



COLONY TEXTILE
MILLS LIMITED

2015 ANNUAL REPORT



In the Name of Almighty Allah The Most Beneficent
The Most Merciful

COLONY TEXTILE MILLS LIMITED
Accounts For the Year
Ended
June 30, 2015

Vision

To be one of the largest Pakistani textiles supplier, fully equipped to cater to all needs of ever evolving global markets.

To explore and create growth opportunities to maximize return to all stakeholders.

Mission

To take the company to a new height where it is rated as the best in all spheres of business and everyone concerned feels proud of being its integral part.

Business Ethics and Practices

Our Core business is to produce and supply of Textile Products to local and international customers with best quality standards and efficient services. Customer satisfaction being our top priority, we follow the under mentioned business practices for the achievement of the desired results of customer satisfaction.

HUMAN RESOURCE DEVELOPMENT

We believe in individual respect and growth. Our employment and HR policies develop individuals without race, religion, gender or any discrimination factor. We provide equal opportunities to all the employees under a team based working environment. We provide all the possible support to all our employees to enhance their knowledge and vision keeping in view of their own limitations.

SOCIAL AND COMMUNITY COMMITMENTS

We believe in community development. We contribute our resources, both financial and ethical, in supporting all the deserving individuals of the society. We feel it is our responsibility to play our role in the development of the society and do maximum within our own limitations for the community at large.

RISK MANAGEMENT

Our risk management policies are geared to enhance share holders worth, improve credit worthiness and minimize credit risk while diversifying income, along with suppliers and customers base. We strongly believe in having an excellent relationship with our financial institutions as we take them as our business partners.

TRANSPARENT FINANCIAL POLICIES

Our financial policies are based on the principal of fairness and transparency. We are following all the applicable laws and best accounting practices while preparing the financial statements for the stakeholders.

CORPORATE GOVERNANCE

We as a responsible corporate citizen strongly adhere to the Corporate Governance principles and comply with the regulatory obligations enforced by regulatory agencies for improving corporate performance. We believe in up rightness of performance and expect it to be a fundamental responsibility of our employees to act in the best interest of the company without compromising on the rules and regulations enforced by the regulators.

MARKETING AND INDUSTRY PRACTICES

All our marketing policies are customer focused. We believe in One Window Solution and customer satisfaction. Our marketing policy is only based on these two parameters and to achieve this we ensure best quality and efficient response to customers. As a long term marketing strategy we are focusing on diversification, value addition of our products while making a close liaison with markets, customers and their needs.

Contents

Company Information	5
Notice of Annual General Meeting	7
Directors' Report to the Members	9
Financial Highlights	14
Statement of Compliance with Code of Corporate Governance	15
Review Report on Statement of Compliance with Code of Corporate Governance	17
Auditors' Report	18
Balance Sheet	20
Profit & Loss Account	22
Statement of Comprehensive Income	23
Cash Flow Statement	24
Statement of Changes in Equity	25
Notes to the Accounts	26
Pattern of Shareholding	67
Pattern of Shareholding Under Code of Corporate Governance	70
Form of Proxy	71

Company Information

Board Of Directors

Mr. Mughis A. Sheikh	(Chairman)
Mr. Fareed M. Sheikh	(Chief Executive Officer)
Mr. Muhammad Tariq	
Mr. Muhammad Atta ullah Khan	
Mr. Muhammad Ashraf Saif	
Mr. Abdul Hakeem Khan Qasuria	
Mr. Muhammad Ikram ul Haq	
Mir Shahid Waqar Mehmood	
(Nominee The Bank of Punjab)	

Board Committees

Audit Committee

Mr. Muhammad Ashraf Saif	(Chairman)
Mr. Muhammad Atta ullah Khan	
Mr. Abdul Hakeem Khan Qasuria	

HR & Remuneration Committee

Mr. Muhammad Ashraf Saif	(Chairman)
Mr. Muhammad Ikram ul Haq	
Mr. Abdul Hakeem Khan Qasuria	

Other Management Committees

Executive Committee

Mr. Fareed M. Sheikh	(Chairman)
Mr. Muhammad Tariq	
Mr. Muhammad Atta ullah Khan	

Technical Committee

Mr. Fareed M. Sheikh	(Chairman)
Mr. Muhammad Tariq	
Mr. Muhammad Azeem	

Finance Committee

Mr. Fareed M. Sheikh	(Chairman)
Mr. Atta Mohyuddin Khan	
Mr. Bilal Ahmad Khan	
Mr. Hammad Shakeel	

Social Compliance & Human Resource

Mr. Fareed M. Sheikh	(Chairman)
Mr. Muhammad Atta ullah Khan	
Mr. Atta Mohyuddin Khan	

Company Information

Chief Financial Officer

Mr. Atta Mohyuddin Khan

Company Secretary

Mr. Muhammad Abid

Auditors

Tariq Abdul Ghani Maqbool & Co.
Chartered Accountants

Legal Advisor

Mrs. Aniqua Riaz
Advocate

Registered Address

M. Ismail Aiwan-e-Science Building
205 Ferozepur Road, Lahore-54600
Phone: 042-35758970-2
Fax : 042-35763247
Email: corporate@colonytextiles.com
Website: www.colonytextiles.com

Share Registrar

Hameed Majeed Associates (Pvt.) Limited
HM House, 7 Bank Square
Lahore.
Phone: (042) 37235081-2, Fax: 042-37358817
Email: shares@hmaconsultants.com

Bankers

Faysal Bank Limited
Habib Bank Limited
BankIslami Pakistan Limited
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Silk Bank Limited
The Bank of Punjab
United Bank Limited
Summit Bank Limited



Notice of Annual General Meeting

Notice is hereby given that 5th Annual General Meeting of the shareholders of **Colony Textile Mills Limited** will be held on Saturday, October 31, 2015 at 10:00 a.m. at the registered office of the company at Ismail Awan-e-Science Building, 205-Ferozepur Road, Lahore to transact the following business:

1. To receive, consider and adopt the Annual Audited Accounts together with Directors' and Auditors' reports thereon for the year ended June 30, 2015.
2. To appoint the auditors and fix their remuneration for the next financial year 2015-2016.
3. Any other business with the permission of Chairman.

By Order of the Board

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Muhammad Abid
Company Secretary

Multan:
October 09, 2015

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 23, 2015 to October 31, 2015 (both days inclusive).
2. A member entitled to attend and vote in the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The proxy, in order to be effective, must be received at the registered office of the Company duly signed and stamped not later than 48 hours before the meeting.
3. The shareholders are requested to bring their Folio / Account details (participant ID and sub-account) and original CNIC for identification purpose at the time of meeting. In case of corporate entity, the Board of Director's Resolution or power of attorney with specimen signatures of the nominee should be produced.

Notice of Annual General Meeting

4. Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O. 787(I) / 2014 has facilitated the Companies to circulate Audited Financial Statements and Notices to shareholders through e-mail. The members who intend to receive the Audited Accounts through email are therefore, requested to kindly send their written consent to company (specimen available at Company's website at www.colonytextiles.com).
5. Shareholders are requested:
 - a. to notify the change of address immediately, if any.
 - b. to provide the copies of their valid CNIC's if not provided earlier.

Directors' Report to the Members

On behalf of the Board of Directors, I present before you the annual report of the company along with audited financial statements for the year ended June 30, 2015. In compliance with the Code of Corporate Governance, these financial statements have been endorsed by the Chief Executive Officer and Chief Financial Officer of the company, recommended for approval by the Audit Committee of the Board and approved by the Board of Directors for presentation.

Your company has achieved sales of Rupees 15,957 million as compared to the last year sales of Rupees 22,286 million. The gross profit for the year is Rupees 724 million against previous year's gross profit of Rupees 1,674 million. The bottom line showed a net loss of Rupees 897 million with loss per share of Rupees (1.80) as compared to net loss of Rupees 234 million with loss per share of (0.47) for last year.

The current year proved very challenging and difficult for the textile industry because of local and global recessionary climate affecting all facets of business. Our economy is not coming out of lower GDP growth because of unfavorable business climate. The company had to operate in an increasingly competitive global as well as local environment. Negative factors like suppressed global demand, high energy cost clubbed with excessive load-shedding, volatility in raw material prices, law and order problems together with significant increase in volume of Indian and Chinese yarns and fabric dumped in the local market adversely affected the textile business. Consequently, the optimal utilization of installed capacities in spinning and weaving could not be materialized. To make the matters worse, artificially high Pak Rupee, increase in GST along with long withheld GST refunds, increase in taxes like 0.6% with-holding tax on banking transactions resulted in significant increase in cost of doing business and depressing demand.

SPINNING SEGMENT

The current financial year was most difficult and frustrating for spinning business because of significant low demand in local and international markets. The major slowdown in the Chinese economy caused huge decrease in international demand. The situation was worsened by cheap Indian and Chinese yarns being dumped unchecked in our local market causing significant losses and immense pressure on local industry to liquidate its inventories at throw away prices. On the other hand, China and India's policy to subsidize its textile manufacturers by giving huge incentives, suppressed the prices in the international market which adversely affected the product rates. The Pakistani government rather than helping the textile industry in this crises further burdened it with direct and indirect taxes which made the situation most critical.

WEAVING SEGMENT

During current financial year, like the rest of textile industry, the weaving business segment also went through very difficult phase. Sluggish demand of fabrics in both local and international markets resulted in slashing down the prices of weaving products, whereas the conversion cost simply kept on escalating. Buyers were unwilling to place long term orders due to uncertainty and only buy day to day at lower and lower prices. Huge quantities of subsidized fabrics from India and China were also dumped in our domestic market unchecked which made the matters worse.

Directors' Report to the Members

Financial year 2014-15 was one of the most testing years for the economy of Pakistan in the recent past. Crippling power and gas shortages, high interest rates, undue strengthening of Pakistani Rupee, precarious security situation and fragile geopolitical environment of our country and region continued to plague the business environment.

Despite the above limitations, textile industry of Pakistan has been playing pivotal role in driving our national economy with significant contribution to the industrial production, employment generation and foreign exchange earnings.

SUB-ORDINATED LOAN

The Sponsor Directors are truly committed to the wellbeing of the company, interest free loan of Rs. 120 million from an Executive Director still exists to support this financial situation.

DIVIDEND

Considering the financial results of the company for the year ended June 30, 2015 the management has not recommended any dividend in this year.

FUTURE OUTLOOK

The continuing global recession and increasing competition from regional players backed by huge subsidies from the Government, increase in GST rates and inflationary pressure is making textile business even worse. Textile industry accounts for 8% of GDP and has paramount position in Pakistan's economy. By reviewing all the factors mentioned above, the future prediction may not be much optimistic in year ahead. However, the consistent and successful growth of textile sector is directly related to the uninterrupted and regionally price competitive power supply, sound textile policies with strong mechanism of implementation and relief in taxes with essential subsidies.

Even though our company is faced with these multifaceted and mounting challenges but we have planned to implement major cost cutting measures across the company and are aligning ourselves to tackle the current market threats. Your company is committed to maintain optimum quality, product diversification, exploring new markets and achieving higher production efficiencies.

AUDIT COMMITTEE

This is the most prime and effective committee of the Board. It has a vital role in the compliance of internal controls to ensure safeguard of all the interest of the company, through monitoring of internal audit functions, risk management policies. The committee recommends the appointment of the external auditors and also review the critical reporting made by the internal and external auditors.

HUMAN RESOURCE & REMUNERATION COMMITTEE

The human resource committee determines the compensation packages for all cadres of the company's employees. The committee is also responsible to create and maintain conducive working environment that instill trust and ensure respect, fair treatment, development opportunity and grooming and make succession plans for all employees. We feel that human resource is key element in our business strategy.

Directors' Report to the Members

EXECUTIVE COMMITTEE

The executive committee is responsible for setting overall corporate objectives and strategies, identification of opportunities, monitoring the business strategies and plans and there after the successful implementation of those plans. One of the major roles of the committee is to change the management policies and role of the company as required under the changing requirements of local and international customers, keeping in view the strengths and weaknesses of the company, so that the best possible results could be achieved.

TECHNICAL COMMITTEE

The technical committee acts in an advisory capacity to the CEO, provides recommendation relating to the technical affairs of the company, formulation of technical policies required under the code of corporate governance specially keeping in view the environment protection plans of the Government. It is also responsible for overall factory operations, achievement of desired quality, production targets and efficiency of the mechanical works. This is also empowered to deal with the day to day technical issues under authorized limits.

FINANCE COMMITTEE

The role of the finance committee is to review and recommend the financial targets, annual and quarterly budgets, approval of the expenditures for amounts within its limits, investments of the surplus funds of the company and financial policies and controls including the policies required under the code of corporate governance. The committee works under the guidance of CEO.

SOCIAL COMPLIANCE AND HUMAN RESOURCE

A major factor in your company's success is its highly skilled and motivated workforce. Our strength comes from our people. We can rightly take pride in fact that Human Resources have always been given a high priority. Today, when we look back on past years, we can see that while our objectives may have changed along the way, our human resource policies have always been based on the underlying values of fairness, merit, equal opportunity and social responsibility. These values manifest themselves in our policies of recruitment, performance appraisal, training and development, health and safety and industrial relations.

BOARD MEETINGS

During the year under review four meetings of the Board of Directors, four meetings of the audit committee and three meetings of human resource & remuneration committee were held. Attendance in the meetings by each director was as under:

Director's Name	Board of Directors	Audit Committee	HR & Committee
Mr. Mughis A. Sheikh	4	-	-
Mr. Fareed M. Sheikh	4	-	-
Mr. Muhammad Tariq	4	-	-
Mr. Muhammad Atta Ullah Khan	4	4	3
Mr. Muhammad Ashraf Saif	4	4	-
Mr. Abdul Hakeem Khan Qasuria	4	4	3
Mr. Muhammad Ikram ul Haq	4	-	3
Mr. Asim Jahangir Seth	-	-	-
Mir Shahid Waqar Mehmood	-	-	-

Directors' Report to the Members

Code of Ethics and Business Practices has been developed and are communicated and acknowledged by each Director and employee of the company.

CORPORATE GOVERNANCE

The management ensures that all requirements of the code of corporate governance were complied with. The statement of compliance with the best practices of Code of Corporate Governance is annexed.

PATTERN OF SHAREHOLDING AND INFORMATION UNDER THE CODE OF CORPORATE GOVERNANCE

The pattern of shareholding and information under the Code of Corporate Governance as on June 30, 2015 is annexed.

EXTERNAL AUDITOR

The present auditors M/S Tariq Abdul Ghani Maqbool & Company, Chartered Accountants, retire and audit committee and board of directors have recommended their reappointment for the ensuing year.

The auditors have conveyed that they have been assigned satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan and the firm is fully compliant with code of ethics issued by the International Federation of Accountants (IFAC). Further they are not rendering any related services to the company. The auditors have also confirmed that neither the firm nor any of their partners, their spouses and minor children at any time during the year held or traded in the shares of the company.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

In compliance with the Code of Corporate Governance, we are giving below statements on Corporate and Financial Reporting Framework.

- The financial statements prepared by the management of the company, presents fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the company as per statutory requirements have been maintained.
- Code of Ethics and Business Practice has been developed and are communicated and acknowledged by each director and employee of the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applied in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has effectively implemented and monitored.

Directors' Report to the Members

- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no departure from the best practices of the code of corporate governance, as detailed in the listing regulations.
- Key operating and financial data since listing of company at stock exchange is annexed in summarized form.
- The directors have not recommended any dividend in view of current financial scenario.
- Information about outstanding taxes and other Government levies are given in related note(s) to the accounts.
- The annexed audited accounts give the detail of outstanding taxes and levies.
- The company operates a contributory provident fund scheme for all employees and defined benefits gratuity fund scheme for its managerial and non managerial staff. The net value of investment in their respective accounts is as under:

Provident Funds	Rs. 42.80 million
Gratuity Funds	Rs. 22.20 million
- The directors, CEO, CFO, Company Secretary and their spouses and minor children have made no transactions in the company's share during the year.

ACKNOWLEDGEMENT

We would like to place on record our deep appreciation for the efforts of the executives, officers and other staff members for their hard work, cooperation and sincerity to the company in achieving the best possible results. The board also wishes to record the appreciation to all banks for their continued support to the company. The management is quiet confident that these relations and cooperation will continue in the coming years.

On behalf of the Board of Directors



Fareed M. Sheikh
Chief Executive Officer

Multan:
Dated: October 09, 2015

Financial Highlights

	Year Ended June 30, 2015	Year Ended June 30, 2014
	(Rupees 000)	
Operating performance		
Sales-net	15,957,105	22,285,945
Gross profit	724,310	1,470,102
(Loss)/Profit before taxation	(841,851)	(33,683)
(Loss)/Profit after taxation	(896,757)	(234,283)
Financial position		
Property, plant and equipment-net	19,103,555	18,703,906
Capital work in progress	687,404	1,319,460
Fixed assets	19,790,959	20,023,366
Current assets		
Stores, spare parts, loose tools and stock in trade	5,492,361	5,421,034
Other current assets	1,422,594	1,825,161
Cash and cash equivalents	58,271	64,881
	6,973,226	7,311,076
Total assets	26,764,185	27,821,622
Current liabilities		
Short term bank borrowings	4,315,040	4,495,475
Current portion of long term financing	1,021,787	1,705,848
Other current liabilities	3,302,093	2,675,167
	8,638,920	8,876,490
Number of shares (in thousand)	498,010	498,010
Ratios		
Gross profit ratio	4.54%	7.51%
Net loss ratio	(5.62%)	(1.05%)
Loss per share	(1.80)	(0.47)
Current ratio	0.81	0.82
Capital structure ratio		
Debt to equity	0.51	0.56

Statement of Compliance of the Code of Corporate Governance for the Year ended June 30, 2015

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in clause 5.19.23 of the Rule Book of Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

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

Category	Names
Independent Non-Executive Director	1-Mr. Muhammad Ashraf Saif
Executive Directors	1-Mr. Fareed M. Sheikh 2-Mr. Muhammad Tariq
Non-Executive Directors	1-Mr. Mughis A. Sheikh 2-Mr. Muhammad Atta Ullah Khan 3-Mr. Abdul Hakeem Khan Qasuria 4-Mr. Muhammad Ikram-Ul-Haq

The independent director meets the criteria of independence under clause 5.19.1 (b) of the CCG.

- 2) The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
- 3) All the 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 development financial institution or a non-banking financial company, or being a member of a stock exchange, has been declared as defaulter by the stock exchange.
- 4) Casual vacancy was occurred during the year and was filled up.
- 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 conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
- 8) The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for the purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9) Internal orientation courses were arranged for the directors and key personnel during the year to equip and familiarize them with the changes in law to discharge their duties efficiently. Two of the directors had got certification in the past years. The company will ensure that remaining directors acquire the certification under the directors training program within the time frame given in the Code.

Statement of Compliance of the Code of Corporate Governance for the Year ended June 30, 2015

- 10) The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
- 11) The Directors' report for this year has been prepared in compliance with the requirement of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
- 12) The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- 13) The directors, CEO and executives do not hold any interest in the shares of the Company other than those disclosed in the pattern of shareholding.
- 14) The company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
- 15) The Board has formed an Audit Committee. It comprises three members, of whom all are the non-executive directors and the chairman of the committee is an independent director.
- 16) The meetings of the audit committee were held prior to approval of final and interim 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 all are Non-Executive Directors and the chairman of the committee is an independent director.
- 18) The Board has set up an effective internal audit function with competent team members lead by Internal Auditor who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
- 19) The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, 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 the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- 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 security, was determined and intimated to directors and stock exchange.
- 22) Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
- 23) We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

On behalf of the Board of Directors



Fareed M. Sheikh
Chief Executive Officer

Multan:
Dated: October 09, 2015

Review Report to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended 30 June 2015 prepared by the Board of Directors of **Colony Textile Mills Limited** ("the Company") to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, the Listing Regulations notified by the Karachi, Lahore and Islamabad Stock Exchanges require the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended 30 June 2015.

Lahore:
October 09, 2015


Tariq Abdul Ghani Maqbool and Company
Chartered Accountants
Shahid Mehmood
(Engagement Partner)

Auditors' Report to the Members

We have audited the annexed Balance Sheet of **Colony Textile Mills Limited** ("the company") as at 30 June 2015 and the related Profit and Loss Account, Statement of Comprehensive Income, 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 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;

Auditors' Report to the Members

- (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, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of the loss, total comprehensive income, 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 Usher Ordinance, 1980 (XVIII of 1980).

Lahore:
October 09, 2015

Tariq Abdul Ghani Maqbool
Tariq Abdul Ghani Maqbool and Company
Chartered Accountants
Shahid Mehmood
(Engagement Partner)

Balance Sheet

as at June 30, 2015

	Notes	2015 (Rupees in "000")	2014
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital			
530,000,000 Ordinary shares of Rs. 10 each	7	5,300,000	5,300,000
Issued, subscribed and paid up capital	8	4,980,100	4,980,100
Reserve arising on amalgamation		3,156,388	3,156,388
General Reserves		4,702	4,702
Revenue reserves		525,711	1,422,468
Surplus on remeasurement of investments		536	612
		8,667,437	9,564,270
Non-Current Liabilities			
Long term financing	9	7,758,181	7,341,006
Directors' subordinated loan	10	120,000	120,000
Liabilities against assets subject to finance lease	11	37,513	50,581
Deferred liabilities	12	2,270,850	2,162,505
		10,186,544	9,674,092
Current Liabilities			
Trade and other payables	13	1,965,358	1,499,618
Short term borrowings	14	4,315,040	4,495,475
Accrued mark up	15	1,172,999	948,806
Current portion of long term liabilities	16	1,021,787	1,705,848
Provision for taxation	17	163,736	226,743
		8,638,920	8,876,490
Contingencies and Commitments	18	-	-
		27,492,901	28,114,852

The annexed notes from 01 to 50 form an integral part of these financial statements.

Chief Financial Officer

Director

Balance Sheet

as at June 30, 2015

	Notes	2015	2014
		(Rupees in "000")	
ASSETS			
Non-Current Assets			
Property, plant and equipment	19	19,790,959	20,023,366
Investment property	20	431,615	431,615
Long term investments	21	247,451	290,602
Long term deposits		49,650	58,193
		20,519,675	20,803,776
Current Assets			
Stores, spare parts and loose tools	22	253,974	241,547
Stock in trade	23	5,238,387	5,179,487
Trade debts	24	515,678	997,097
Loans and advances	25	190,928	184,950
Trade deposits and short term prepayments	26	92,260	79,445
Other financial assets	27	33	30
Tax refunds due from the Government	28	623,695	563,639
Cash and bank balances	29	58,271	64,881
		6,973,226	7,311,076
		27,492,901	28,114,852

Chief Executive Officer

Profit and Loss Account

For the year ended June 30, 2015

	Notes	2015 (Rupees in "000")	2014
Sales - net	30	15,957,105	22,285,945
Cost of sales	31	15,232,795	20,611,783
Gross profit		724,310	1,674,162
Operating expenses:			
Distribution cost	32	250,408	315,436
Administrative expenses	33	212,433	220,010
		462,841	535,446
Operating profit		261,469	1,138,716
Finance cost	34	1,150,368	1,474,062
Other operating charges	35	-	15,000
		1,150,368	1,489,062
Other income	36	47,048	316,663
Loss before taxation		(841,851)	(33,683)
Taxation	37	54,906	200,600
Loss after tax for the year		(896,757)	(234,283)
		Rupees	Rupees
Loss per share - basic and diluted	38	(1.80)	(0.47)

The annexed notes from 01 to 50 form an integral part of these financial statements.

Chief Financial Officer

Director

Chief Executive Officer

Statement Of Comprehensive Income

For the year ended June 30, 2015

	2015 (Rupees in "000")	2014
Loss for the year	(896,757)	(234,283)
Other comprehensive income:		
Items that will not be reclassified to profit and loss account:		
Remeasurement of staff retirement benefits	-	1,426
Items that may be reclassified to profit and loss account:		
Loss on remeasurement of investments	(76)	(25)
Total comprehensive loss for the year	(896,833)	(232,882)

The annexed notes from 01 to 50 form an integral part of these financial statements.

Chief Financial Officer

Director

Chief Executive Officer

Cash Flow Statement

For the year ended June 30, 2015

	Notes	2015 (Rupees in "000")	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	48	2,021,115	2,510,556
Finance cost paid		(788,185)	(620,144)
Workers' profit participation fund paid		-	(15,895)
Staff retirement benefits paid		(53,636)	(46,466)
Income tax paid		(128,415)	(199,865)
		(970,236)	(882,370)
Net cash generated from operating activities		1,050,879	1,628,186
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(606,773)	(957,056)
Proceeds from disposal of property, plant and equipment		1,130	7,139
Investment property		-	(23,480)
Proceeds from long term loan- net		-	17,509
Long term deposits		8,543	(4,802)
Net cash used in investing activities		(597,100)	(960,690)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances repaid		(257,771)	(672,286)
Lease rentals paid		(22,183)	(26,720)
Short term borrowings - net		(180,435)	11,226
Net cash used in financing activities		(460,389)	(687,780)
Net decrease in cash and cash equivalents		(6,610)	(20,284)
Cash and cash equivalents at beginning of the year		64,881	85,165
Cash and cash equivalents at end of the year		58,271	64,881

The annexed notes from 01 to 50 form an integral part of these financial statements.

Chief Financial Officer

Director

Chief Executive Officer

Statement of Changes in Equity

For the year ended June 30, 2015

	Share Capital	Reserve arising on amalgamation	Revenue reserves		Re-measurement gain/(loss)	Total
			General Reserves	Unappropriated Profit/Loss		
Rupees ('000')						
Balance as at 01 July 2013	200	-	-	158	-	358
Adjustments arising due to amalgamation	-	3,156,388	4,702	1,655,167	637	4,816,894
Shares issued pursuant to scheme of amalgamation	4,979,900	-	-	-	-	4,979,900
	4,980,100	3,156,388	4,702	1,655,325	637	9,797,152
Total Comprehensive Income for the year						
Loss for the year	-	-	-	(234,283)	-	(234,283)
Remeasurements of defined benefit plans	-	-	-	1,426	-	1,426
Loss on remeasurement of investments	-	-	-	-	(25)	(25)
Total comprehensive income for the year	-	-	-	(232,857)	(25)	(232,882)
Balance as at 30 June 2014	4,980,100	3,156,388	4,702	1,422,468	612	9,564,270
Total Comprehensive Income for the year						
Loss for the year	-	-	-	(896,757)	-	(896,757)
Remeasurements of defined benefit plans	-	-	-	-	-	-
Loss on remeasurement of investments	-	-	-	-	(76)	(76)
Total comprehensive income for the year	-	-	-	(896,757)	(76)	(896,833)
Balance as at 30 June 2015	4,980,100	3,156,388	4,702	525,711	536	8,667,437

The annexed notes from 01 to 50 form an integral part of these financial statements.

Chief Financial Officer

Director

Chief Executive Officer

Notes to the Financial Statements

For the year ended June 30, 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

Colony Textile Mills Limited ("the company") is a public company limited by shares incorporated in Pakistan on 12 January 2011 under the provisions of the Companies Ordinance, 1984. The company is listed on Karachi Stock Exchange Limited. The registered office of the company is located at M. Ismail Aiwan-i-Science, Ferozepur Road, Lahore, Pakistan. The principal activity of the company is manufacturing and sale of yarn, fabrics, garments made ups and trading in real estate.

2. BASIS OF PREPARATION

2.01 Statement of compliance

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

2.02 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

- Standards, amendments to published standards and interpretations effective in current year

Following are the amendments that are applicable for accounting periods beginning on or after 01 July 2014:

New/Revised Standards, Interpretations and Amendments

IFRIC 21	Levies
IAS 19	Employee Contributions
IAS 32	Offsetting Financial Assets and Financial Liabilities
IAS 36	Recoverable Amount for Non-Financial Assets
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting- (Amendment)

Improvement to Accounting Standards Issued by the IASB

IFRS 2	Share-based Payment- Definitions of vesting conditions
IFRS 3	Business Combinations- Accounting for contingent consideration in a business combination
IFRS 3	Business Combinations- Scope exceptions for joint ventures
IFRS 8	Operating Segments- Aggregation of operating segments
IFRS 8	Operating Segments- Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13	Fair Value Measurement- Scope of paragraph 52 (Portfolio exception)
IAS 16	Property, Plant and Equipment and IAS 38 Intangible Assets- Revaluation Method- Proportionate restatement of accumulated depreciation/amortization
IAS 24	Related Party Disclosures- Key management personnel
IAS 40	Investment Property- Interrelationship between IFRS 3 and IAS 40 (Ancillary services)

Notes to the Financial Statements

For the year ended June 30, 2015

The adoption of the above improvements to accounting standards and interpretations did not have any material effect on the financial statements.

- Standards, interpretations and amendments to published standards that are effective but not relevant to the company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 01, 2014 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

- Standards, interpretations and amendments to existing standards that are not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after their respective effective dates.

IFRS 10 -	Consolidated Financial Statements	01 January 2015
IFRS 11 -	Joint Arrangements	01 January 2015
IFRS 12 -	Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 -	Fair Value Measurement	01 January 2015
IAS 16 & 38 -	Clarification of Acceptable Method of Depreciation and Amortization	01 January 2016
IAS 16 and 41 -	Agriculture: Bearer Plants	01 January 2016

The above standards, amendments and interpretations are either not relevant to the Company's operations or not expected to have significant impact on the Company's financial statements except for the increased disclosures in certain cases.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation		Effective Date (Annual periods beginning on or after)
IFRS 09 -	Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 -	Regulatory Deferral Accounts	January 01, 2016
IFRS 15 -	Revenue from Contracts with Customers	January 01, 2017

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

Notes to the Financial Statements

For the year ended June 30, 2015

4. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value, investment on equity basis, certain liabilities at amortized cost, investment property and certain other investments at fair value. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

5. JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards which requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made and in any future periods affected.

Significant management estimates in these financial statements relate to the useful life of property, plant and equipment, provisions for staff retirement benefits, doubtful receivables, slow moving inventory and taxation.

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

- Useful life of depreciable assets;
- Provision for doubtful receivables and slow moving stores, spares and loose tools;
- Provision for current tax and deferred tax;
- Staff retirement benefits;
- Net realisable value of stock-in-trade; and
- Impairment of assets.

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 adjustments to the carrying amounts of assets and liabilities in the next year.

6. SIGNIFICANT ACCOUNTING POLICIES

6.01 Staff retirement benefits

The Company operates two plans for its employees

Contributory provident fund

Defined contributory provident fund for all eligible employees to which monthly contributions are made to cover the obligation. The Company and its employees make equal monthly contributions at the rate of 8.33 percent of basic salary.

Notes to the Financial Statements

For the year ended June 30, 2015

Unfunded gratuity scheme

The Company operates an unfunded gratuity scheme for all its eligible employees who have completed their minimum qualifying period of service with the Company. Provisions are made in the financial statements to cover obligation on the basis of actuarial valuation using the Projected Unit Credit Method. Any actuarial gain or loss arisen is recognized immediately in other comprehensive income.

6.02 Taxation

Current

Provision for current taxation is based on applicable current rates of taxation after taking into account tax credits and rebates available, if any, under the provisions of Income Tax Ordinance, 2001. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalized during the year.

Deferred

Deferred tax liability is accounted for in respect of all taxable temporary differences at the balance sheet date arising from difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses, provisions and tax credits to that extent it is probable that taxable profit will be available in future against which the deductible temporary differences can be utilized. 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 is calculated at the rates that are expected to apply to the period when the asset is to be realized or liability is to be settled.

6.03 Property, plant and equipment

Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses except freehold land which is stated at cost and fully depreciated assets which are carried at residual value. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is charged to income by applying reducing balance method to write off the cost over estimated remaining useful life of assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from property, plant and equipments. Depreciation on addition to property, plant and equipment is charged from the date when asset is available for use up to the date of its de-recognition.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains / losses on disposal of fixed assets are included in current year's income.

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

Notes to the Financial Statements

For the year ended June 30, 2015

Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the expenditures on material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of property, plant and equipment. These costs are transferred to property, plant and equipment as and when related items become available for intended use.

Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Depreciation is charged on the basis similar to owned assets applying reducing balance method to write off the cost of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of the lease period.

Insurance and other maintenance costs are borne by the Company.

Financial charges and depreciation on leased assets are charged to income, currently.

6.04 Investment property

Property held to earn rentals and/or for capital appreciation is classified as investment property. Investment properties are initially measured at cost, including transaction cost. Subsequent to initial recognition, investment properties are stated at fair value, which effect market conditions at reporting date. Gains and losses arising from the change in fair value of properties are included in profit and loss in the year in which they arise. Fair values are determined based on an annual evaluation performed by an independent valuer.

6.05 Investments

Recognition

Investments in securities are recognized on settlement date basis of accounting.

Measurement

(i) Financial assets at fair value through profit and loss (Held for trading)

These securities are either acquired for generating a profit from short term fluctuations in prices or securities included in a portfolio in which a pattern of short term profit taking exists. These investments are initially measured at fair value being the consideration given. On subsequent reporting dates, these are measured at fair values on quoted market price and unrealized gains and losses arising from changes in the fair values are recognized in the income of the period in which these arise.

Notes to the Financial Statements

For the year ended June 30, 2015

(ii) Investments held to maturity

These are securities with fixed or determinable payments and fixed maturity where the Company has a positive intent and ability to hold till maturity. These are initially measured at fair value being the consideration given plus transactions' costs that are attributable to the acquisition of these investments. At subsequent reporting dates, these are measured at amortized cost using effective interest rate method. Mark-up calculated using the effective interest rate method is recognized in the profit and loss account. Impairment loss, if any, is recognized in profit and loss in the period it arises.

(iii) Investments available for sale

These represent investments that do not fall under "financial assets at fair value through profit and loss" or "held to maturity" categories. These are initially recognized at fair value being the consideration given plus transaction costs that are attributable to the acquisition of these investments. On subsequent reporting date, these investments are remeasured at fair values on quoted market prices. Unrealized gains and losses arising from changes in the fair value of investments are recognized directly in equity through other comprehensive income until the investment is derecognized. Impairment loss, if any, is recognized in profit and loss in the period it arises.

(iv) Investments in associates and related parties

Investment in associates and related parties where the Company can exercise significant influence; has intention and ability to hold the investment for more than twelve months of acquisition and are not held for sale are accounted for using the equity method of accounting. Impairment in value, if any, is recognized in profit and loss in the period it arises.

(v) Investment in unquoted securities

Investment in unquoted securities are initially measured at cost. Impairment loss, if any, is charged to income.

6.06 Contingencies

The Company has disclosed significant contingent liabilities for the pending litigation and claims against the Company based on its judgment and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognised at the balance sheet date. However, based on the best judgment of the Company and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognise any liability at the balance sheet date.

6.07 Stores, spares and loose tools

These are valued at lower of cost and net realizable value. Cost is calculated using moving average method except for items in transit which are valued at cost comprising invoice value plus other charges paid thereon till the balance sheet date. Provision is made against obsolete items.

Notes to the Financial Statements

For the year ended June 30, 2015

6.08 Stock in trade

Basis of valuation are as follows

Particulars

Raw materials:	
At mills	At lower of weighted average cost and net realizable value
In-transit	At cost accumulated to the balance sheet date
Work in process	At average manufacturing cost
Finished goods	At lower of average manufacturing cost and net realizable value
Waste	At net realizable value

Cost in relation to work in process and finished goods represents the average manufacturing cost which consists of prime cost and attributable production overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

6.09 Trade debts and other receivables

Receivables are carried at original invoice amount less an estimate made for doubtful receivable balances based on review of outstanding amounts at year end. Bad debts are written off when identified.

6.10 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and at banks.

6.11 Borrowings

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on the accrual basis. 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, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to income in the period in which these are incurred.

6.12 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services.

6.13 Provisions

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle these obligations and a reliable estimate of the amounts can be made.

Notes to the Financial Statements

For the year ended June 30, 2015

6.14 Impairment

Financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or 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 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 a significant financial deficiency, default of 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 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 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.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the carrying amount that would have been determined, had no impairment loss been recognized for assets in prior year. Reversal of impairment loss is recognized as income.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

6.15 Revenue recognition

- (i) Local sales are recorded when goods are delivered to customers and invoices raised.
- (ii) Export sales are booked on shipment basis.
- (iii) Processing charges are recorded when goods are delivered to customers and invoices raised.
- (iv) Dividend income is recognized when the right to receive payment is established.
- (v) Profits on short term deposits is accounted for on time apportioned basis on the principal outstanding and at the rate applicable.

6.16 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party of the Company are at arm's length prices using the comparable uncontrolled price method except in circumstances where it is in the interest of the Company not to do so.

Notes to the Financial Statements

For the year ended June 30, 2015

6.17 Dividend

Dividend is recognized as liability in the period in which it is declared.

6.18 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak rupees at the rates of exchange prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated at rates of exchange prevailing at the balance sheet date and in case of forward exchange contracts at the committed rates. Gains or losses on exchange are charged to income.

6.19 Financial instruments

All financial assets and financial liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and financial liabilities are subsequently measured at fair value, amortized cost as the case may be. All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. Any gain/loss on de-recognition and on remeasurement of such financial instruments other than investments available for sale, is included in the profit/loss for the period in which it arises.

6.20 Off Setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, when there is a legally enforceable right to set off the recognized amounts and the Company intends to either settle on net basis or to realize the asset and settle the liability simultaneously. Corresponding income on assets and charge on liability is also offset.

6.21 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit and loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

6.22 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Notes to the Financial Statements

For the year ended June 30, 2015

Segment results that are reported to the chief executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has two reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibres) and Weaving (Producing different quality of fabric using yarn).

Transaction among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

	2015 (Rupees in "000")	2014
7. AUTHORIZED SHARE CAPITAL		
185,000,000 (2014: 185,000,000 ordinary shares of Rs. 10/- each)	1,850,000	1,850,000
Capital of merged companies (345,000,000 ordinary shares of Rs. 10/- each)	3,450,000	3,450,000
	<u>5,300,000</u>	<u>5,300,000</u>
8. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
20,000 ordinary shares of Rs. 10 each issued as fully paid shares	200	200
497,989,959 fully paid ordinary shares of Rs. 10 each issued to the shareholders of amalgamated entities	4,979,900	4,979,900
	<u>4,980,100</u>	<u>4,980,100</u>

- Fully paid ordinary shares, which have a par value of Rs. 10/-, carry one vote per share and carry right to dividends.

- There are no rights, preferences and restrictions attached to any class of shares including restrictions on the distribution of the dividends and the repayment of capital.

- There are no shares reserved for issue under options and contracts for the sale of shares.

Notes to the Financial Statements

For the year ended June 30, 2015

		Notes	2015 (Rupees in "000")	2014
9. LONG TERM FINANCING				
From banking companies-secured				
Name of the Bank	Type of finance			
Allied Bank Limited	TF	9.01	-	2,570
BankIslami Pakistan Limited (formerly KASB Bank Limited)	DF	9.02	554,761	554,761
Faysal Bank Limited	TF	9.03	92,411	108,482
Habib Bank Limited	TF - IV	9.04	99,962	99,962
National Bank of Pakistan	DF	9.05	140,000	140,000
National Bank of Pakistan	DF - IV	9.06	45,444	45,444
National Bank of Pakistan	DF - V	9.07	401,400	401,400
Soneri Bank Limited	DF	9.08	70,835	82,167
Soneri Bank Limited	DF - I	9.09	412,231	525,231
Soneri Bank Limited	DF - II	9.10	197,356	201,356
The Bank of Punjab	TF	9.11	3,226,588	3,243,013
The Bank of Punjab	TF I, III	9.12	3,506,273	3,597,625
From other financial institutions-Secured				
Saudi Pak Industrial and Agricultural Investment Company Limited		9.13	6,042	9,063
			8,753,303	9,011,074
Less: Current portion		16.00	(995,122)	(1,670,068)
			7,758,181	7,341,006

9.01 The facility had been obtained from Allied Bank Limited and was repayable in monthly instalments, commencing from November 2009. Mark-up was accrued at the rate of 1 month KIBOR plus 1.25% (2014: 1 month KIBOR + 1.25 %) per annum and was payable quarterly. The loan was secured against ranking charge on fixed assets (plant and machinery) of the Company amounting to Rs. 179 million, 1st Joint pari passu charge of Rs. 467 million on present and current assets and personal guarantee of a director and a shareholder of the company.

9.02 These facilities have been obtained from BankIslami Pakistan Limited with restructuring on November 2012. The loan is repayable in quarterly instalments. These facilities contain demand finance -I with final maturity on 31 December 2022. Mark-up is accrued on the basis of 3 months KIBOR (2014: 3 months KIBOR) per annum payable in two years through 24 equal monthly instalments starting after settlement of principal payment in December 2022 by the Company. The loan is secured against ranking & joint pari passu charge on the present and future assets of the Company and personal guarantees of two directors of the Company.

9.03 The facility has been obtained from Faysal Bank Limited and is repayable in quarterly instalments, with final maturity on 30 September 2023. Mark-up is payable at the rate of 3 months KIBOR (2014: 3 month KIBOR) per annum and is payable quarterly. The loan is secured against second ranking pari passu charge of Rs. 200 million over fixed assets of the Company and personal guarantee of two directors of the Company.

Notes to the Financial Statements

For the year ended June 30, 2015

9.04 The loan is repayable in 16 equal quarterly instalments of Rs. 9.99 million commencing from June 30, 2012. Mark up is payable at the rate of 3 months KIBOR plus 2.5% (in case of timely payments effective mark up rate would be 3 months KIBOR plus 2.5%). The effective mark up rate charged during the year ranges from 9.31% to 12.66% (2014: 11.58% to 12.68%) per annum. This finance facility is secured against joint pari passu charge on fixed assets of the company along with personal guarantee of a director.

9.05 This loan facility has been obtained from National Bank of Pakistan and was repayable in 20 equal quarterly instalment. Mark-up is payable at the rate 7% (2014: 7%) per annum. The loan is secured against first pari passu /first joint pari passu charge of Rs. 434 million over fixed assets of the Company.

The Company has applied for rescheduling of this finance facility. Therefore, the Company has not made principal payment of Rs. 140 million (2014: Rs. 140 million) during the year. The matter of rescheduling is under consideration of National Bank of Pakistan and is in final stage.

9.06 The purpose of this facility is to finance the purchase of new fixed assets of the Company. The loan is repayable from the Company's own cash flows in 24 quarterly instalments of Rs. 9.09 million each commencing from 19 March 2007. The remaining number of outstanding instalments are 05 as at balance sheet date. Mark up is payable at the rate of 3 months KIBOR plus 2%. The effective mark up rate charged during the year ranges from 10.50 % to 12.71% (2014 : 11.58% to 12.68%) per annum. This finance facility is secured against first pari passu charge of Rs. 937 million over fixed assets of the Company to the extent of Rs. 334 million and personal guarantees of directors.

The Company has applied for rescheduling of this finance facility. Therefore, the Company has not made principal payment of Rs. 45.44 million (2014: Rs. 45.44 million) during the year. The matter of rescheduling is under consideration of National Bank of Pakistan and is in final stage.

9.07 This loan has been availed for restructuring of balance sheet of the Company by converting short term liabilities into long term liabilities through adjustments / reduction of short term credit facilities. The loan is repayable in 20 equal quarterly instalments commencing from 30 September 2010. The remaining number of outstanding instalments are 18 as at balance sheet date. Mark up is payable at the rate of 3 months KIBOR plus 2.50% per annum. The effective mark up rate charged during the year ranges from 10% to 12.21% (2014: 11.58 % to 12.68 %) per annum. This finance facility is secured against first joint pari passu charge over fixed assets of the Company with 30% margin by utilizing the cushion available in existing first joint pari passu charge over fixed assets of the Company on the basis of outstanding balance of DF - V and required joint pari passu charge for short term credit facilities and personal guarantee of a director.

The Company has applied for rescheduling of this finance facility. Therefore, the Company has not made principal payment of Rs. 401.40 million (2014: 401.40 million) during the year. The matter of rescheduling is under consideration of National Bank of Pakistan and is in final stage.

9.08 The facility has been obtained from Soneri Bank Limited and is to be repaid in 30 equal quarterly instalments starting from February 2014. Mark-up is payable at the rate of 3 month KIBOR (2014: 03 month KIBOR) per annum. The loan is secured against existing joint pari passu charge of Rs. 350 million over fixed assets of the Company and personal guarantees of two directors of the company.

Notes to the Financial Statements

For the year ended June 30, 2015

- 9.09** The purpose of this facility is restructuring/ rescheduling of existing principal liability outstanding against DF, TF-1, TF-2 and acceptance inland to the tune of Rs. 809.63 million. Loan is repayable in 75 monthly instalments of Rs. 10.8 million starting from 31 March 2012. The remaining number of outstanding instalments are 45. Mark up is payable at the rate 3 month KIBOR. The effective mark-up rate charged during the year ranges from 8% to 10.21% (2014: 9.03% to 10.17%) per annum. The loan is secured against joint pari passu charge of Rs. 423.50 million over land situated at Mahal Muzaffarabad along with all present and future fixed assets. RM of Rs. 5 million & EM of Rs. 400 Million over plot located at Garden Town Sher Shah Road Multan valuing Rs. 263 million. Special hypothecation charge of Rs. 559.38 million over plant and machinery imported through the bank.
- 9.10** The purpose of this facility is restructuring of overdue mark up. Loan is repayable in monthly instalments commencing from 31 March 2012 and maturing on 31 January 2021. The remaining number of outstanding instalments are 71. No mark up is payable on this facility.
- 9.11** The purpose of this facility is restructuring of loan facility TF-1 and TF-III as on 31 March 2014 amounting to Rs. 2,401.09 million and 841.90 million respectively. The loan is repayable on quarterly basis in 10 years from 31 March 2014 to 31 December 2023. Mark-up is payable at the rate of 7% or cost of funds (COF) less administrative cost of preceding quarter. This facility is collaterally secured against first Joint pari passu charge over the fixed assets (including land, building, plant and machinery) of the company of Rs. 4,720 Million, Joint pari Passu charge over current assets of the company for Rs. 814 Million, ranking charge over current assets of the company for Rs. 130 million, pledge of 15,862,960 shares of Imperial Sugar Limited and personal guarantee of one director with his personal net worth statement.
- 9.12** These facilities have been obtained from Bank of Punjab with restructuring w.e.f. 1st July 2014 . The loan is repayable in 60 quarterly instalments commencing from September 30, 2014. This facility is created by merging term finance I and III with final maturity on June 30, 2029. Mark-up is payable at cost of funds (COF) less administrative cost of preceding quarter (2014: 3 months average ask KIBOR) per annum. These facilities are secured by:
- joint pari passu charge over the fixed assets of the Company for Rs. 5,266 million,
 - exclusive mortgage charge on the Company's land of Rs. 5,266 million,
 - joint pari passu charge over the current assets of the Company of Rs. 333 million,
 - ranking charge over the current assets of the Company for Rs. 534 million,
 - pledge of shares of Imperial Sugar Limited held by director of the Company, Personal guarantee of a director of the Company.
- 9.13** This facility has been obtained from Saudi Pak Industrial and Agricultural Investment Company Limited and is repayable in 36 monthly instalments, commencing from April 2014. Mark-up is payable @ 3 month KIBOR plus 2.5% (2014: 3 month KIBOR plus 2.5 %) per annum. The loan is secured against existing joint pari passu charge of Rs. 94 million over fixed assets of the company and personal guarantee of a director.

Notes to the Financial Statements

For the year ended June 30, 2015

	2015 (Rupees in "000")	2014
10. DIRECTORS' SUBORDINATED LOAN		
Directors' subordinated loan	120,000	120,000
	<u>120,000</u>	<u>120,000</u>

10.01 This is unsecured and interest free loan obtained from sponsor director, and is not repayable within next twelve months from the balance sheet date. This loan is subordinated to The Bank of Punjab, Standard Chartered Bank Limited, Meezan Bank Limited and Faysal Bank Limited.

	2015 (Rupees in "000")	2014
11. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	64,178	86,361
Less: Current portion	(26,665)	(35,780)
	<u>37,513</u>	<u>50,581</u>

11.01 These represent machinery under sale and lease back agreements. The principal plus financial charges are payable over the lease period in quarterly instalments as per respective agreements ending in the month of June 2020. The liability as at balance sheet date represents the present value of total minimum lease payments discounted at 7.99 % to 14.71 % per annum being the interest rates implicit in leases. The purchase option is available to the Company on payment of last instalment and surrender of deposit at the end of lease period and the Company intends to exercise this option. Reconciliation of minimum lease payments and their present values is given below:

	2015 (Rupees in "000")	2014
The amount of future payments and the years in which these will become due are:		
Not later than one year	32,487	43,891
Later than one year but not later than five years	43,489	57,222
Later than five years	-	6,302
	<u>75,976</u>	<u>107,415</u>
Less: Financial charges allocated to future periods	(11,798)	(21,054)
Present value of minimum lease payments	64,178	86,361
Less: Current portion	(26,665)	(35,780)
	<u>37,513</u>	<u>50,581</u>

11.02 Present value of minimum lease payments

Due not later than one year	26,665	35,780
Due later than one year but not later than five years	37,513	44,662
Later than five years	-	5,919
	<u>64,178</u>	<u>86,361</u>

Notes to the Financial Statements

For the year ended June 30, 2015

	Notes	2015 (Rupees in "000")	2014
12. DEFERRED LIABILITIES			
Deferred taxation	12.01	49,554	-
Deferred mark up	12.02	2,199,009	2,122,388
Staff retirement benefits	12.03	22,287	40,117
		2,270,850	2,162,505
12.01 Deferred taxation			
Deferred taxation comprises of the following:			
Deferred tax liability on taxable temporary differences in respect of the following:			
- Accelerated tax depreciation allowance		1,509,968	1,495,376
Deferred tax asset on deductible temporary differences in respect of the following:			
- Unused tax losses to the extent of available taxable temporary differences		1,074,348	1,209,989
- Finance lease liabilities		12,528	17,099
- Minimum tax available for carry forward		367,036	257,233
- Provision for stores, spares and loose tools		1,271	877
- Provision for doubtful debts		880	2,476
- Staff retirement benefits		4,351	7,702
		1,460,414	1,495,376
		49,554	-
12.02 Deferred mark up			
Opening balance		4,209,295	3,203,200
Provision during the year		141,790	1,006,095
		4,351,085	4,209,295
Less: paid during the year		3,800	-
		4,347,285	4,209,295
Present value adjustment		2,148,276	2,086,907
		2,199,009	2,122,388

It represents mark up deferred by Faysal Bank Limited, KASB Bank Limited, Soneri Bank Limited and Bank of Punjab. It is payable starting from 30 September 2013 and maturing on 30 June 2029.

This deferred mark-up has been discounted using effective rate of interest and classified separately in non current liabilities and profit and loss account.

Notes to the Financial Statements

For the year ended June 30, 2015

	2015 (Rupees in "000")	2014
12.03 Staff retirement benefits - unfunded gratuity scheme		
(a) Reconciliation of amounts recognized in the balance sheet:		
Present value of defined benefit obligation	22,287	40,117
Net liability at the end of the year	22,287	40,117
(b) Movement in net liability		
Net liability at beginning of the year	40,117	34,755
Charge for the year	35,806	53,254
	75,923	88,009
Remeasurements chargeable in OCI	-	(1,426)
Benefits paid during the year	(53,636)	(46,466)
Net liability at end of the year	22,287	40,117
(c) Changes in the present value of defined benefit obligation		
Defined benefit obligation at beginning of the year	40,117	34,755
Current service cost	34,445	52,045
Interest Cost	1,361	1,209
	75,923	88,009
Remeasurements chargeable in OCI	-	(1,426)
Benefits paid during the year	(53,636)	(46,466)
Present value of defined benefit obligation at end of the year	22,287	40,117
(d) Charge for the year		
Current service cost	34,445	52,045
Interest Cost	1,361	1,209
	35,806	53,254
	2015	2014
(e) The principal assumptions used in the actuarial valuation are as follows:		
Discount rate	13.25%	13.25%
Expected rate of increase per annum in future salaries	12.25%	12.25%
Expected average remaining working life of employees	4 years	5 years

Notes to the Financial Statements

For the year ended June 30, 2015

Mortality rate

The rates assumed were based on the EFU 61-66 mortality table.

Sensitivity analysis for actuarial assumptions

The following table summarizes how the net defined benefit obligation at the end of the reporting period would have increased/ (decreased) as a result of change in respective assumptions.

	Change in Assumptions	Increase	Decrease
		Rupees ('000)	
Discount rate	1%	36,877	43,803
Increase in future salaries	1%	44,110	36,531

A change in expected remaining working lives of employees is not expected to have a material impact on the present value of defined benefit obligation. Accordingly, the sensitivity analysis for the same has not been carried out.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of defined benefit obligation as at the reporting date has been calculated by using projected unit credit method, which is the same as that applied in calculating the defined benefit obligation to be recognized in these financial statements.

Effects of retrospective application of change in accounting policy are as follows:

Risk factors

The defined benefit plan exposes the Company to the following actuarial risks:

Interest risk

The discount rate used in determination of present value of defined benefit obligation has been determined by reference to market yield at the reporting date on Pakistan Investment Bonds since there is no deep market in long term corporate bonds in Pakistan. An increase in market yield resulting in a higher discount rate will decrease in the defined benefit liability.

Longevity risk

The present value of defined benefit obligation is calculated by reference to the best estimate of the expected remaining working lives of the employees. An increase in the expected remaining working lives will increase the defined benefit obligation. However, the increase is not expected to be material.

Notes to the Financial Statements

For the year ended June 30, 2015

Salary risk

The present value of defined benefit obligation is calculated by reference to future salaries of employees. An increase in salary of employees will increase the defined benefit obligation.

	2015 (Rupees in "000")	2014
13. TRADE AND OTHER PAYABLES		
Trade creditors - Local - Unsecured but considered good	674,585	516,965
Accrued liabilities	439,085	378,214
Bills payables	583,769	437,455
Advance from customer	169,280	44,224
Withholding tax payable	90,687	73,950
Unclaimed dividend	1,328	1,328
Others	6,624	47,482
	1,965,358	1,499,618

13.01 Bills payable include overdue amount of Rs. 288.99 (2014: 288.99) million payable to National Bank of Pakistan.

	2015 (Rupees in "000")	2014
14. SHORT TERM BORROWINGS		
Banking companies - secured	4,315,040	4,495,475

14.01. Short term borrowings are available from banking companies under mark-up arrangements. The rates of mark up range from 7.21% to 14.64% per annum (2014: 9.03% to 14.75%). These are secured against pledge / hypothecation of stock-in-trade, hypothecation of stores and spares, lien over import / export documents, pari passu charge over present and future current assets of the Company.

14.02 From the total aggregate short term facilities of Rs. 4,495.88 million (2014: 4,495.88 million), the amount of Rs. 180.84 (2014: Rs. 0.405) million remained unutilized as at 30 June 2015.

	2015 (Rupees in "000")	2014
15. ACCRUED MARK UP		
Accrued mark up on:		
Long term financing	395,462	423,789
Liabilities against assets subject to finance lease	9,345	17,517
Short term borrowings	768,192	507,500
	1,172,999	948,806
16. CURRENT PORTION OF LONG TERM LIABILITIES		
Long term financing	995,122	1,670,068
Liabilities against assets subject to finance lease	26,665	35,780
	1,021,787	1,705,848

Notes to the Financial Statements

For the year ended June 30, 2015

- 16.01** Current portion of long term financing includes principal installments amounting to Rs. 738 (2014: 586.85) million which became due for reasons as disclosed in note 9.

	2015	2014
	(Rupees in "000")	
17. PROVISION FOR TAXATION		
Opening balance	226,743	146,980
Add: Taxation - current	163,736	200,600
	390,479	347,580
Less: Tax payments /adjustments during the year	226,743	120,837
	163,736	226,743

18. CONTINGENCIES AND COMMITMENTS

Contingencies

- 18.01** Multan Electric Power Company Limited (MEPCO), taken-over by WAPDA in May 1981, had served notice on the Company under Martial Law Regulation No. 125 of 1972 for payment of Rs. 15.69 million on account of cost of two transformers and grid-station along with benefits derived and interest accrued thereon up to April 1981 as against a liability of Rs. 1.10 million admitted by MEPCO in the written statements filed by it in the civil suit instituted by the Company before the Senior Civil Judge, Lahore. The Company challenged the illegal proceedings through a writ petition in the Lahore High Court which is at the stage of intra-court appeal pending before the Lahore High Court, Multan Bench and in which a stay order has been issued against a bank guarantee of Rupees 1.10 million arranged by the Company. MEPCO on the other hand owes to the Company Rupees 1.445 million (including unpaid dividend and interest thereon not incorporated in these financial statements). A suit has been filed by the Company for recovery of balance amount which is pending with the Court of Senior Civil Judge, Lahore.
- 18.02** The Collectors of Customs, Sales Tax and Central Excise, in preceding year raised a demand of Rs. 2.25 million relating to inadmissible input tax claim of sales tax on sui gas bills, transformers and high power cables. In addition to the above, the Collector also raised demand of sales tax on inadmissible input tax on electricity bills amounting to Rs. 1.52 million. The Company has filed an appeal with Customs, Excise and Sales Tax Appellate Tribunal against the aforementioned orders which is still pending adjudication with the Tribunal. The Company has deposited Rs. 1.102 million against demand raised by the Collector in respect of inadmissible input tax on electricity, under the directions of the Tribunal. The Company has deposited Rs. 0.56 million as one-fourth of the demand of Rs. 2.25 million raised in respect of other issues. The case is pending adjudication with the Tribunal and the Company expects a favourable outcome in this regard.
- 18.03** The Company imported textile machinery availing exemptions from customs duty and sales tax on import thereof under S.R.Os. 554(I)/97, 987 (I)/99, and 439(I)/2001. The Company has submitted indemnity bonds to the customs authorities in this regard. In case, the conditions of above mentioned S.R.Os are violated, the amount of customs duty and sales tax exempted aggregating Rs. 89.51 million shall be recovered along with such penalties imposed in this regard under section 202 of the Customs Act, 1969. The conditions of the said SRO vis-à-vis export of 50% of additional production during first three years and 60% of the additional production during subsequent two years has been complied with. Audit of first three years has been conducted by the department and has given compliance certificate and audit of second period is in the process. Since all the conditions have been complied with, no liability will accrue in this respect.

Notes to the Financial Statements

For the year ended June 30, 2015

- 18.04** In 1981, the Company issued non-convertible debentures to a consortium of banks and financial institutions. Subsequently, under authority of State Bank of Pakistan's circular No.19 dated June 05, 1997, the Company arrived on a settlement with all but one lender, State Life Insurance Corporation of Pakistan (SLIC), for its share of less than Rs. 01 million. On a petition by the Company, the Lahore High Court, Lahore, decreed the case in favour of the Company. However SLIC has filed an intra-court appeal against which the Company expects a favourable outcome.
- 18.05** The Company filed a suit in the Court of Civil Judge, Multan for recovery of Rs.2.49 million from Cotton Trading Corporation of Pakistan Limited on account of loss of profit, damages and shortages caused due to nationalization of Model Ginning & Oil Mills Limited. In 1996, the Court issued a decree in favour of the Company for Rs. 1.30 million along with interest at the rate of 7% per annum to be calculated from the date of institution of the suit until the date of realization of the decreed amount. The Company, however, has not accepted the said decision and filed a writ petition with the Lahore High Court, Multan Bench which is pending for adjudication.
- 18.06** The Company has filed an appeal before the Appellate Tribunal, Customs, Central Excise & Sales Tax, Lahore under Section 46 of the Sales Tax Act, 1990 against rejection of its refund claim amounting to Rs. 3.21 million on account of sales tax paid on processed fabrics, by the Collector of Customs, Central Excise & Sales Tax (Appeals) Lahore.
- 18.07** Bank guarantees amounting to Rs. 289.934 (2014 Rs. 274.70 million).

	2015	2014
	(Rs. in Million)	
Commitments		
Under letters of credit for the import of raw material	<u>9.90</u>	<u>64.01</u>

Notes to the Financial Statements

For the year ended June 30, 2015

19 PROPERTY, PLANT AND EQUIPMENT

Operating assets
Capital work in progress

	Note	2015 Rupees ('000')	2014 Rupees ('000')
Operating assets	19.01	19,103,555	18,703,906
Capital work in progress	19.04	687,404	1,319,460
		<u>19,790,959</u>	<u>20,023,366</u>

19.01 The following is a statement of operating fixed assets (tangible):

	Free hold land	Building on free hold land	Plant, machinery & equipment	Factory tools and equipment	Furniture & fixture	Office and hospital equipment	Library books	Vehicles	Leased Plant and machinery	Leased Vehicles	Total
At 30 June 2013											
Cost	2,024,151	3,121,885	15,554,101	380,381	36,548	26,517	44	115,341	778,344	15,172	22,052,484
Accumulated depreciation	-	(592,883)	(2,592,380)	(38,236)	(20,295)	(16,448)	(44)	(82,961)	(130,231)	(8,922)	(3,462,400)
Net book value	2,024,151	2,529,002	12,961,717	342,145	16,252	10,069	-	52,380	648,113	6,250	18,590,082
Year ended 30 June 2014											
Additions/Transfer	-	110,060	754,692	72,803	1,983	3,909	-	13,606	-	-	957,053
Transfers with in fixed assets											
Cost	-	-	340,982	-	-	-	-	-	(340,982)	-	-
Accumulated depreciation	-	-	(26,551)	-	-	-	-	-	26,551	-	-
Net book value	-	-	314,431	-	-	-	-	-	(314,431)	-	-
Disposals (note 19.02)											
Cost	-	-	-	-	-	(162)	-	(7,155)	-	(3,818)	(11,136)
Depreciation	-	-	-	-	-	120	-	3,185	-	2,388	5,693
Net book value	-	-	-	-	-	(42)	-	(3,970)	-	(1,430)	(5,443)
Depreciation charge for the year											
19.01	-	(111,047)	(652,417)	(34,564)	(1,455)	(1,534)	-	(7,456)	(28,315)	(998)	(837,786)
Net book value as at 30 June 2014	2,024,151	2,528,015	13,378,423	380,383	16,780	12,401	-	54,560	305,366	3,822	18,703,906
Year ended 30 June 2015											
Additions	-	-	529,279	1,556	1,929	2,553	-	2,995	-	-	538,312
Transfers from capital work in progress	-	250,449	450,068	-	-	-	-	-	-	-	700,517
Disposals (note 19.02)											
Cost	-	-	(380)	-	-	-	-	(900)	-	-	(1,280)
Depreciation	-	-	48	-	-	-	-	629	-	-	677
Net book value	-	-	(332)	-	-	-	-	(271)	-	-	(603)
Depreciation charge for the year											
(note 19.01)	-	(126,435)	(689,773)	(19,041)	(880)	(1,306)	-	(5,492)	(15,268)	(382)	(838,577)
Net book value as at 30 June 2015	2,024,151	2,652,029	13,687,605	362,898	17,820	13,448	-	51,792	290,098	3,440	19,103,555

Notes to the Financial Statements

For the year ended June 30, 2015

	Free hold land	Building on free hold land	Plant, machinery & equipment	Factory tools and equipment	Furniture & fixture	Office and hospital equipment	Library books	Vehicles	Leased plant and machinery	Leased Vehicles	Total
At 30 June 2014											
Cost	2,024,151	3,231,945	16,308,793	453,184	38,530	30,264	44	121,792	778,344	11,354	22,998,400
Accumulated depreciation		(703,930)	(2,930,366)	(72,800)	(21,750)	(17,863)	(44)	(67,232)	(472,978)	(7,531)	(4,294,494)
Net book value in Rupees ('000')	2,024,151	2,528,015	13,378,423	380,383	16,780	12,401	-	54,560	305,366	3,822	18,703,906
Annual rates (%) of depreciation 2014	-	5	5	5	5	10	15	10	5	10	
At 30 June 2015											
Cost	2,024,151	3,482,394	17,287,760	454,740	40,459	32,817	44	123,887	778,344	11,354	24,235,949
Accumulated depreciation		(830,365)	(3,600,091)	(91,841)	(22,630)	(19,169)	(44)	(72,095)	(498,246)	(7,913)	(5,132,394)
Net book value in Rupees ('000')	2,024,151	2,652,029	13,687,669	362,899	17,829	13,648	-	51,792	280,098	3,440	19,103,555
Annual rates (%) of depreciation 2015	-	5	5	5	5	10	15	10	5	10	

19.01 Depreciation charge for the year has been allocated as follows:

	2015	2014
	Rupees ('000')	Rupees ('000')
Cost of Sale	824,335	826,022
Administrative Expenses	14,242	11,764
	<u>838,577</u>	<u>837,786</u>

19.02 DISPOSAL OF PROPERTY, PLANT & EQUIPMENT

The following operating fixed assets with a net book value exceeding Rs. 50,000 were disposed off during the year.

PARTICULARS	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	SALE PROCEEDS	PROFIT	MODE OF DISPOSAL	BUYER'S NAME
MLE-05-7821	900	629	271	750	479	Disposal	Insurance claim
Face Scanners	380	48	332	380	48	Negotiation	Solo Tech
Rupees ('000') 2015	1,280	677	603	1,130	527		
Rupees ('000') 2014	10,974	5,693	5,281	7,139	1,858		

19.03 No impairment relating to operating fixed assets has been recognised in the current year.

19.04 Capital work in progress

	30 June 2015	30 June 2014
	Rupees ('000')	Rupees ('000')
Plant and machinery	486,814	889,382
Civil work	200,590	430,078
Total	687,404	1,319,460
Movement in capital work in progress		
Opening	1,319,460	1,218,090
Addition during the year	68,461	516,243
Transferred to Operating Assets	1,387,921	1,734,333
Closing	(700,517)	(414,873)
	687,404	1,319,460

19.05 Charge/mortgage on fixed assets has been disclosed in respective notes.

19.06 The company's obligation under finance lease are secured by lessor's title to the leased assets, which have a carrying amount of Rs. 293.53 (2014: Rs. 306.19 million).

19.07 Addition in plant & machinery includes capitalization of borrowing cost of Rs. 47.5 million (2014: 28.50 million).

Notes to the Financial Statements

For the year ended June 30, 2015

20. INVESTMENT PROPERTY

	2015	2014
	(Rupees in "000")	
Opening balance	431,615	408,135
Addition during the year	-	23,480
	<u>431,615</u>	<u>431,615</u>

The fair value has been arrived on the basis of a valuation carried out by Empire Enterprises (Private) Limited, an independent valuer not connected with the company and on approved panel of Pakistan Banks' Association as at 30 June 2015. The valuation was arrived at by reference to market evidence of transaction price for similar land. Previously, the valuation was carried out by Empire Enterprises (Private) Limited as at 30 June 2014.

21. LONG TERM INVESTMENTS

	Notes	2015	2014
		(Rupees in "000")	
Investment in Imperial Sugar Mills Limited (related party)	21.01	246,441	289,516
Investment - available for sale	21.02	1,010	1,086
		<u>247,451</u>	<u>290,602</u>

21.01 Investment in Imperial Sugar Limited (IMSL) - related party

At equity method - Quoted

Being significant influence over IMSL

Fully paid ordinary shares

Fully paid ordinary shares

Cost

Share of post acquisition profits

Carrying amount of investment

Market value per share

No. of shares held

Ownership interest

Rupees
Number
percentage

246,441	289,516
<u>246,441</u>	<u>289,516</u>
100,459	100,459
145,982	189,057
<u>246,441</u>	<u>289,516</u>
5.00	8.77
<u>15,862,960</u>	<u>15,862,960</u>
<u>16.02%</u>	<u>16.02%</u>

Summarised financial information in respect of the Company's related party is set out below:

Non-current assets	3,281,318	3,239,127
Current assets	1,356,979	1,990,560
	<u>4,638,297</u>	<u>5,229,687</u>
Non-current liabilities	654,782	321,474
Current liabilities	2,450,419	3,100,998
	<u>3,105,201</u>	<u>3,422,472</u>
Net assets	<u>1,533,096</u>	<u>1,807,215</u>
Revenue	1,844,102	4,397,475
Loss for the year/period	(268,885)	(109,139)
Company's share in IMSL's loss for the year	<u>(43,075)</u>	<u>(17,484)</u>

Notes to the Financial Statements

For the year ended June 30, 2015

Due to non availability of annual audited financial statements of Imperial Sugar Limited at the date of authorization for issue of these financial statements, equity method has been applied on latest available unaudited financial statements for nine month ended 30 June 2015/2014 and audited financial statement for the quarter ended 30 September 2014/2013.

	2015 (No. of Shares/Bonds)	2014 (Rupees in "000")	2015 (Rupees in "000")	2014 (Rupees in "000")
21.02 Investment - available for sales				
Quoted - at fair value				
Colony Woolen Mills Limited	70,506	70,506	282	282
Azgard Nine Limited	67,457	67,457	328	404
Colony Thal Textile Mills Limited	6	6	-	-
	137,969	137,969	610	686
Unquoted - at cost				
Government Compensation Bonds	400	400	400	400
	138,369	138,369	1,010	1,086

Government Compensation Bonds for Rs. 0.4 million (2014: Rs. 0.4 million) are receivable from the Federal Government in respect of shares held by the Company in the share capital of Multan Electric Supply Company Limited. The Company has challenged the withholding of these Bonds through writ petition filed in the Lahore High Court, Lahore, which is still pending for final adjudication.

	Notes	2015 (Rupees in "000")	2014 (Rupees in "000")
22. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		196,028	177,185
Spares		63,967	68,454
Loose tools		491	478
		260,486	246,117
Provision for slow moving items		(6,512)	(4,570)
		253,974	241,547
23. STOCK IN TRADE			
Textile			
Raw material		613,612	1,128,312
Work in process		414,652	489,205
Finished goods		3,713,376	3,065,223
		4,741,640	4,682,740
Real Estate Business			
Land held for development and resale	23.01	496,747	496,747
		5,238,387	5,179,487

23.01 This includes 65.9 kanals of land mortgaged with bank as mentioned in note 9.09.

Notes to the Financial Statements

For the year ended June 30, 2015

	Notes	2015 (Rupees in "000")	2014
24. TRADE DEBTS - considered good			
Foreign - secured	24.01	369,564	356,806
Local - unsecured:			
Considered good		146,114	640,291
Considered doubtful		4,506	12,502
		<u>520,184</u>	<u>1,009,599</u>
Provision for doubtful trade debts	24.02	(4,506)	(12,502)
		<u>515,678</u>	<u>997,097</u>
24.01 These are secured against irrevocable letters of credit.			
24.02 Provision for doubtful debts			
Opening balance		12,502	9,595
Provision made during the year		4,506	2,907
		<u>17,008</u>	<u>12,502</u>
Less: Provision written off during the year		12,502	-
Closing balance		<u>4,506</u>	<u>12,502</u>
25. LOANS AND ADVANCES			
Considered good:			
Loans to employees		15,936	10,863
Advances to:			
-Suppliers		83,669	160,468
-Letters of credit fee, margin and expenses		90,542	13,051
-Contractors		781	568
		<u>190,928</u>	<u>184,950</u>
26. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		78,098	57,856
Other receivables		14,162	21,589
		<u>92,260</u>	<u>79,445</u>
27. OTHER FINANCIAL ASSETS			
Other financial assets	27.01	33	30

27.01 These include shares of listed companies classified as held for trading through profit and loss account.

2015 (No. of Shares/Bonds)	2014		2015 (Rupees in "000")	2014
		Quoted - at fair value		
189	189	Oil and Gas Development Corporation Limited	11	23
250	250	Maple Leaf Cement Factory Limited	22	7
<u>439</u>	<u>439</u>		<u>33</u>	<u>30</u>

Notes to the Financial Statements

For the year ended June 30, 2015

	Notes	2015 (Rupees in "000")	2014
28. TAX REFUNDS DUE FROM THE GOVERNMENT			
Sales tax		209,267	214,934
Income tax refundable/adjustable		414,428	348,705
		<u>623,695</u>	<u>563,639</u>
29. CASH AND BANK BALANCES			
Cash in hand		832	139
Cash at banks			
-in current accounts		50,161	51,485
-in deposit accounts	29.01	7,278	13,257
		<u>58,271</u>	<u>64,881</u>

29.01 These carry profit/mark-up ranging from 7% to 7.50 % (2014: 4.50 % to 4.70%) p.a.

	2015 (Rupees in "000")	2014
30. SALES		
Local		
Yarn and Fabric	10,675,316	12,962,030
Raw material sales	169,290	713,291
Waste	135,724	328,729
	<u>10,980,330</u>	<u>14,004,050</u>
Export		
Yarn	2,730,656	3,427,372
Fabric	2,289,055	4,923,479
	<u>5,019,711</u>	<u>8,350,851</u>
	<u>16,000,041</u>	<u>22,354,901</u>
Commission	(42,936)	(68,956)
	<u>15,957,105</u>	<u>22,285,945</u>

30.01 Sales are shown net of sales tax amounting to Rs. 235,614 (2014: 266,940) thousand.

Notes to the Financial Statements

For the year ended June 30, 2015

	Notes	2015 (Rupees in "000")	2014
31. COST OF SALES			
Raw material consumed	31.01	10,707,469	15,507,010
Cost of purchased goods sold		-	286,476
Stores consumed		712,147	568,526
Staff salaries, wages and benefits	31.02	1,304,219	1,474,670
Power and fuel		2,131,733	2,657,215
Repair and maintenance		18,730	23,708
Insurance		58,619	65,921
Rent, rates and taxes		3,502	2,465
Other manufacturing expenses		2,528	7,062
Depreciation	19.01	824,335	826,022
Outside processing charges		43,113	45
		15,806,395	21,419,120
Work in process:			
Opening		489,205	395,021
Closing		(414,652)	(489,205)
		74,553	(94,184)
Cost of goods manufactured		15,880,948	21,324,936
Finished goods:			
Opening stock		3,065,223	2,352,070
Closing stock		(3,713,376)	(3,065,223)
		(648,153)	(713,153)
		15,232,795	20,611,783
31.01 Raw material consumed			
Opening stock		1,128,312	1,808,194
Purchases including purchase expenses		10,192,769	14,827,128
		11,321,081	16,635,322
Closing stock		(613,612)	(1,128,312)
		10,707,469	15,507,010

31.02 Salaries, wages and other benefits include provision for staff retirement benefits for the year Rs. 39,604 (2014: Rs. 42,603) thousand.

	2015 (Rupees in "000")	2014
32. DISTRIBUTION COST		
Staff salaries and benefits	7,422	12,240
Rent, rate and taxes	982	1,531
Freight	75,092	80,557
Telecommunication	4,107	3,487
Export forwarding charges	158,813	207,465
Bank charges	1,706	3,493
Others	2,286	6,663
	250,408	315,436

Notes to the Financial Statements

For the year ended June 30, 2015

	Notes	2015 (Rupees in "000")	2014
33. ADMINISTRATIVE EXPENSES			
Staff salaries and benefits	33.01	115,928	113,701
Printing and stationery		1,316	911
Travelling and conveyance		17,637	16,878
Communication		3,785	5,571
Rent, rates and taxes		1,706	880
Repair and maintenance		22,238	19,192
Insurance		1,236	3,173
Advertisement		99	236
Fee and subscription		4,097	8,326
Provision for doubtful debts		4,506	2,907
Provision for slow moving stores, spares and loose tools		1,942	1,897
Entertainment		6,807	6,174
Auditors' remuneration	33.02	2,700	2,675
Donation	33.03	6,968	8,193
Legal and professional charges		5,876	6,349
Depreciation	19.01	14,242	11,764
Others		1,350	11,183
		212,433	220,010

33.01 Salaries, wages and other benefits include provision for staff retirement benefits for the year Rs. 9,654 (2014: 10,651) thousand.

	2015 (Rupees in "000")	2014
33.02 Auditors' remuneration		
Statutory audit fee	2,400	2,400
Review fee	200	175
CCG	50	50
Out of pocket expenses	50	50
	2,700	2,675

33.03 No director or his / her spouse had any interest in the donees' fund.

34. FINANCE COST

Bank charges and commission	49,454	44,361
Mark-up on inland bill discounting	18,637	9,698
Mark-up on;		
- Long term finance	571,387	894,619
- Short term borrowings	503,427	518,593
- Liabilities against assets subject to finance lease	7,463	6,791
	1,082,277	1,420,003
	1,150,368	1,474,062

Notes to the Financial Statements

For the year ended June 30, 2015

	Notes	2015 (Rupees in "000")	2014
35. OTHER OPERATING CHARGES			
Sales tax	35.01	-	15,000
		-	15,000

35.01 The sales tax had been paid at the rate of 2% of the value of total supplies through special return as required by S.R.O. 179 (1)/2013 issued by the Federal Board of Revenue.

	2015 (Rupees in "000")	2014
36. OTHER INCOME		
Income from financial assets		
Profit on deposits with banks	811	2,070
Exchange gain - unrealised	-	2,293
Exchange gain - realised	24,860	32,536
Amortization of deferred mark-up	61,369	286,001
Gain on remeasurement of investments	3	4
Income from other than financial assets		
Gain on sale of property, plant and equipment	527	1,859
Share of loss from investment in ISUML	(43,075)	(17,484)
Miscellaneous income	2,553	9,384
	<u>47,048</u>	<u>316,663</u>
37. TAXATION		
Taxation		
-Current year	163,736	200,600
-Prior years	(158,384)	-
	<u>5,352</u>	<u>200,600</u>
Deferred	49,554	-
	<u>54,906</u>	<u>200,600</u>

- Income tax return has been filed to the income tax authorities up to and including tax year 2014 under the provisions of the Income Tax Ordinance, 2001.

- Provision for taxation has been made in accordance with section 154 and 113 of the Income Tax Ordinance, 2001 ("The Ordinance"). There is no relation between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented.

Notes to the Financial Statements

For the year ended June 30, 2015

	Notes	2015 (Rupees in '000')	2014
38. EARNINGS PER SHARE			
Basic Earnings per share:			
Loss after taxation	Rupees ('000')	(896,757)	(234,283)
Weighted average number of ordinary shares	Number ('000')	498,010	498,010
Loss per share - basic and diluted	Rupees	(1.80)	(0.47)

Diluted Earnings per share:

There is no dilutive effect on the basic earnings per share of the company because the company has no outstanding potential ordinary share.

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE		EXECUTIVES	
	2015	2014	2015	2014
	Rupees ('000')		Rupees ('000')	
Managerial remuneration	5,455	5,455	26,164	24,673
Retirement benefits	455	435	2,180	1,284
Medical	545	545	2,616	2,928
	6,455	6,435	30,960	28,885
Number of Executives	1	1	34	34

39.01 Certain executives including the Chief Executive Officer of the company are also provided with free use of Company's cars in accordance with their entitlements.

Notes to the Financial Statements

For the year ended June 30, 2015

40. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertakings, directors, key management personnel and post employment benefits plan. Remuneration of Chief Executive Officer is disclosed in note 39. Other significant transactions with related parties are as follows:

	2015	2014
	(Rupees in "000")	
Related parties		
Contribution to provident fund trust	15,660	10,200

41. PLANT CAPACITY AND ACTUAL PRODUCTION

Spinning division:

Ring end spinning:

Total number of shifts	1,035	915
Number of spindles installed	221,656	221,656
Number of spindles worked	198,865	209,553
Installed capacity after conversion into 20/S count (Kgs.)	75,526,500	75,526,500
Actual production of yarn after conversion into 20/S count (Kgs)	62,184,599	60,531,235

Open end spinning:

Total number of shifts	1,035	1,095
Number of rooters installed	2,880	2,880
Number of rooters worked	2,263	2,417
Installed capacity after conversion into 20/S count (Kgs.)	3,996,199	3,996,199
Actual production of yarn after conversion into 20/S count (Kgs)	2,753,430	3,786,593

Weaving Division:

Total number of shifts	1,045	915
Number of weaving machines-installed	419	419
Number of weaving machines-worked	370	419
Installed capacity after conversion into 60 picks (Lbs)	33,015,504	33,015,504
Actual production of fabric after conversion into 60 picks (Lbs)	26,463,942	26,290,232

Reason for shortfall

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

Notes to the Financial Statements

For the year ended June 30, 2015

	Notes	2015 (Rupees in "000")	2014
42. PROVIDENT FUND			
The following information is based on the latest un-audited financial statement of the trust:			
Size of the fund - Total assets		98,271	76,533
Cost of investments made	42.01	66,036	61,257
Percentage of investments made		67.20%	80.00%
Fair value of investments		66,036	61,257

	2015		2014	
	Rs. ("000")	Percentage	Rs. ("000")	Percentage
42.01 The break-up of fair value of investments is:				
Loan to members	23,045	34.90%	20,281	33.11%
Bank balances	8,366	12.67%	9,927	16.21%
Government securities	34,625	52.43%	31,049	50.69%
	66,036	100.00%	61,257	100.00%

	2015	2014
43. NUMBER OF EMPLOYEES		
The total and average number of employees during the year and as at 30 June 2015/30 June 2014 are as follows:		
Number of employees as at year end	7,375	7,978
Average number of employees during the year	7,921	9,357

44. FINANCIAL INSTRUMENTS

44.01 The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

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

Notes to the Financial Statements

For the year ended June 30, 2015

44.02 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from deposits, trade debts, loans, advances and other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2015	2014
	(Rupees in "000")	
Financial assets as per balance sheet		
Long term deposits	49,650	58,193
Trade debts	520,184	1,009,599
Loans and advances	15,936	10,863
Trade deposits and short term prepayments	92,260	79,445
Bank balances	57,439	64,742
Held for trading Investments		
Quoted - at fair value	33	30
Available for sale Investments		
Quoted - at fair value	610	686
Unquoted - at cost	400	400
	736,512	1,223,958

The Company's credit risk exposures are categorized under the following headings:

Counter parties

The Company conducts transactions with the following major counter parties.

- Trade debtors

- Banks and other financial institutions

The Company has adopted a policy of only dealing with creditworthy counter parties 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 counter parties. Credit exposure is controlled by counter party limits that are reviewed and approved by the management annually.

Credit risk related to trade debts

Trade debts are essentially due from local and foreign customers against sale of yarn, fabric and waste material and the Company does not expect these counterparties to fail to meet their obligations. The majority of sales to the Company's customers are made on specific terms. Customer credit risk is managed subject to established policies, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on past experience with the customer. Outstanding customer receivables are regularly monitored and any shipments to foreign customers are generally covered by letters of credit.

Notes to the Financial Statements

For the year ended June 30, 2015

2015
(Rupees in "000")

2014

Trade receivables are non-interest bearing and are generally on 60 to 90 days credit terms.

Impairment losses

The aging of trade debts at the reporting date was

0 to 30 days	694,286	772,950
31 to 180 days	118,718	224,179
181 to 360 days	2,674	2,438
Over one year	4,506	10,032
	820,184	1,009,599

Trade debtors include debtors with a carrying amount of Rs. 125.89 million (2014: 236.65 million) which are past due at the reporting date but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Concentration of credit risk

Trade debts consist of a large number of diversified customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable where appropriate. Geographically, there is no concentration of credit risk.

Credit risk related to banks and other financial institutions

Credit risk on balances with banks is managed by management in accordance with the Company's policy. Excess funds are placed in deposits with reputable banks and financial institutions.

44.03 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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. Management has rescheduled the loan financing with The Bank of Punjab and is also in process of rescheduling with National Bank of Pakistan. Furthermore, support from sponsors in the form of interest free loans to meet liquidity shortfall is also contributory to minimize liquidity risk.

The Company manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 14.02 is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

Notes to the Financial Statements

For the year ended June 30, 2015

44.03.1 Liquidity risk table

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

June 30, 2015						
Interest/Mark-up bearing			Non interest/Mark-up bearing			
Maturity within One Year	Maturity after One Year	Sub Total	Maturity within One Year	Maturity after One Year	Sub Total	Total
Rupees ('000')						

Financial Liabilities

Financial liabilities measured at amortized cost	-	-	-	-	4,347,285	4,347,285	4,347,285
Long term finance	995,122	8,753,303	9,748,425	-	-	-	9,748,425
Director's subordinated loan	-	-	-	-	120,000	120,000	120,000
Liabilities against assets subject to finance lease	26,665	64,178	90,843	-	-	-	90,843
Short-term borrowings	4,315,040	-	4,315,040	-	-	-	4,315,040
Trade and other payables	-	-	-	1,705,391	-	1,705,391	1,705,391
Accrued mark up	1,172,999	-	1,172,999	-	-	-	1,172,999
	6,509,826	8,817,481	15,327,307	1,705,391	4,467,285	6,172,676	21,499,983

June 30, 2014						
Interest/Mark-up bearing			Non interest/Mark-up bearing			
Maturity within One Year	Maturity after One Year	Sub Total	Maturity within One Year	Maturity after One Year	Sub Total	Total
Rupees ('000')						

Financial Liabilities

Financial liabilities measured at amortized cost	-	-	-	-	4,209,295	4,209,295	4,209,295
Long term finance	1,670,068	7,341,006	9,011,074	-	-	-	9,011,074
Director's subordinated loan	-	-	-	-	120,000	120,000	120,000
Liabilities against assets subject to finance lease	35,780	50,581	86,361	-	-	-	86,361
Short-term borrowings	4,495,475	-	4,495,475	-	-	-	4,495,475
Trade and other payables	-	-	-	1,381,444	-	1,381,444	1,381,444
Accrued mark up	948,806	-	948,806	-	-	-	948,806
	7,150,129	7,391,587	14,541,716	1,381,444	4,329,295	5,710,739	20,252,455

Effective markup / interest rates have been disclosed in respective notes to the financial statements.

Notes to the Financial Statements

For the year ended June 30, 2015

44.04 Market risk

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

44.04.1 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.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The Company is exposed to currency risk on trade debts which are denominated in currency other than the functional currency of the Company. The Company's exposure to foreign currency risk is as follows:

	2015		2014	
	Rupees ("000")	US \$ ("000")	Rupees ("000")	US \$ ("000")
Trade debts	<u>369,564</u>	<u>3,634</u>	<u>356,806</u>	<u>3,613</u>

	2015	2014
	Rupees	Rupees
The following US Dollar exchange rates were applied during the year		
Average rate	<u>101.70</u>	<u>102.65</u>
Balance sheet date rate	<u>101.69</u>	<u>98.75</u>

Sensitivity analysis - foreign currency

At 30 June 2015, if the Rupee had weakened / strengthened by 5% against the US Dollar with all other variables held constant, Profit for the year would have been lower / higher by Rs. 18.478 million (2014: 17.84 million), as a result of foreign exchange gains / losses on translation of foreign currency trade debts. Profit / (loss) is more sensitive to movement in Rupee / foreign currency exchange rates in 2015 than 2014 because of average increase in foreign currency exchange rate during the year.

Notes to the Financial Statements

For the year ended June 30, 2015

44.04.2 Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The Company has significant amount of interest based financial assets and financial liabilities which are largely based on variable interest / mark-up rates, therefore the Company has to manage the related finance cost which exposes it to the risk of 01 month, 3 months and 6 months KIBOR. Since the impact on interest rate exposure is significant to the Company, management is considering the alternative arrangement to manage interest rate exposure in future.

	2015	2014
	(Rupees in "000")	
Fixed rate instruments		
There are no fixed rate instruments.		
Variable rate instruments		
Financial assets		
Cash in deposit accounts	7,278	13,257
Financial liabilities		
Long term finance	8,753,303	9,011,074
Short term finance	4,315,040	4,495,475
Liabilities against assets subject to finance lease	64,178	86,361
	13,132,521	13,592,910

Sensitivity analysis - interest rate

If interest rates had been 1 % higher / lower and all other variables were held constant, the Company's profit / (loss) for the year ended 30 June 2015 would have decreased / increased by Rs. 131.25 (2014: Rs. 135.79) million. This is mainly attributable to the Company's exposure to interest rates on its variable rate financial instruments.

44.04.3 Other price risk

Other price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not materially exposed to other price risk on financial assets and liabilities.

44.04.4 Financial instruments by category

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

Notes to the Financial Statements

For the year ended June 30, 2015

2015
(Rupees in "000")

2014

Financial assets as per balance sheet

Loan and receivable

Long-term deposits	49,650	58,193
Trade debts	520,184	1,009,599
Loans and advances	15,936	10,863
Trade deposits and short term prepayments	92,260	79,445
Bank balances	57,439	64,742

Held for trading Investments

Quoted - at fair value	33	30
------------------------	----	----

Available for sale Investments

Quoted - at fair value	610	686
Unquoted - at cost	400	400
	<u>736,512</u>	<u>1,223,958</u>

Financial liabilities as per balance sheet

Financial liabilities measured at amortized cost	4,347,285	2,122,388
Long term finance	9,748,425	9,011,074
Director' subordinated loan	120,000	120,000
Liabilities against assets subject to finance lease	90,843	86,361
Short-term borrowings	4,315,040	4,495,475
Trade and other payables	1,705,391	1,381,444
Accrued mark up	1,172,999	948,806
	<u>21,499,983</u>	<u>18,165,548</u>

44.05 Fair values

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 other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

44.05.1 Fair value hierarchy

Following are three levels in fair value hierarchy that reflects the significance of the inputs used in measurement of fair values of financial instruments.

Level 1: Quoted prices (unadjusted) in active market 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 asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements

For the year ended June 30, 2015

The Company has financial assets at fair value of Rs. 0.36 million (2014: 0.43 million) which is valued under level 1 valuation method. The Company does not have any investment in level 2 and 3 category.

45. CAPITAL MANAGEMENT

The Company's objectives, policies and processes for managing capital are as follows:

- The Company is not subject to any externally imposed capital requirements.
- The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
- Consistently with others in the industry, the company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e., share capital, reserves and unappropriated profit).
- The Company's strategy is to maintain its debt-to-adjusted capital ratio between 40% to 60%. The debt-to-adjusted capital ratios at 30 June 2015 and 30 June 2014 were as follows:

	2015	2014
	(Rupees in "000")	
Total debt	13,252,521	13,712,910
Less: Cash and cash equivalents	57,439	64,742
Net debt	13,195,082	13,648,168
Total equity	8,667,437	9,564,270
Total capital employed	21,862,519	23,212,438
Gearing ratio (%)	60.35%	58.80%

46. NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

There were no non-adjusting events after the balance sheet date.

Notes to the Financial Statements

For the year ended June 30, 2015

47. SEGMENT INFORMATION

Sales:

External

Inter segment

Cost of Sales

Gross Profit

Distribution Cost

Administration Cost

Finance cost

Other operating charges

Loss before unallocated income and expenses

Unallocated income and expenses

Other Income

Loss before tax

Taxation

Loss after tax for the year

Other comprehensive income:

Remeasurement of staff retirement benefits

Loss on remeasurement of investments

Total comprehensive loss for the year

Reconciliation of reportable segment assets and liabilities

Total assets for reportable segments

Unallocated assets:

Investment property

Long term investments

Cash and bank balances

Other corporate assets

Total assets as per balance sheet

Unallocated liabilities:

Directors Subordinated Loan

Provision for taxation

Other corporate liabilities

Total liabilities as per balance sheet

Spinning		Weaving		Total Company	
Jun-15	Jun-14	Jun-15	Jun-14	Jun-15	Jun-14
Rupees ('000')					
11,599,685	16,935,970	4,357,420	5,349,975	15,957,105	22,285,945
215,833	652,777	(215,833)	(652,777)	-	-
11,815,518	17,588,747	4,141,587	4,697,198	15,957,105	22,285,945
11,299,940	16,489,426	3,932,855	4,122,357	15,232,795	20,611,783
515,578	1,099,321	208,732	574,841	724,310	1,674,162
150,245	223,960	100,163	91,476	250,408	315,436
167,460	156,207	44,973	63,803	212,433	220,010
317,705	380,167	145,136	155,279	462,841	535,446
197,873	719,154	63,596	419,562	261,469	1,138,716
731,211	914,437	419,157	559,625	1,150,368	1,474,062
(533,338)	(195,283)	(355,561)	(140,063)	(888,899)	(335,346)
-	15,000	-	-	-	15,000
(533,338)	(210,283)	(355,561)	(140,063)	(888,899)	(350,346)
				47,048	316,663
				(841,851)	(33,683)
				54,906	200,600
				(896,757)	(234,283)
				-	1,426
				(76)	(25)
				(896,833)	(232,882)

Spinning		Weaving		Total Company	
Jun-15	Jun-14	Jun-15	Jun-14	Jun-15	Jun-14
Rupees ('000')					

11,350,812 11,343,219 8,440,147 8,680,147 19,790,959 20,023,366

431,615 431,615

247,451 290,602

58,271 64,881

6,964,605 7,304,388

27,492,901 28,114,852

120,000 120,000

163,736 226,743

27,209,165 27,768,109

27,492,901 28,114,852

Notes to the Financial Statements

For the year ended June 30, 2015

48. CASH GENERATED FROM OPERATIONS

2015 2014
(Rupees in "000")

CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation	(841,851)	(33,683)
Adjustments for:		
Provision for staff retirement benefits	35,806	53,254
Depreciation	838,577	837,786
Finance cost	1,150,368	1,474,062
Share of loss from investment in IMSL	43,075	17,484
Gain on remeasurement of short term investments	(3)	(4)
Provision for slow moving stores, spares and loose tools	1,942	4,570
Provision for doubtful trade debts	4,506	12,502
Foreign exchange gain	-	(2,293)
Amortization of deferred mark up	(61,369)	(286,001)
Gain on disposal of property, plant and equipment	(527)	(1,859)
	2,012,375	2,109,501
Operating cash flows before working capital changes	1,170,524	2,075,818
Changes in working capital:		
(Increase)/Decrease in current assets:		
Stores, spares and loose tools	(14,369)	244
Stock-in-trade	(58,900)	(127,455)
Trade debts	476,913	483,661
Loans and advances	(5,978)	33,484
Trade deposits and short term prepayments	(12,815)	16,195
Increase/(Decrease) in current liabilities:		
Trade and other payables	465,740	28,609
	850,591	434,738
Cash generated from operations	2,021,115	2,510,556

49. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved and authorized for issue on 09 October 2015 by the Board of Directors of the Company.

50. GENERAL

- Figures have been rounded off to the nearest Rupees in thousand except where stated otherwise.
- Corresponding figures have been rearranged/reclassified, wherever necessary, to facilitate comparison.

Chief Financial Officer

Director

Chief Executive Officer

Pattern of Shareholding

As on June 30, 2015

No. of Shareholders	From	Shareholding	To	Number of Shares Held
243	1		100	8,051
431	101		500	134,231
455	501		1000	358,293
985	1001		5000	2,592,546
381	5001		10000	2,855,119
154	10001		15000	1,917,152
110	15001		20000	1,930,486
61	20001		25000	1,407,878
33	25001		30000	921,441
52	30001		35000	1,708,516
30	35001		40000	1,156,108
19	40001		45000	812,909
19	45001		50000	931,917
4	50001		55000	209,614
19	55001		60000	1,107,104
10	60001		65000	629,636
7	65001		70000	479,501
3	70001		75000	219,234
11	75001		80000	866,436
1	80001		85000	85,000
2	85001		90000	175,496
1	90001		95000	91,317
10	95001		100000	990,915
4	100001		105000	410,432
2	105001		110000	213,226
3	110001		115000	335,152
3	115001		120000	355,467
5	120001		125000	615,555
3	125001		130000	380,340
5	130001		135000	667,406
3	135001		140000	415,870
3	140001		145000	431,560
2	145001		150000	300,000
1	150001		155000	152,500
3	155001		160000	472,140
2	165001		170000	330,591
1	170001		175000	170,986
1	175001		180000	179,693
1	180001		185000	180,485
1	185001		190000	185,820
1	190001		195000	193,427
1	195001		200000	200,000
3	200001		205000	610,766
2	210001		215000	429,034
2	215001		220000	437,500
1	220001		225000	221,648
1	225001		230000	227,181

Pattern of Shareholding

As on June 30, 2015

No. of Shareholders	From	Shareholding To	Number of Shares Held
2	235001	240000	474,960
2	250001	255000	501,576
2	255001	260000	513,178
1	275001	280000	277,455
1	320001	325000	325,000
1	335001	340000	339,114
1	345001	350000	347,617
1	360001	365000	365,000
1	370001	375000	370,307
1	400001	405000	400,945
1	415001	420000	415,008
1	420001	425000	421,500
1	440001	445000	444,483
1	470001	475000	471,316
2	495001	500000	996,320
2	510001	515000	1,026,626
2	515001	520000	1,036,717
1	610001	615000	611,165
1	620001	625000	622,764
1	625001	630000	627,867
1	705001	710000	705,758
1	725001	730000	728,272
1	740001	745000	742,521
1	935001	940000	938,751
1	1090001	1095000	1,094,387
1	1155001	1160000	1,156,818
1	1200001	1205000	1,204,498
1	1795001	1800000	1,798,515
1	1975001	1980000	1,979,000
1	2275001	2280000	2,275,058
1	2365001	2370000	2,368,863
1	2385001	2390000	2,386,558
1	2600001	2605000	2,603,493
1	6090001	6095000	6,094,000
2	6825001	6830000	13,655,909
1	7120001	7125000	7,124,400
1	7940001	7945000	7,940,436
1	8940001	8945000	8,941,424
1	10450001	10455000	10,452,326
1	10525001	10530000	10,527,528
1	12015001	12020000	12,017,906
1	12250001	12255000	12,251,186
1	12470001	12475000	12,471,730
1	12640001	12645000	12,644,702
1	24375001	24380000	24,376,000
1	30270001	30275000	30,270,424
1	55710001	55715000	55,713,402
1	81800001	81805000	81,803,991
1	131445001	131450000	131,447,506
3,151			498,009,959

Categorial Pattern of Shareholding

As on June 30, 2015

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Individuals	3,096	402,698,018	80.86
Financial Institutions	15	1,371,496	0.28
Insurance Companies	7	294,704	0.06
Joint Stock Companies	29	92,287,679	18.53
Others	4	1,358,062	0.27
Total	3,151	498,009,959	100

Pattern of Shareholding Under Code of Corporate Governance

As on June 30, 2015

	Total Share Held	Percentage
Directors/Chief Executive Officer and their spouses and minor children		
Mughis A. Sheikh	19,470,012	3.91
Fareed Mughis Sheikh	206,944,010	41.55
Muhammad Tariq	6,337	0.00
Muhammad Atta Ullah Khan	1,000	0.00
Muhammad Ashraf Saif	1,000	0.00
Abdul Hakeem Khan Qasuria	1,000	0.00
Muhammad Ikram Ul Haq	1,000	0.00
Spouses / Children		
Mahnaz Fareed Sheikh	74,347	0.01
Fozia Mughis Sheikh	12,251,186	2.46
Ismail Fareed Sheikh	40,797,952	8.19
Shahmeel Fareed Sheikh	19,393,750	3.89
Nadine Fareed Sheikh	3,309,251	0.66
Banks, Development Financial Institutions & Non-Banking Financial Institutions	1,371,496	0.28
Insurance Companies	294,704	0.06
Modarabas & Mutual Funds	-	0.00
Joint Stock Companies	92,287,679	18.53
Others	1,358,062	0.27
General Public	100,447,173	20.17
Grand Total:	498,009,959	100
Shareholding 5% or above		
Fareed Mughis Sheikh	206,944,010	41.55
Ismail Fareed Sheikh	40,797,952	8.19
Landsend Securities (Pvt.) Ltd.	81,803,991	16.43

No trade in the shares of the Company was carried out by the CEO, Directors, CFO, Company Secretary their spouses and minor children.

COLONY TEXTILE MILLS LIMITED

FORM OF PROXY

I/We _____
 of _____
 being a member of **COLONY TEXTILE MILLS LIMITED** and holder of _____ Ordinary Shares as per
 Register Folio / CDC Participant No. _____ hereby appoint Mr./Mrs./Miss. _____
 of _____ or failing him / her Mr./Mrs./Miss. _____ of _____
 who is also a member of the **COLONY TEXTILE MILLS LIMITED** vide Registered Folio / CDC Participant I.D.
 No. _____ as my proxy to vote for me and on my behalf at the 5th Annual General Meeting of the Company to
 be held on Saturday, October 31, 2015 at 10.00 a.m. and any adjournment thereof.

Signature this _____ day of October 2015.

Revenue
stamp(s) of
Rupees five

Signature
(As registered with the company)

Witness: 1

Signature: _____

Name: _____

Address: _____

CNIC or _____

Passport # _____

Witness: 2

Signature: _____

Name: _____

Address: _____

CNIC or _____

Passport # _____

NOTES:

- This proxy form, duly completed and signed, must be received at the Registered Office of the company not less than 48 hours before the time of holding the Meeting.
- No person shall act as Proxy unless he/she himself / herself is a Shareholder of the Company except that a company may appoint a person as its representative who is not a shareholder.

