amounted to Rs. 392.36 million (2013: Rs. 311.60 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.

36.2.3 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. 85% of the Company's debt will mature in less than one year at June 30, 2014 (2013: 83%) 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 years	1 - 5 years	More than 5 years	Total
2014		....	....	Rupees	....	....	
Long term financing	**7% - 15.61%**	**2,961,143**	**10,396,997**	**38,702,487**	**191,181,475**	**24,165,250**	**267,407,352**
Trade and other payables		**-**	**232,217,285**	**-**	**-**	**-**	**232,217,285**
Interest / mark-up accrued on loans		**19,842,243**	**4,508,597**	**-**	**-**	**-**	**24,350,840**
Short-term borrowings							
Running finance / cash finance	**One to three months KIBOR plus 0.75 %**	**-**	**-**	**91,676,902**	**-**	**-**	**91,676,902**
Finance against import / export	**1.75% to 3.0% inclusive of LIBOR**	**-**	**-**	**921,822,784**	**-**	**-**	**921,822,784**
Advance against Ijarah finance	**Six month KIBOR + 0.75%**	**-**	**196,494,384**	**-**	**-**	**-**	**196,494,384**
		22,803,386	**443,617,263**	**1,052,202,173**	**191,181,475**	**24,165,250**	**1,733,969,547**
2013		....	....	Rupees	....	....	
Long term financing	**7% - 15.61%**	5,485,256	16,824,859	51,979,120	199,229,767	68,169,918	341,688,920
Trade and other payables		-	238,791,936	-	-	-	238,791,936
Interest / mark-up accrued on loans		20,824,787	11,079,552	-	-	-	31,904,339
Short-term borrowings							
Running finance / cash finance	**Three months KIBOR plus 0.50 % to 1.25 %**	-	-	787,173,580	-	-	787,173,580
Finance against import / export	**1.25% to 3.0% inclusive of LIBOR**	-	-	483,702,030	-	-	483,702,030
		26,310,043	**266,696,347**	**1,322,854,730**	**199,229,767**	**68,169,918**	**1,883,260,805**

36.2.4 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.

37. 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	**1,477,401,332**	1,612,564,530
Less: Cash and bank balances	**(129,167,854)**	(111,692,515)
Net debt	**1,348,233,478**	1,500,872,015
Total equity	**1,598,445,225**	1,472,300,634
Adjusted capital	**2,946,678,703**	2,973,172,649
Gearing ratio	**0.46**	0.50

38. 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) 72.3 percent (2013: 74.2 percent) sales of the Company relate to export customers.
(b) As at year end, all non-current assets of the Company are located within Pakistan.
(c) There are no customers whom sales made during the year exceeded 10 percent of total sales for the year.

39. SUBSEQUENT EVENTS

The Board of Directors at their meeting held on 20th September, 2014 have proposed a dividend of Re. 1 per share (2013: Rs. 2 per share) for the year ended June 30, 2014, amounting to Rs. 17.32 million (2013: Rs. 34.65 million), subject to the approval of members at the annual general meeting to be held on October 24, 2014.

40. 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.

41. GENERAL

Figures have been rounded off to the nearest Rupee.

SHAHID ANWAR TATA
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN /DIRECTOR

TATA PAKISTAN

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www.tatatex.com

Printed by: Hyder Printers Tel : 021-36618892