

## AUDITORS' REPORT TO THE MEMBERS

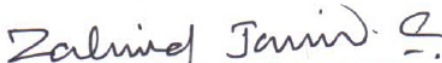
We have audited the annexed balance sheet of ANJUM TEXTILE MILLS (PVT) LTD. as at JUNE 30, 2014 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all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

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion-
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the period was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the period 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 no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980- (XVIII of 1980).

**FAISALABAD:**  
**Date: October 01, 2014**

  
**CHARTERED ACCOUNTANTS**  
**(Engagement Partner: Muhammad Amin)**

**ANJUM TEXTILE MILLS (PVT) LTD.**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2014**

	NOTE	2014 RUPEES	2013 RUPEES		NOTE	2014 RUPEES	2013 RUPEES
<b>EQUITY &amp; LIABILITIES</b>				<b>ASSETS</b>			
<b>SHARE CAPITAL AND RESERVES</b>				<b>NON CURRENT ASSETS</b>			
<b>SHARE CAPITAL</b>				<b>TANGIBLE</b>			
Authorised 2,000,000 (2013: 2,000,000) Ordinary shares of Rs. 100/- each		<u>200,000,000</u>	<u>200,000,000</u>	Property, plant and equipment	13	610,885,717	622,318,543
				Operating fixed assets			
				Capital work in progress	14	23,487,969	-
Issued, subscribed & paid up	3	200,000,000	180,000,000				
<b>RESERVES</b>							
Revenue							
General reserve		-	10,000,000				
Unappropriated profit		<u>230,261,602</u>	<u>186,508,269</u>				
		<u>430,261,602</u>	<u>376,508,269</u>				
<b>SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS</b>	4	199,238,757	211,797,952	<b>LONG TERM DEPOSITS</b>	15	7,926,110	7,696,210
<b>NON CURRENT LIABILITIES</b>							
<b>LONG TERM FINANCING</b>	5	478,636	7,478,636				
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>	6	8,547,085	3,388,943				
<b>DEFERRED LIABILITIES</b>	7	116,990,177	121,925,415				
<b>CURRENT LIABILITIES</b>				<b>CURRENT ASSETS</b>			
Trade and other payables	8	45,984,232	42,763,771	Store, spares and loose tools		25,435,357	21,363,951
Mark-up accrued on loans	9	4,604,087	107,592	Stock in trade	16	189,165,732	158,024,539
Short term borrowings	10	125,744,033	111,640,234	Trade debts	17	4,239,855	1,444,625
Current portion of non current liabilities	11	4,894,419	13,970,247	Advances	18	13,637,757	4,261,400
				Trade deposits & short term prepayments	19	3,027,586	2,187,050
				Tax refunds due from the Government	20	6,649,030	10,657,704
				Cash and bank balances	21	52,287,915	61,627,037
		<u>181,226,771</u>	<u>168,481,844</u>			<u>294,443,232</u>	<u>259,566,306</u>
<b>CONTINGENCIES &amp; COMMITMENTS</b>	12	-	-				
		<u>936,743,028</u>	<u>889,581,059</u>			<u>936,743,028</u>	<u>889,581,059</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**ANJUM TEXTILE MILLS (PVT.) LTD.  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2014**

	NOTE	2014 RUPEES	2013 RUPEES
Sales	22	1,153,519,940	1,145,198,096
Cost of sales	23	<u>1,046,712,041</u>	<u>1,045,460,169</u>
Gross profit		106,807,899	99,737,927
Operating expenses			
Distribution cost	24	<u>3,314,488</u>	<u>2,638,048</u>
Administrative	25	<u>34,074,716</u>	<u>62,361,802</u>
		<u>37,389,204</u>	<u>64,999,850</u>
Operating profit		69,418,695	34,738,077
Other (loss)/income	26	(180,294)	51,361,216
Other charges			
Finance cost	27	<u>18,672,851</u>	<u>26,653,548</u>
Workers' profit participation fund		2,528,278	2,972,287
Workers' welfare fund		<u>1,562,118</u>	<u>1,036,055</u>
		<u>22,763,247</u>	<u>30,661,890</u>
Profit before taxation		46,475,154	55,437,403
Taxation			
Current		<u>14,182,441</u>	<u>7,030,410</u>
Deferred	7.1	<u>(8,457,214)</u>	<u>(10,465,726)</u>
Prior year		<u>(444,211)</u>	<u>-</u>
		<u>5,281,016</u>	<u>(3,435,316)</u>
Net profit for the year		<u><u>41,194,138</u></u>	<u><u>58,872,719</u></u>

**The annexed notes 1 to 29 form an integral part of these financial statements.**

**CHIEF EXECUTIVE**

**DIRECTOR**

**ANJUM TEXTILE MILLS (PVT.) LTD.**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>2014</b>	<b>2013</b>
	<b>RUPEES</b>	<b>RUPEES</b>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	46,475,154	55,437,403
Adjustments of non cash / non operating items		
Depreciation	49,722,693	48,339,048
Workers' profit participation fund	2,528,278	2,972,287
Workers' welfare fund	1,562,118	1,036,055
Finance cost	18,672,851	26,653,548
Staff retirement benefits - Gratuity	8,228,690	4,704,834
Balances written off	-	68,115,303
Loss/(profit) on sale of operating fixed assets	627,114	(51,218,216)
	<u>81,341,744</u>	<u>100,602,859</u>
Operating profit before working capital changes	127,816,898	156,040,262
Changes in working capital		
(Increase) / decrease in current assets		
Store, spares and loose tools	(4,071,406)	(21,732,276)
Stock in trade	(31,141,193)	(52,805,988)
Trade debts	(2,795,230)	15,650,890
Advances	(9,376,357)	(331,130)
Trade deposits & short term prepayments	(840,536)	603,792
Other receivables	-	544,720
Tax refunds due from the Government	2,931,799	(8,900,905)
(Decrease) / increase in current liabilities		
Trade and other payables	4,280,839	(46,123,352)
	<u>(41,012,084)</u>	<u>(113,094,249)</u>
Cash generated from operations	86,804,814	42,946,013
Taxes paid	(13,105,565)	(8,254,129)
Workers' profit participation fund paid	(2,972,287)	(675,882)
Workers' welfare fund paid	(1,926,676)	-
Gratuity paid	(4,706,714)	(2,384,340)
Finance cost paid	(14,176,356)	(30,992,951)
	<u>(36,887,598)</u>	<u>(42,307,302)</u>
Net cash generated from operating activities	49,917,216	638,711
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of operating fixed assets	(29,217,581)	(26,838,192)
Proceeds from sale of operating fixed assets	1,555,000	60,498,544
Capital work in progress	(23,487,969)	-
Long term deposits	(229,900)	(1,121,700)
Net cash (used in)/ generated from investing activities	(51,380,450)	32,538,652

	<b>2014</b>	<b>2013</b>
	<b>RUPEES</b>	<b>RUPEES</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term borrowings	14,103,799	35,120,125
Liabilities against assets subject to finance lease	(2,979,686)	(1,437,308)
Long term financing	(19,000,000)	(53,534,712)
Net cash used in financing activities	(7,875,887)	(19,851,895)
<b>Net (decrease)/increase in cash and cash equivalents (A+B+C)</b>	<b>(9,339,122)</b>	<b>13,325,468</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>61,627,037</b>	<b>48,301,569</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>52,287,915</b>	<b>61,627,037</b>

The annexed notes 1 to 29 form an integral part of these financial statements.

**CHIEF EXECUTIVE**

**DIRECTOR**

**ANJUM TEXTILE MILLS (PVT.) LTD.  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2014**

PARTICULARS	SHARE CAPITAL	REVENUE RESERVES		TOTAL
		GENERAL RESERVE	UNAPPROPRIATED PROFIT	
	Rupees	Rupees	Rupees	Rupees
<b>Balances as on July 01, 2012</b>	180,000,000	10,000,000	105,977,476	<b>295,977,476</b>
Net profit for the year	-	-	58,872,719	<b>58,872,719</b>
Revaluation surplus realized during the year				
Incremental depreciation			13,400,407	<b>13,400,407</b>
On disposal of assets	-	-	8,257,667	<b>8,257,667</b>
<b>Balances as on June 30, 2013</b>	180,000,000	10,000,000	186,508,269	<b>376,508,269</b>
Net profit for the year	-	-	41,194,138	<b>41,194,138</b>
Bonus shares issued	20,000,000	(10,000,000)	(10,000,000)	-
Revaluation surplus realized during the year				
Incremental depreciation	-	-	12,559,195	<b>12,559,195</b>
<b>Balances as on June 30, 2014</b>	200,000,000	-	230,261,602	<b>430,261,602</b>

The annexed notes 1 to 29 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**ANJUM TEXTILE MILLS (PVT.) LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**1. Status and activities**

Anjum Textile Mills (Private) Limited was incorporated in Pakistan as on April, 1984 as a private limited company under the Companies Ordinance, 1984. The registered office of the company is situated at west canal road, adjacent Faisal Garden, Faisalabad. The principal business of the company is manufacture and sale of yarn.

**2. Significant accounting policies**

**2.1. Accounting convention and basis of preparation**

These financial statements have been prepared on the basis of "historical cost" convention except that certain operating fixed assets have been stated at revalued amounts. Moreover, these financial statements have been prepared on accrual basis except for cash flow information.

**2.2. Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standard for Medium Sized Entities (MSEs) issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

**2.3. Taxation**

**2.3.1. Current**

Provision for current taxation is based on taxable income at the current tax rates after taking into account applicable tax credits, rebates and exemptions available under the law. Current year's taxation is charged under section 113 and section 169 read with section 153(1A) & 154 of The Income Tax Ordinance 2001.

**2.3.2. Deferred**

Deferred tax is accounted for using the liability method for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for the financial reporting purpose. 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 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.

The company also recognizes deferred tax liability on surplus on revaluation of assets which is adjusted against the related surplus as per the requirements of revised IAS 12 " Income Taxes".

**2.4. Staff retirement benefits**

The company operates an unfunded gratuity scheme covering all its employees. Provision is made annually to cover the obligation under this scheme, based on gross salary & length of service of employees.

**2.5. Property, plant and equipment**

**2.5.1. Owned**

Property, plant and equipment including all additions except land are stated at cost/revaluation less accumulated depreciation and any identified impairment losses.

Depreciation on additions is charged from the month in which assets are put to use and no depreciation is charged for the month in which asset is disposed off. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Impairment loss or its reversal, if any is also charged to profit. Where an impairment loss is recognized, depreciation charge is adjusted to allocate the asset's revised carrying amount over its estimated useful life. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gain or loss on disposal of property, plant and equipment, if any, are taken to profit and loss account currently.

### **2.5.2. Leased**

Leased assets in terms of which the company assumes substantially all risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are recognized at lower of present value of minimum lease payments under the lease arrangement and fair value of assets acquired, each determined at the inception of lease. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. Lease payment are apportioned between finance charges and reduction of the liability against assets subject to finance leases so as to achieve a constant rate of interest on the remaining balance of liability. Financial charges are charged directly against income. Depreciation is charged at the rates specified in fixed assets schedule.

### **2.5.3. Capital work in progress**

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

### **2.6. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. All other borrowing costs are charged to profit and loss account during the year.

### **2.7. Store, spares and loose tools**

These are valued at cost, determined on moving average method less allowance for obsolete and slow moving items. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

### **2.8. Stock in trade**

These are valued at lower of cost and net realizable value. Cost is determined as follows:

#### Raw materials

In hand

Weighted average cost

In transit

Invoice value and related expenses incurred up to balance sheet date.

Work in process

Cost of direct material, labor and appropriate manufacturing overheads based on normal capacity.

Finished goods /

Waste

Cost or net realizable value, whichever is lower. Net realizable value represents the estimated selling price less estimated cost necessary to make the sale.

### **2.9. Trade debts and other receivables**

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad are written off when identified. Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future.

### **2.10. Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks and highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

### **2.11. Non-current assets held for sale**

Non-current assets (or disposal group) are classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (or disposal group) classified as held for sale are measured at the lower of its previous carrying amount and fair value less costs to sell.



Non-current assets (or disposal group) classified as held for sale that no longer meet the criteria of classification as held for sale are transferred to non-current assets at the lower of:

- Its carrying amount before the assets were classified as held for sale, adjusted for any depreciation, amortization or revaluation that would have been recognised had the assets not been classified as held for sale, and
- Its recoverable amount at the date of the subsequent decision not to sell.

Gains and losses on disposal of non-current assets (or disposal group) held for sale are included in current income.

#### **2.12. Trade and other payables**

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

#### **2.13. Provisions**

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

#### **2.14. Revenue recognition**

Revenue from sales is recognized on dispatch/provision of goods/services to the customers. Export goods are considered dispatched when shipped on board.

#### **2.15. Foreign currency transactions**

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the date of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Exchange differences are included in current income. All non-monetary items are translated into Pak Rupee at exchange rates prevailing on the date of transaction.

#### **2.16. 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 offset the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### **2.17. Impairment**

An assessment is made at each balance sheet date to determine whether there is an indication for impairment of any asset or group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognized in the profit and loss account.

#### **2.18. Critical accounting estimates and judgments**

The preparation of financial statements in conformity with Accounting and Financial Reporting Standards for MSEs require management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for slow moving inventories, deferred taxation and staff retirement benefits-gratuity. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

	NOTE	2014 RUPEES	2013 RUPEES
<b>3. Issued, subscribed and paid up capital</b>			
1,800,000 (2013: 1,800,000) Ordinary shares of Rs. 100/- each fully paid in cash		180,000,000	180,000,000
200,000 (2013:Nil) Ordinary shares of Rs. 100/- each issued as fully paid up bonus shares		20,000,000	-
		<u>200,000,000</u>	<u>180,000,000</u>
<b>4. Surplus on revaluation of operating fixed assets</b>			
Balance as on July 01,	4.1	281,526,600	310,548,227
Incremental depreciation for the year		(18,855,215)	(20,763,960)
Surplus realized on disposal of assets during the year		-	(8,257,667)
		(18,855,215)	(29,021,627)
		<u>262,671,385</u>	<u>281,526,600</u>
Related deferred tax liability			
Opening balance		69,728,648	77,092,201
Transferred to unappropriated profit on account of incremental depreciation		(6,296,020)	(7,363,553)
		<u>63,432,628</u>	<u>69,728,648</u>
Balance as on June 30,		<u>199,238,757</u>	<u>211,797,952</u>
<b>4.1.</b> It represents surplus on revaluation of free hold land, building thereon, plant & machinery and electric installation & appliances on present market values that was carried out by independent valuer on March 14, 2012.			
<b>5. Long term financing</b>			
Secured - Under mark-up arrangements			
From banking companies			
Bank Alfalah Limited - Term finance I		-	12,000,000
Unsecured - Interest free			
From directors		478,636	7,478,636
		<u>478,636</u>	<u>19,478,636</u>
Current portion transferred to current liabilities			
Bank Alfalah Limited - Term finance I		-	(12,000,000)
		<u>478,636</u>	<u>7,478,636</u>
<b>6. Liabilities against assets subject to finance lease</b>			
Opening balance		5,359,190	3,057,498
Obtained during the year	6.1	11,062,000	3,739,000
		<u>16,421,190</u>	<u>6,796,498</u>
Paid during the year		(2,979,686)	(1,437,308)
		<u>13,441,504</u>	<u>5,359,190</u>
Current portion shown under current liabilities		(4,894,419)	(1,970,247)
		<u>8,547,085</u>	<u>3,388,943</u>

Reconciliation of minimum lease payments and their present value is given below:

Particulars	2014 (RUPEES)			2013 (RUPEES)		
	Minimum lease payments	Finance cost for future periods	Present value of minimum lease payments	Minimum lease payments	Finance cost for future periods	Present value of minimum lease payments
Payable within one year	6,371,245	1,476,826	4,894,419	2,428,980	458,733	1,970,247
Payable after one year but not more than five years	9,552,790	1,005,705	8,547,085	3,570,055	181,112	3,388,943
<b>Total</b>	<b>15,924,035</b>	<b>2,482,531</b>	<b>13,441,504</b>	<b>5,999,035</b>	<b>639,845</b>	<b>5,359,190</b>

6.1. It represents finance obtained against vehicle under finance lease liability. The purchase option is available to the company on payment of last installment and surrender of deposit paid under the agreement. The liability represents total minimum lease payments discounted at the rate ranging from 6 months KIBOR + 5.5% to 6% p.a (2013: 6 month KIBOR + 5.5% p.a to 6% p.a). There is no major restriction imposed by leasing company.

	NOTE	2014 RUPEES	2013 RUPEES
<b>7. Deferred liabilities</b>			
Deferred taxation	7.1	101,953,391	110,410,605
Staff retirement benefits - Gratuity	7.2	15,036,786	11,514,810
		<u>116,990,177</u>	<u>121,925,415</u>
<b>7.1. Deferred taxation</b>			
Deferred tax			
Opening balance		110,410,605	120,876,331
Deferred tax liability reversed during the year to			
Profit and loss account		(8,457,214)	(10,465,726)
Closing balance	7.1.1	<u>101,953,391</u>	<u>110,410,605</u>
<b>7.1.1. Deferred tax liability</b>			
Accelerated tax depreciation		130,954,130	141,390,205
Deferred tax assets			
Provision for gratuity		(5,020,993)	(3,889,933)
Minimum tax paid		(23,979,746)	(27,089,667)
		<u>(29,000,739)</u>	<u>(30,979,600)</u>
Net deferred tax liability		<u>101,953,391</u>	<u>110,410,605</u>
Deferred tax liability recognized		<u>101,953,391</u>	<u>110,410,605</u>
<b>7.2. Staff retirement benefits - Gratuity</b>			
Opening balance		11,514,810	9,194,316
Provided during the year		8,228,690	4,704,834
		<u>19,743,500</u>	<u>13,899,150</u>
Paid / adjusted during the year		(4,706,714)	(2,384,340)
		<u>15,036,786</u>	<u>11,514,810</u>

7.2.1. The management is of the opinion that the carrying amount recognized as on the balance sheet date approximates the amount required to settle the liability.

	NOTE	2014 RUPEES	2013 RUPEES
<b>8. Trade and other payables</b>			
Creditors			
Trade & services		25,059,335	21,274,325
Advances from customers		3,610,644	118,252
Accrued charges		11,065,975	16,248,429
Commission		2,968,795	795,994
Workers' profit participation fund	8.1	2,528,278	2,972,287
Workers' welfare fund		-	808,769
Audit fee		400,000	400,000
Income tax withheld		174,872	10,862
Sales tax payable		176,333	134,853
		<u>45,984,232</u>	<u>42,763,771</u>
<b>8.1. Workers' profit participation fund</b>			
Opening balance		2,972,287	675,882
Created during the year		2,528,278	2,972,287
		<u>5,500,565</u>	<u>3,648,169</u>
Paid during the year		(2,972,287)	(675,882)
		<u>2,528,278</u>	<u>2,972,287</u>
<b>9. Mark-up accrued on loans</b>			
Short term borrowings		<u>4,604,087</u>	<u>107,592</u>
<b>10. Short term borrowings</b>			
Secured			
From banking companies			
Under mark-up arrangements			
Cash finances		<u>125,744,033</u>	<u>111,640,234</u>
<b>10.1.</b> These are secured against pledge of raw material. These are further secured by personal guarantees of all directors of the company. These carry average mark-up @ 3 months KIBOR + 2% (2013: 3 months KIBOR +2% p.a to 2.5% p.a ). The total aggregate of cash finance limits from all banks is up to Rs. 450 M (2013: Rs. 400 M). Unavailed limit of cash finance as at June 30,2014 is Rs. 324.256 million.			
<b>11. Current portion of non current liabilities</b>			
Long term financing		-	12,000,000
Liabilities against assets subject to finance lease		4,894,419	1,970,247
		<u>4,894,419</u>	<u>13,970,247</u>
<b>12. Contingencies &amp; commitments</b>			
<b>12.1. Contingencies</b>			
There exists no known contingency as at balance sheet date.			
<b>12.2. Commitments</b>			
Letter of credit- (Rs. In Millions)	12.2.1	212.355	9.074
Bank guarantee - SNGPL (Rs. In Millions)		16.622	16.622
Bank guarantee - FESCO (Rs. In Millions)		7.93	5.55
		<u>236.907</u>	<u>31.242</u>

**12.2.1.**The L/Cs have been established against import of plant & machinery for BMR & Expansion project of spinning unit.

### 13. Operating fixed assets

-----2014-----									
PARTICULARS	GROSS CARRYING AMOUNT			DEPRECIATION				W.D.V AS AT 30-06-2014	RATE %
	TOTAL AS AT 01-07-2013	ADDITIONS/ (DELETIONS)/ADJUSTMENT	TOTAL AS AT 30-06-2014	ACCUMULATED AS AT 01-07-2013	ADJUSTMENT	FOR THE YEAR	ACCUMULATED AS AT 30-06-2014		
<b>Owned</b>									
Land - freehold	72,927,000	-	72,927,000	-	-	-	-	72,927,000	-
Building on freehold land	193,978,200	2,972,667	196,950,867	11,542,744	-	9,151,707	20,694,451	176,256,416	5
Plant and machinery	307,863,185	18,277,486	326,140,671	37,667,630	-	28,019,974	65,687,604	260,453,067	10
Electric installation and appliances	95,341,830	1,436,100	96,777,930	12,094,636	-	8,352,661	20,447,297	76,330,633	10
Factory equipments	423,000	-	423,000	235,920	-	18,708	254,628	168,372	10
Office equipments	495,160	83,000	578,160	190,669	-	32,541	223,210	354,950	10
Computers	671,210	22,200	693,410	406,346	-	80,014	486,360	207,050	30
Furniture & fixture	278,098	1,309,875	1,587,973	156,999	-	57,429	214,428	1,373,545	10
Vehicles	12,960,671	5,116,253 (3,742,000)	14,334,924	6,315,507	- (1,559,886)	2,013,651	6,769,272	7,565,652	20
	684,938,354	29,217,581 (3,742,000)	710,413,935	68,610,451	- (1,559,886)	47,726,685	114,777,250	595,636,685	
<b>LEASED</b>									
Vehicles	7,429,600	11,254,400	18,684,000	1,438,960	-	1,996,008	3,434,968	15,249,032	20
<b>RUPEES</b>	692,367,954	40,471,981 (3,742,000)	729,097,935	70,049,411	- (1,559,886)	49,722,693	118,212,218	610,885,717	

-----2013-----									
PARTICULARS	GROSS CARRYING AMOUNT			DEPRECIATION				W.D.V AS AT 30-06-2013	RATE %
	TOTAL AS AT 01-07-2012	ADDITIONS/ (DELETIONS)/ADJUSTMENT	TOTAL AS AT 30-06-2013	ACCUMULATED AS AT 01-07-2012	ADJUSTMENT	FOR THE YEAR	ACCUMULATED AS AT 30-06-2013		
<b>Export division</b>									
<b>Owned</b>									
Office equipments	371,150	(371,150)	-	89,198	(117,393)	28,195	-	-	10
Vehicles	4,356,296	(4,356,296)	-	3,779,263	(3,891,206)	111,943	-	-	20
	4,727,446	(4,727,446)	-	3,868,461	(4,008,599)	140,138	-	-	
<b>Spinning division</b>									
<b>Owned</b>									
Land - freehold	72,927,000		72,927,000	-	-	-	-	72,927,000	-
Building on freehold land	174,073,000	19,905,200	193,978,200	2,901,217	-	8,641,527	11,542,744	182,435,456	5
Plant and machinery	287,400,000	20,463,185	307,863,185	9,580,000	-	28,087,630	37,667,630	270,195,555	10
Electric installation and appliances	92,600,000	2,741,830	95,341,830	3,086,667	-	9,007,969	12,094,636	83,247,194	10
Factory equipments	423,000	-	423,000	215,133	-	20,787	235,920	187,080	10
Office equipments	124,010	371,150	495,160	67,639	117,393	5,637	190,669	304,491	10
Computers	417,549	253,661	671,210	365,308	-	41,038	406,346	264,864	30
Furniture & fixture	278,098	-	278,098	143,544	-	13,455	156,999	121,099	10
Vehicles	8,790,065	6,769,396 (2,598,790)	12,960,671	2,353,268	3,821,343 (1,221,011)	1,361,907	6,315,507	6,645,164	20
	637,032,722	50,504,422 (2,598,790)	684,938,354	18,712,776	3,938,736 (1,221,011)	47,179,950	68,610,451	616,327,903	
<b>LEASED</b>									
Vehicles	3,600,000	3,829,600	7,429,600	420,000	-	1,018,960	1,438,960	5,990,640	20
	640,632,722	54,334,022 (2,598,790)	692,367,954	19,132,776	3,938,736 (1,221,011)	48,198,910	70,049,411	622,318,543	
<b>RUPEES</b>	645,360,168	54,334,022 (7,326,236)	692,367,954	23,001,237	3,938,736 (5,229,610)	48,339,048	70,049,411	622,318,543	

**2014**                      **2013**  
**RUPEES**                      **RUPEES**

13.1. Depreciation for the year has been allocated as follows;

Cost of goods manufactured	45,543,050	45,757,913
Administrative	4,179,643	2,581,135
	49,722,693	48,339,048

	NOTE	2014 RUPEES	2013 RUPEES
<b>14. Capital work in progress</b>			
Building		20,087,969	-
Electric installation		3,400,000	-
		<u>23,487,969</u>	<u>-</u>
<b>15. Long term deposits</b>			
Considered good			
Securities			
Electricity		6,192,510	6,192,510
Telephone and mobiles		21,400	22,000
Lease key money		1,712,200	1,481,700
		<u>7,926,110</u>	<u>7,696,210</u>
<b>16. Stock in trade</b>			
Raw material		148,765,267	120,074,961
Work in process		7,862,448	7,746,973
Finished goods	16.1	32,538,017	30,202,605
		<u>189,165,732</u>	<u>158,024,539</u>
<b>16.1</b> Finished goods comprising of fabric amounting to Rs.11,766,939/- (2013:Rs.13,717,143) are at net realizable value.			
<b>17. Trade debts</b>			
Considered good			
Local - unsecured		4,239,855	1,444,625
		<u>4,239,855</u>	<u>1,444,625</u>
<b>18. Advances</b>			
Considered good			
Advances			
Staff		2,843,594	1,408,482
Supplies & services		8,014,257	2,071,096
Letter of credit		2,779,906	781,822
		<u>13,637,757</u>	<u>4,261,400</u>
<b>19. Trade deposits &amp; short term prepayments</b>			
Deposits			
Lease key money		360,000	-
Prepayments			
Bank guarantee commission		333,806	345,575
Insurance		2,333,780	1,841,475
		<u>3,027,586</u>	<u>2,187,050</u>
<b>20. Tax refunds due from the Government</b>			
Income tax		2,159,068	3,235,943
Sales tax		4,489,962	7,421,761
		<u>6,649,030</u>	<u>10,657,704</u>
<b>21. Cash and bank balances</b>			
Cash in hand		44,909,646	27,409,504
Cash with banks			
- in current accounts		7,378,269	34,217,533
		<u>52,287,915</u>	<u>61,627,037</u>
<b>22. Sales</b>			
Export services		-	16,862,427
Local		1,176,666,302	1,135,568,219
		<u>1,176,666,302</u>	<u>1,152,430,646</u>
Less: sales tax		(23,146,362)	(7,232,550)
		<u>1,153,519,940</u>	<u>1,145,198,096</u>

	NOTE	2014 RUPEES	2013 RUPEES
<b>23. Cost of sales</b>			
Cost of goods manufactured	23.1	1,049,047,453	1,019,671,283
Finished goods			
Opening stock		30,202,605	55,991,491
Closing stock		(32,538,017)	(30,202,605)
		(2,335,412)	25,788,886
Cost of sales		<u>1,046,712,041</u>	<u>1,045,460,169</u>
<b>23.1. Cost of goods manufactured</b>			
Raw material consumed	23.1.1	712,922,604	684,691,413
Fuel and power		151,139,794	122,602,369
Salaries, wages & benefits		88,513,631	98,872,563
Weaving & sizing charges		-	1,000,095
Packing & other material		12,554,607	13,963,993
Store & spares		30,367,842	41,977,569
Repair & maintenance		4,388,905	6,741,349
Insurance		3,108,086	3,151,834
Depreciation ( refer note 13.1)		45,543,050	45,757,913
Other materials, services & overheads		624,409	939,585
		<u>1,049,162,928</u>	<u>1,019,698,683</u>
Work in process			
Opening stock		7,746,973	7,719,573
Closing stock		(7,862,448)	(7,746,973)
		(115,475)	(27,400)
Cost of goods manufactured		<u>1,049,047,453</u>	<u>1,019,671,283</u>
<b>23.1.1. Raw material consumed</b>			
Purchases			
Cotton		408,758,423	382,612,067
Polyester		332,854,487	342,334,728
		<u>741,612,910</u>	<u>724,946,795</u>
Stock			
Opening		120,074,961	79,819,579
Closing		(148,765,267)	(120,074,961)
		(28,690,306)	(40,255,382)
		<u>712,922,604</u>	<u>684,691,413</u>
<b>24. Distribution cost</b>			
Freight & octroi		-	21,800
Commission		3,314,488	2,616,248
		<u>3,314,488</u>	<u>2,638,048</u>

	NOTE	2014 RUPEES	2013 RUPEES
<b>25. Administrative</b>			
Directors' remuneration	25.1	6,825,000	4,600,000
Salaries & benefits		12,367,974	13,624,842
Telephone, mobile and communications		545,953	521,679
Electricity		166,783	417,808
Insurance		861,848	493,556
Printing and stationery		105,362	356,387
Vehicle running and maintenance		3,466,731	3,479,362
Repair & maintenance		449,059	518,819
Traveling		808,936	405,763
Entertainment		744,972	833,126
Rent, rates & taxes		546,846	1,403,846
News paper & periodicals		13,265	13,081
Audit fee		400,000	400,000
Legal & professional		578,362	883,900
Charity & donation		639,970	347,840
Balances written off	25.2	-	29,803,211
Depreciation ( refer note 13.1)		4,179,643	2,581,135
Others		1,374,012	1,677,447
		<u>34,074,716</u>	<u>62,361,802</u>
<b>25.1. Directors' remuneration</b>			
		<b>DIRECTORS</b>	
No. of persons		2	2
Remuneration for services		6,204,545	4,181,818
Medical allowance		620,455	418,182
		<u>6,825,000</u>	<u>4,600,000</u>
<b>25.2. Balances written off</b>			
Long term deposits		-	28,526
Trade debts		-	7,045,478
Advances		-	3,110,050
Other receivables		-	25,200
Sales tax and duty drawback		-	19,593,957
		<u>-</u>	<u>29,803,211</u>
<b>26. Other (loss)/ income</b>			
From financial assets			
Scrap sale		446,820	143,000
From assets other than financial assets			
(Loss) / profit on sale of operating fixed assets		(627,114)	51,218,216
		<u>(180,294)</u>	<u>51,361,216</u>
<b>27. Finance cost</b>			
Bank charges & commission		831,066	992,993
Lease finance charges		788,478	555,452
Mark-up on secured loans			
- on long term financing		524,101	3,545,214
- on short term borrowings		16,529,206	21,559,889
		<u>18,672,851</u>	<u>26,653,548</u>



## **28. Related parties transaction**

The company has carried out no transaction its with related parties other than those disclosed in the relevant notes.

## **29. General**

**29.1.** Following major reclassifications have been made in these financial statements;

<b>Account head</b>	<b>Previous classification</b>	<b>Current classification</b>
Gratuity expense (Rs. 9,675,145/-)	Administrative- Salaries & benefits	Cost of goods manufactured- Salaries,wages & benefits

## **29.2 Date of authorization for issue**

These financial statements have been authorized for issue by the Board of Directors on October 01, 2014.

**29.3.** Total no of employees at the year end are 430 (2013:410)

**29.4.** Figures have been rounded off to the nearest rupee.

**29.5.** The company has disposed off Export Division in last year, therefore, operations disclosed during the current year solely rela spinning division.

**CHIEF EXECUTIVE**

**DIRECTOR**