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# Mission Statement

*We Shall provide unparalleled service and best value to our customers through dedicated, responsive and cost effective supply chain.*


*We are to provide quality products by strict adherence to international standards and best practices through collaboration with leading global companies in markets we serve.*

*We shall strive to maximize our shareholders value through sustained profitable growth.*

*We shall enhance existing employee productivity, hire, retain and develop best talent and provide them a competitive environment to excel and grow.*

*We will aggressively focus on increasing our market penetration by exploring new channels.*

*We shall continue to set new trends through innovative marketing and manufacturing.*



# Company Information

## Board of Directors

|                    |                                 |
|--------------------|---------------------------------|
| Sh. Faisal Tauheed | (Executive Director)            |
| Sh. Kashif Tauheed | -do-                            |
| Mrs. Samira Faisal | Non Executive Director          |
| Mrs. Tahira Kashif | -do-                            |
| Mrs. Sadia Kamran  | -do-                            |
| Mrs. Amna Kamran   | Non Executive Director/Chairman |
| Mr. Yasir Munir    | Independent Director            |

## Board Audit Committee

|                   |            |
|-------------------|------------|
| Mr. Yasir Munir   | (Chairman) |
| Mrs. Amna Kamran  |            |
| Mrs. Sadia Kamran |            |

## Board Human Resource and Remuneration Committee

|                   |            |
|-------------------|------------|
| Mrs. Sadia Kamran | (Chairman) |
| Mrs. Amna Kamran  |            |
| Mr. Yasir Munir   |            |

## Management Team

|                         |                           |
|-------------------------|---------------------------|
| Sh. Faisal Tauheed Puri | (Chief Executive)         |
| Muhammad Islam Haider   | (Chief Financial Officer) |
| Imran Zafar             | (Company Secretary)       |
| Qaiser Ali Faheem       | (Internal Auditor)        |

## Auditors

Amin Mudassar and Company  
Chartered Accountants

## Bankers

National Bank of Pakistan  
The Bank of Punjab  
Bank Alfalah Limited  
Habib Metropolitan Bank Limited  
Askari Bank Limited  
Bank Al-Habib Limited  
MCB Limited  
Meezan Bank Limited

## Registered Office

4th Floor, I.E.P. Building,  
97-B/D-1, Gulberg III, Lahore.

## Factory

Dhuddiwala, Jaranwala Road, Faisalabad.

## Share Registrar

Orient Software & Management Services (Pvt) Ltd;  
35-Z, Ameer Plaza, Opposite Mujahid Hospital,  
Commercial Centre, Madina Town, Faisalabad.

## Legal Advisor

Sahibzada Muhammad Arif  
Advocate High Court,  
Chamber No.52, District Courts,  
Faisalabad.

# Notice of 65<sup>th</sup> Annual General Meeting

Notice is hereby given that the 65th Annual General Meeting of the Shareholders of The National Silk & Rayon Mills Limited will be held at Faletti's Hotel, 24 – Egerton Road, Lahore on 31<sup>st</sup> day of October 2015 at 3.00 p.m. to transact the following business:

## ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2015 together with the Directors' and Auditors' Report thereon.
2. To appoint auditors for the year ending June 30, 2016 and fix their remuneration. The present auditors M/s Amin Mudassar & Co., Chartered Accountants, retire and offer themselves for re-appointment.

By order of the Board

Place: Lahore  
Dated: October 09, 2015

(IMRAN ZAFAR)  
Company Secretary

## NOTES:

1. The Share Transfer Books of the Company will remain closed from October 23, 2015 to October 31, 2015 (both days inclusive). Transfers received in order at Share Registrar Office by the close of business October 22, 2015, will be treated in time for the entitlement to attend the meeting.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her.
3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting.
4. Members are requested to submit declaration for zakat on the required format and to advise change in address if any.
5. Members are requested to send copies of their computerized National Identity Cards to the company's independent Share Registrar M/s. Orient Software & Management Services (Pvt) Limited, 35-Z, Ameer Plaza, Opp: Mujahid Hospital, Madina Town, Faisalabad.

CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No.1, of 2000 dated 26<sup>th</sup> January 2000 issued by the Securities and Exchange Commission of Pakistan.

### A. For Attending the Meeting

- a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulation, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the meeting.
- b. In case of Corporate entity, the Board's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

### B. For appointing Proxies

- a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC regulations, shall submit the proxy form as per above requirements.
- b. The proxy form shall be witnessed by two persons, whose names, address and CNIC number shall be mentioned on the form
- c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
- d. The proxy shall produce his original CNIC or original passport at the time of the meeting.
- e. In case of corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with the proxy form to the company.

# Directors' Report

The directors of your company are pleased to present the 65<sup>th</sup> Annual Report along with the audited accounts of the Company for the year ended 30<sup>th</sup> June 2015:

## Business Overview:

By the blessing of Allah Al Mighty, company earned profit of Rs.28,542,683/- during the year ended 30<sup>th</sup> June 2015. Your company maintained the position among the market. The operating results are as under:-

| Operating Results:     | 2015        | 2014        |
|------------------------|-------------|-------------|
| -----R u p e e s-----  |             |             |
| Sales                  | 671,950,183 | 588,619,243 |
| Profit before taxation | 28,542,683  | 21,632,410  |
| Taxation               | 15,518,240  | 12,651,872  |
| Profit after taxation  | 13,024,443  | 8,980,538   |

## Dividend:

The directors have not recommended any dividend for the year ended June 30, 2015 to conserve cash for future growth and expansion.

## Debt Obligation:

By the grace of Almighty Allah, despite so many challenges, the Company contains to meet its financial commitments and debt obligation on time.

## Contribution to National Exchequer:

Being a responsible citizen, your company made a contribution of Rs. 30 million to national exchequer in form of income tax, sales tax, custom duties and excise as compared to Rs.25 million during the last financial year.

## Human Resources:

Your Company recognizes its employees as its most critical asset and the competitive edge for its business. Therefore appropriate systems are in place to recruit, develop and grow talent for achieving excellence across all functional areas. Your Company's strong value based system provides a robust framework for meeting these objective.

The company continues to maintain cordial relations with all its employees. Negotiations on a new wage settlement with labour union were concluded satisfactorily and their wages were increased.

## Health, Safety and Environment:

Your company works on the principle that all hazards can be prevented through effective leadership and actively promoting a high standard of safety including process safety. We are committed to the protection of environment and to ensure health and safety of its employees, customers, contractors and communities where we operate and practice quality in all our business activities so as to exceed customer expectations.

## Business Risks, Challenges and Future Outlook

Looking forward, on the stagnant subjects such as weakening Pak Rupee, high inflation, worsening energy crises and poor law & order situation the Government will need to take immediate steps to resolve these persistent issues otherwise they will

continue to hurt the business environment in Pakistan. Competition in Pakistan has been very aggressive and is expected to intensify its spending in Textile industry.

We are however, confident about the future prospects of your Company as the demand of cloth processing has been resilient and is expected to increase further in the years to come. We are also working internally to become more efficient by becoming more cost effective, focusing on energy conservation and expenditure reduction techniques.

#### **Corporate and Social Responsibility:**

Your Company being a responsible corporate citizen has been always conscious to discharge its obligations towards the people who work for it day and night, people around its work place and to the society as a whole.

#### **Statutory Auditors of the company:**

The present auditors M/s. Amin Mudassar and Company Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. The Audit Committee of the Board has also recommended their re-appointment as Statutory auditors of the company for the year ending June 30, 2016.

#### **STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

The directors of your company are aware of their responsibilities under the Code of Corporate Governance incorporated in the Listing Rules of the Stock Exchanges in the country under instructions from the Securities & Exchange Commission of Pakistan. We are taking all the necessary steps to ensure Good Corporate Governance as required by the Code. As a part of the compliance of the Code, we confirm the following.

- These financial statement, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented. The system is being continuously monitored by internal audit and through other such monitoring procedure. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring in improvement in the system.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of the corporate governance, as listed in the listing regulations.
- Key operating and financial data for the last six years in summarized form is annexed.
- Information about taxes and levies is given in the notes to the financial statements.
- The company operated an un-funded and unapproved gratuity scheme. The provision was made annually to cover the obligations under the scheme as at the end of the financial year. The company has adopted the revised IAS 19 and a result actuarial valuation has been carried out. The projected unit credit method has been used to determine the actuarial value as specified by the IAS 19.
- There have been no material changes and commitments affecting the financial position which have occurred between the end of financial year and the date of annual report.

#### **Audit Committee**

The audit committee of the company is working as required by the Code of Corporate Governance. The audit committee has established internal audit system to monitor and review the adequacy and implementation of internal control at each level. The meetings of audit committee were held in compliance of the requirements of Code of Corporate Governance. Interim and annual financial statements were reviewed by the audit committee before the approval of board of directors.

#### **Human Resource and Remuneration Committee:**

In compliance with the requirements of code of corporate governance, the Board of Directors has established this committee comprising three members (including Chairman) two of whom are non executive directors and one is independent director. Detailed terms of reference of the Committee were duly communicated to the members by the Board.

## Financial Statements

As required under the listing regulations of stock exchanges the Chief Executive Officer and Chief Financial Officer present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the board of directors and the board, after consideration and approval, authorize the signing of financial statements for issuance and circulation.

The financial statements of the company have been duly audited by the auditors of the company. Amin Mudassar and Company, Chartered Accountants. Auditors have issued clean audit report on financial statements for the year ended 30<sup>th</sup> June 2015 and clean review report on Statement of Code of Corporate Governance and their reports are attached with the financial statements. No material changes in contingencies and commitments, effecting the financial position of your company, have occurred between the end of the financial year to which this balance sheet relates and the date of the directors' report.

## Related Party transaction and Transfer Pricing

It is the policy of the company to ensure that all transactions entered with related parties must be at arms length. The company has fully complied with the best practices of the transfer pricing as contained in the listing regulation of stock exchanges in Pakistan.

## Director Attendance

During the year, 10 (ten) Board of Directors, 4 (four) Audit Committee and 2 (two) HR & Remuneration Committee meeting were held. Attendance by each Directors/CFO/Company Secretary was as follows:

| Name                                | Board | Audit Committee | HR & R Committee |
|-------------------------------------|-------|-----------------|------------------|
| Sh. Faisal Tauheed                  | 10    | 0               | 0                |
| Sh. Kashif Tauheed                  | 10    | 0               | 0                |
| Mrs. Samira Faisal                  | 10    | 0               | 0                |
| Mrs. Tahira Kashif                  | 10    | 0               | 0                |
| Sh. Yasir Munir                     | 10    | 4               | 2                |
| Mrs. Amna Kamran                    | 10    | 4               | 2                |
| Mrs. Sadia Kamran                   | 4     | 4               | 2                |
| Muhammad Islam Haider (CFO)         | 10    | 4               | 2                |
| Mr. Imran Zafar (Company Secretary) | 10    | 4               | 2                |

## Directors' Training Programs during the year:

Two directors of the company Sh. Faisal Tauheed and Sh. Kashif Tauheed has acquired the certification under Director Training Program from Institute of Chartered Accountants of Pakistan.

## Corporate Social Responsibility:

Your company understands its responsibility towards the social activities for the benefit of the society. The company encourages all the activities in this regard. During the year, your company made donations to the institutions which provide free of cost education and health facilities to the poor people of the society.

The company also encourages and supports sports activities among the employees of the company. The company is continuing holding of cricket tournament among the employees of the company which is helping to maintain the fitness and mental development of the employees along with provision of entertainment.

## Pattern of Shareholding:

The pattern of shareholding in the prescribed form is annexed which also includes the information required under Code of Corporate Governance.

### Trading by Directors etc:

Share traded by directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouse and minor children are given as under:

| Name               | Designation | No. of shares |
|--------------------|-------------|---------------|
| Sh. Kashif Tauheed | Director    | 6,000         |

### Appreciation

We would like to thank all of our staff members for the way they have responded to challenges of the year. Their hard work and commitment is greatly appreciated and is reflected in these results.

We are also thankful for the encouragement and support which we received from our suppliers, shareholders, bankers and financial institutions.

LAHORE:  
October 09, 2015

**Sh. Faisal Tauheed Puri**  
Chief Executive



# Statement of Compliance

## with the Code of Corporate Governance [See clause (xl)]

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of Listing Regulations of the Exchange 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 Director     | 1. | Mr. Yasir Munir             |
| Executive Director       | 2. | Sh. Faisal Tauheed          |
| -do-                     | 3. | Sh. Kashif Tauheed          |
| Non - Executive Director | 4. | Mrs. Samira Faisal          |
| -do-                     | 5. | Mrs. Tahira Kashif          |
| -do-                     | 6. | Mrs. Amna Kamran (Chairman) |
| -do-                     | 7. | Mrs. Sadia Kamran           |

The independent directors meet the criteria of independence under clause I (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director 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 DFI or an NBFI.
4. No Casual vacancy occurred in the Board during the period under review.
5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and 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 this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The board arranged orientation course for its directors as and when needed to apprise them of their duties and responsibilities. Last year two directors undertook the Directors training programme and obtained the certificate of Participation by Institute of Chartered Accountants of Pakistan.

10. No new appointments of CFO, Company Secretary and Head of Internal Audit, were made during the year. The board has, however, ratified their appointments including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises three (3) members, all whom are non-executive directors including its Chairman.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed a Human Resources and Remuneration Committee. It comprises three members, of whom two are non-executive directors and one is an independent director. The Chairman of the Committee is a non-executive director.
18. The board has set up an effective internal audit function which was duly reviewed and ratified by the Audit Committee and approved by the Board of Directors 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 ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

Lahore:  
October 09, 2015

On behalf of the Board

**Sh. Faisal Tauheed Puri**  
Chief Executive Officer

# Review Report

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

We have reviewed the Statement of Compliance with the best practices (the statement) contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2015, prepared by the Board of Directors of **The National Silk & Rayon Mills Limited** ("The Company") to comply with the Listing Regulation No.35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

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

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

Further, The Listing Regulations of the Karachi and Lahore 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 transactions are also required to be separately placed before the audit committee. We are only required and have ensured 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.

We would like to highlight below instance of non-compliance with the requirement of the code as reflected in clause (xi) and stated in the statement of compliance.

The Company has not arranged training course for its directors during the year as required under clause (xi) of the Code.

Lahore:  
October 09, 2015

CHARTERED ACCOUNTANTS  
**MUHAMMAD AMIN**

# Auditors' Report

## to the Members

We have audited the annexed balance sheet of **The National Silk & Rayon Mills Limited ("the Company")** as at **June 30, 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 accounts 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;
- (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 approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2015 and of the profit, 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 Ushr Ordinance, 1980 (XVIII of 1980).

Lahore:  
October 09, 2015

CHARTERED ACCOUNTANTS  
AUDIT ENGAGEMENT PARTNER:  
**MUHAMMAD AMIN**

4th Floor, IEP Building, 97-B/D-1  
Main Boulevard, Gulberg III, Lahore, Pakistan

Ph # : +92-42-35717261-62 Fax # : +92-42-35717263  
E-mail: amclhr1@brain.net.pk

A MEMBER FIRM OF IAPA - A GLOBAL ASSOCIATION OF INDEPENDENT ACCOUNTING FIRMS AND GROUPS

***The National Silk & Rayon Mills Ltd.***

# Balance Sheet

AS AT JUNE 30, 2015

|   | Note | 2015<br>Rupees | 2014<br>Rupees | ASSETS | Note | 2015<br>Rupees | 2014<br>Rupees |
|---|------|----------------|----------------|--------|------|----------------|----------------|
| <b>EQUITY AND LIABILITIES</b>                       |      |                |                |        |      |                |                |
| <b>SHARE CAPITAL AND RESERVES</b>                   |      |                |                |        |      |                |                |
| Authorised capital                                  | 3    | 204,000,000    | 204,000,000    |        |      |                |                |
| Issued, subscribed and paid-up capital              | 4    | 155,531,740    | 155,531,740    |        | 16   | 387,258,041    | 355,486,469    |
| Unappropriated profit                               |      | 38,561,081     | 25,021,743     |        | 17   | 27,591,241     | 10,969,141     |
|   |      | 194,092,821    | 180,553,483    |        |      | 414,849,282    | 366,455,610    |
| <b>SURPLUS ON REVALUATION OF<br/>FIXED ASSETS</b>   | 5    | 176,329,091    | 176,329,091    |        |      |                |                |
| <b>DEFERRED INCOME</b>                              | 6    | 7,268,552      | 11,060,840     |        |      |                |                |
| <b>NON CURRENT LIABILITIES</b>                      |      |                |                |        |      |                |                |
| Long term loans                                     | 7    | -              | -              |        |      |                |                |
| Liabilities against assets subject to finance lease | 8    | 20,742,660     | 30,790,807     |        |      |                |                |
| Deferred liabilities                                | 9    | 32,415,138     | 22,372,808     |        |      |                |                |
|   |      | 53,157,798     | 53,163,615     |        |      |                |                |
| <b>CURRENT LIABILITIES</b>                          |      |                |                |        |      |                |                |
| Trade and other payables                            | 10   | 81,276,391     | 93,418,825     |        | 18   | 303,823        | 146,642        |
| Short term borrowings- Secured                      | 11   | 62,361,863     | 59,825,764     |        | 19   | 26,778,721     | 47,968,942     |
| Accrued interest and markup                         | 12   | 908,354        | 930,526        |        | 20   | 35,248,672     | 46,409,638     |
| Current portion of lease liabilities                | 13   | 10,048,147     | 8,556,313      |        | 21   | 30,553,288     | 48,596,180     |
| Provision for taxation-income tax                   | 14   | -              | -              |        | 22   | 8,479,405      | 20,722,871     |
|   |      |                |                |        |      | 9,022          | 11,494         |
|   |      |                |                |        | 23   | 64,045,815     | 40,448,270     |
|   |      | 154,594,755    | 162,731,428    |        | 24   | 5,174,989      | 13,078,810     |
|   |      |                |                |        |      | 170,593,735    | 217,382,847    |
| <b>CONTINGENCIES AND COMMITMENTS</b>                | 15   | -              | -              |        |      |                |                |
|   |      |                |                |        |      |                |                |
|   |      | 585,443,017    | 583,838,457    |        |      |                |                |

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

CHIEF EXECUTIVE

DIRECTOR

# Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2015

|   | Note | 2015<br>Rupees | 2014<br>Rupees |
|---|------|----------------|----------------|
| Sales- net                                  | 25   | 671,950,183    | 588,619,243    |
| Cost of sales                               | 26   | 612,553,991    | 539,239,133    |
| <b>Gross profit</b>                         |      | 59,396,192     | 49,380,110     |
| Distribution cost                           | 27   | 701,117        | 479,948        |
| Administrative expenses                     | 28   | 24,882,750     | 23,378,403     |
| Other operating expenses                    | 29   | 1,568,595      | 1,621,866      |
|   |      | 27,152,462     | 25,480,217     |
|   |      | 32,243,731     | 23,899,893     |
| Other income                                | 30   | 5,394,711      | 2,443,999      |
|   |      | 37,638,441     | 26,343,892     |
| Finance cost                                | 31   | 9,095,758      | 4,711,482      |
| <b>Profit before taxation</b>               |      | 28,542,683     | 21,632,410     |
| <b>Taxation</b>                             | 32   | 15,518,240     | 12,651,872     |
| <b>Profit after taxation</b>                |      | 13,024,443     | 8,980,538      |
| <b>Earning per share- Basic and Diluted</b> | 33   | 0.84           | 3.88           |

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

CHIEF EXECUTIVE

DIRECTOR

# Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2015

|  | 2015<br>Rupees    | 2014<br>Rupees   |
|--|-------------------|------------------|
| Profit after taxation  | 13,024,443        | 8,980,538        |
| <b>Items that will not be reclassified to profit or loss</b>             |                   |                  |
| Gain/(Loss) on staff retirement benefit obligation - net of deferred tax | 514,895           | (1,447,303)      |
| <b>Items that will be reclassified to profit or loss</b>                 | -                 | -                |
| Other comprehensive income-net of taxation                               | 514,895           | (1,447,303)      |
| <b>Total comprehensive income for the year-net of tax</b>                | <b>13,539,338</b> | <b>7,533,235</b> |

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

CHIEF EXECUTIVE

DIRECTOR

# Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2015

|   | Note     | 2015<br>Rupees      | 2014<br>Rupees      |
|---|----------|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |          |                     |                     |
| <b>Cash generated from operations</b>                         | <b>A</b> | 85,674,738          | (15,010,445)        |
| Taxes paid  |          | (9,217,091)         | (7,323,901)         |
| Finance cost paid   |          | (9,117,930)         | (4,729,170)         |
| Profit on bank deposits                                       |          | (460,000)           | (475,924)           |
| Gratuity paid   |          | (418,205)           | (2,120,685)         |
| <b>Net cash flows from operating activities</b>               |          | <b>66,461,512</b>   | <b>(29,660,125)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |          |                     |                     |
| Fixed capital expenditure                                     |          | (52,645,491)        | (71,607,478)        |
| Long term deposits  |          | (16,622,100)        | (10,000,000)        |
| Profit on bank deposits                                       |          | 462,472             | 474,715             |
| Sale proceeds of fixed assets                                 |          | 460,000             | 41,200,000          |
| <b>Net cash flows from investing activities</b>               |          | <b>(68,345,119)</b> | <b>(39,932,763)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |          |                     |                     |
| Long term loans   |          | -                   | (145,421,707)       |
| Share capital issued  |          | -                   | 144,422,330         |
| Short term borrowings from directors and associates           |          | (5,235,000)         | 30,600,000          |
| Right shares issue cost                                       |          | -                   | (370,007)           |
| Dividend paid   |          | -                   | (1,110,941)         |
| Repayment of lease finance liabilities                        |          | (8,556,313)         | 39,347,120          |
| <b>Net cash flows from financing activities</b>               |          | <b>(13,791,313)</b> | <b>67,466,795</b>   |
| <b>Net (Decrease) in cash and cash equivalents</b>            |          | <b>(15,674,920)</b> | <b>(2,126,093)</b>  |
| <b>Cash and Cash Equivalents at the Beginning of the Year</b> |          | <b>(16,146,954)</b> | <b>(14,020,861)</b> |
| <b>Cash and Cash Equivalents at the End of the Year</b>       | <b>B</b> | <b>(31,821,874)</b> | <b>(16,146,954)</b> |

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

CHIEF EXECUTIVE

DIRECTOR



# Notes to the Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2015

|  | Note | 2015<br>Rupees | 2014<br>Rupees |
|--|------|----------------|----------------|
| <b>A - CASH GENERATED FROM OPERATIONS</b>              |      |                |                |
| Profit before taxation                                 |      | 28,542,683     | 21,632,410     |
| <b>Adjustment of non cash and other items:</b>         |      |                |                |
| Provision for gratuity                                 |      | 2,610,680      | 2,263,318      |
| Depreciation   |      | 20,873,919     | 17,584,838     |
| Profit on disposal of fixed assets                     |      | (460,000)      | (475,924)      |
| Deferred income recognised                             |      | (3,792,288)    | (316,024)      |
| Finance cost   |      | 9,095,758      | 4,711,482      |
|  |      | 28,328,070     | 23,767,690     |
| <b>Cash flows before working capital changes</b>       |      | 56,870,753     | 45,400,100     |
| <b>EFFECT ON CASH FLOWS OF WORKING CAPITAL CHANGES</b> |      |                |                |
| <b>(Increase)/Decrease in current assets</b>           |      |                |                |
| Stores, spares and loose tools                         |      | (157,182)      | 1,687,331      |
| Stocks in trade  |      | 21,190,221     | (27,925,796)   |
| Stock in transit                                       |      | -              | 1,732,705      |
| Trade debts  |      | 11,160,966     | (15,757,098)   |
| Loan and advances                                      |      | 18,042,892     | (24,229,133)   |
| Trade deposit and short term prepayments               |      | 14,307,067     | 134,151        |
| Due from Government                                    |      | (23,597,545)   | (28,178,199)   |
| <b>Increase/(Decrease) in current liabilities</b>      |      |                |                |
| Trade and other payables                               |      | (12,142,434)   | 32,125,493     |
|  |      | 28,803,985     | (60,410,545)   |
|  |      | 85,674,738     | (15,010,445)   |
| <b>B - CASH AND CASH EQUIVALENTS</b>                   |      |                |                |
| Cash and bank balances                                 | 24   | 5,174,989      | 13,078,810     |
| Short term borrowings                                  | 11   | (36,996,863)   | (29,225,764)   |
|  |      | (31,821,874)   | (16,146,954)   |

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

CHIEF EXECUTIVE

DIRECTOR

# Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2015

|   | SHARE CAPITAL           | UN-<br>APPROPRIATED<br>PROFIT | TOTAL       |
|---|-------------------------|-------------------------------|-------------|
|   | ----- R u p e e s ----- |                               |             |
| <b>Balance as at July 01, 2013</b>                                    | 11,109,410              | 18,969,456                    | 30,078,866  |
| Final dividend @ Rs.1/- per share<br>for the year ended June 30, 2013 | -                       | (1,110,941)                   | (1,110,941) |
| Issue of right shares during the year                                 | 144,422,330             | -                             | 144,422,330 |
| Right shares issue cost   | -                       | (370,007)                     | (370,007)   |
| <b>Total transactions with owners</b>                                 | 144,422,330             | (1,480,948)                   | 142,941,382 |
| Profit for the year   | -                       | 8,980,538                     | 8,980,538   |
| Other comprehensive income  | -                       | (1,447,303)                   | (1,447,303) |
| <b>Total comprehensive profit</b>                                     | -                       | 7,533,235                     | 7,533,235   |
| <b>Balance as at June 30, 2014</b>                                    | 155,531,740             | 25,021,743                    | 180,553,483 |
| Profit for the year   | -                       | 13,024,443                    | 13,024,443  |
| Other comprehensive income  | -                       | 514,895                       | 514,895     |
| <b>Total comprehensive profit</b>                                     | -                       | 13,539,338                    | 13,539,338  |
| <b>Balance as at June 30, 2015</b>                                    | 155,531,740             | 38,561,081                    | 194,092,821 |

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

CHIEF EXECUTIVE

DIRECTOR

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

## 1 STATUS AND NATURE OF BUSINESS

The Company is a Public Limited Company, incorporated in Pakistan on June 27, 1950 under the Companies Act, 1913 (Now Companies Ordinance, 1984). The Company is quoted on Lahore and Karachi stock exchanges. The registered office of the Company is situated at 4th Floor, I.E.P. Building, 97-B/D-1, Gulberg III, Lahore. The factory is located at Dhuddiwala, Jaranwala Road, Faisalabad in the province of Punjab. The principal activity of the company is dyeing, bleaching, finishing and embroidery of fabrics.

## 2 BASIS OF PREPARATION

### 2.1 STATEMENT OF COMPLIANCE

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

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention as modified by the recognition of certain staff retirement benefit present value of defined benefit obligation net of fair value of plan assets.

### 2.3 Functional and presentation currency

The financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand unless otherwise specified.

### 2.4 Changes in accounting standards and interpretations

#### 2.4.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

- (a) IAS 32 (Amendments), 'Financial instruments: Presentation', on asset and liability offsetting is applicable on accounting periods beginning on or after January 1, 2014. These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentations', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The application of these amendments has no material impact on the Company's financial statements.
- (b) IAS 19 (Amendment), 'Employee benefits' regarding employee or third party contributions to defined benefit plans is applicable on accounting period beginning on or after July 1, 2014. The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives.

The application of this amendment has no material impact on the Company's financial statements.

#### 2.4.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2014 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

### 2.4.3 Standards, interpretations and amendments to publish approved accounting standards that are not yet effective and have not been early adopted by the Company

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning July 1, 2015:

- IFRS 13 'Fair Value Measurement', (effective for annual periods beginning on or after January 1, 2015) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company is yet to assess the full impact of the standard, however, initial indication is that it is unlikely that standard will have any significant impact on the Company's financial statements.
- Amendments to IAS 38, 'Intangible Assets' and IAS 16, 'Property, Plant and Equipment' (effective for annual periods beginning on or after January 1, 2016). This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. These amendments do not have any impact on the Company's financial statements.
- Annual improvements 2014 applicable for annual periods beginning on or after January 1, 2016. These amendments include changes from the 2012-2014 cycle of annual improvements project that affect four standards: IFRS 5, 'Non Current Assets Held for Sale and Discontinued Operations', IFRS 7 'Financial Instruments: Disclosures', IAS 19 'Employee Benefits', and IAS 34, 'Interim Financial Reporting'. These amendments do not have any impact on the Company's financial statements. There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and, therefore, have not been presented here.

## 2.5 SIGNIFICANT ACCOUNTING POLICIES

### 2.5.1 Basis of Preparation

These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

### 2.5.2 Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgment are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Staff retirement benefits;
- b) Taxation; and
- c) Useful life of depreciable assets and provision for impairment there against.

### 2.5.3 Staff Retirement Benefits

The Company operates an unfunded Gratuity Scheme covering all the employees of the Company with qualifying service period of six months. Provision is made annually on the basis of actuarial valuation. The most recent actuarial valuation was carried out as at June 30, 2014 using the Projected Unit Credit Method. Actuarial gains and losses are recognized in accordance with the recommendations of the actuary. Further, the management of the company could not determine the expected payments in next period reasonably.

|   | 2015            | 2014             |
|---|-----------------|------------------|
| <b>Principal Actuarial Assumptions</b>                    |                 |                  |
| Discount Rate   | 9.75% per annum | 13.25% per annum |
| Expected rate of eligible salary increase in future years | 8.75% per annum | 12.25% per annum |

### 2.5.4 Taxation

#### Current

Company's export sales fall under presumptive tax regime under Section 154 of the Income Tax Ordinance, 2001. Charge for current taxation other than export is based on taxable income at the current rates of taxation after taking into account tax credits, brought forward losses, accelerated depreciation allowances and any minimum limits imposed by the taxation laws.

**Deferred**

The company accounts for deferred taxation using the liability method on all timing differences which are considered reversible in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred tax is calculated at the rates expected to apply to the period when the related temporary differences reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

**2.5.5 Foreign Currency Translations**

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are included in income currently.

**2.5.6 Borrowing Cost**

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 of incurrence.

**2.5.7 Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land and capital work-in-progress. Freehold land is stated at revalued amount and capital work-in-progress is stated at cost consisting of expenditure incurred in respect of fixed assets in the course of their construction and installation. Cost of certain plant and machinery consists of historical cost and exchange fluctuations on foreign currency loans utilized for acquisition thereof. Borrowing costs pertaining to erection / construction period are capitalized as part of the historical cost.

Depreciation is charged to income applying reducing balance method to write-off the cost, capitalized exchange fluctuations and borrowing costs 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 items of fixed assets. Rates of depreciation are stated in (note 16).

Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment 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 income currently. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

Gains/losses on disposal of fixed assets are taken to Profit and Loss Account.

Minor repairs and maintenance are charged to income, as and when incurred. Major renewals and replacements are capitalized and the assets so replaced, if any, other than those kept as stand by, are retired.

**2.5.8 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 obligation 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 at the rates stated in (note 16) applying reducing balance method to write-off the cost of the asset over its estimated remaining useful life.

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

**2.5.9 Capital Work in Progress**

Capital work in progress is stated at cost less any identified impairment loss.

**2.5.10 Long Term Deposits and Loans**

These are stated at cost.

**2.5.11 Stores, Spares and Loose Tools**

These are valued at moving average cost. Stores-in-transit are valued at cost accumulated to the balance sheet date.

#### 2.5.12 Stocks-in-Trade

These are valued as follows:

Raw materials:

Dyes, Chemicals and Packing Material

At Weighted Average Cost.

Chemicals and Dyes in Process

At Weighted Average Cost.

Finished goods

At Lower of Cost and net Realizable Value.

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

Net realizable value signifies the selling price in the ordinary course of business less cost necessary to be incurred to effect such sales.

#### 2.5.13 Revenue Recognition:

- Processing charges are recorded when goods are delivered to customers and invoices raised.
- Export sales are booked on shipment basis.
- Other sales are recorded when significant risks and rewards of ownership of the goods have passed to the customers which coincides with dispatch of goods to customers.

#### 2.5.14 Trade debts and other receivables

Trade debts originated by the company are recognized and carried at original invoice amount less any allowance for any uncollectible amounts. Known bad debts, if any, are written-off and provision is made against debts considered doubtful.

#### 2.5.15 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in cash flow statement comprise of cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and short term running finances under mark up arrangements.

#### 2.5.16 Financial Instruments

##### Recognition and Measurements

All financial assets and liabilities are recognized at cost when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on subsequent re-measurement to fair value of financial assets and financial liability is taken to profit and loss account on occurrence.

##### Off-setting of Financial Assets and Financial Liabilities

A financial asset and financial liability is offset against each other and the net amount is reported in the balance sheet if the company has a legally enforceable right to set off the recognized amount and intends either to settle on net basis or realize the assets and settle the liability simultaneously.

#### 2.5.17 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

#### 2.5.18 Trade and Other Payables

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

#### 2.5.19 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event; it is probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

#### 2.5.20 Dividends

Dividend distribution to company's shareholders is recognized as a liability in the period in which dividend is approved by the Company's shareholders.

#### 2.5.21 Transactions with related parties

All transactions with related parties are carried out by the company using the methods prescribed under the Companies Ordinance, 1984.

#### 2.5.22 Contingencies and Commitments

Capital commitments and contingencies, unless those are actual liabilities, are not incorporated in the financial statements.

#### 2.5.23 Functional and Presentation Currency

The financial statements are prepared in Pakistani Rupee, which is the Company's functional and presentation currency.

|  | Note       | 2015<br>Rupees     | 2014<br>Rupees     |
|--|------------|--------------------|--------------------|
| <b>3 AUTHORIZED SHARE CAPITAL</b>  |            |                    |                    |
| 20,000,000 (2014:20,000,000) A - Class Ordinary shares of Rs. 10/- each.                       |            | 200,000,000        | 200,000,000        |
| 400,000 (2014:400,000) B - Class Ordinary shares of Rs. 10/- each.                             |            | 4,000,000          | 4,000,000          |
|  |            | <u>204,000,000</u> | <u>204,000,000</u> |
| <b>4 ISSUED, SUBSCRIBED &amp; PAID-UP CAPITAL</b>  |            |                    |                    |
| <b>Issued for Cash</b>   |            |                    |                    |
| 15,051,267 (2014:15,051,267) A - Class Ordinary Shares of Rs. 10. each                         |            | 150,512,670        | 150,512,670        |
| 320,100 (2014:320,100) B - Class Ordinary Shares of Rs. 10. each                               |            | 3,201,000          | 3,201,000          |
|  |            | <u>153,713,670</u> | <u>153,713,670</u> |
| <b>Issued as Bonus Shares</b>  |            |                    |                    |
| 181,807 (2014:181,807) Ordinary Shares of Rs. 10. each   |            | 1,818,070          | 1,818,070          |
|  | <b>4.1</b> | <u>155,531,740</u> | <u>155,531,740</u> |
| <b>4.1 Movement Account</b>  |            |                    |                    |
| Balance as at July 01,   |            | 155,531,740        | 11,109,410         |
| 14,442,233 (2014: 14,442,233) A - Class Ordinary Shares of Rs. 10. each issued during the year |            | -                  | 144,422,330        |
|  |            | <u>155,531,740</u> | <u>155,531,740</u> |
| <b>5 SURPLUS ON REVALUATION OF FIXED ASSETS</b>  |            |                    |                    |
| Balance as at July 01,   |            | 176,329,091        | 176,329,091        |
| Add: Surplus arose on revaluation of fixed assets  |            | -                  | -                  |
|  |            | <u>176,329,091</u> | <u>176,329,091</u> |

The Company has revalued its freehold Land during the year 2000. The revaluation exercise was carried-out by M/s Iqbal Malik and company, Surveyors-Assessors Consultants, Multan resulting in surplus of Rs.49,379,091 over book value. This has been credited to surplus on revaluation of fixed assets. The surplus on revaluation is not available for appropriation under the requirement of Section 235 of the Companies Ordinance, 1984, except and to the extent actually realized on disposal of the assets which are revalued. Thereafter, the company again revalued its freehold Land on June 27, 2012. The revaluation exercise was carried out by an independent valuer M/s Material & Design Services (Pvt) Limited, Faisalabad based on market value resulting in surplus of Rs.126,950,000. The amount had been credited to surplus of revaluation of fixed assets to comply with the requirement of section 235 of the Companies Ordinance, 1984.

## 6 DEFERRED INCOME

|   |                   |                   |
|---|-------------------|-------------------|
| Balance as at July 01,                  | 11,060,840        | -                 |
| Add: Income deferred during the year    | -                 | 11,376,864        |
|   | <u>11,060,840</u> | <u>11,376,864</u> |
| Less: Income recognised during the year | 3,792,288         | 316,024           |
|   | <u>7,268,552</u>  | <u>11,060,840</u> |

6.1 Refer to note 8.

## 7 LONG TERM LOANS-Unsecured

### From related parties:

|                          |     |          |          |
|--------------------------|-----|----------|----------|
| Directors and associates | 7.1 | -        | -        |
|                          |     | <u>-</u> | <u>-</u> |

### 7.1 LOAN FROM DIRECTORS AND ASSOCIATES

#### Unsecured and interest free

|  |          |                    |
|--|----------|--------------------|
| Balance as at July 01,                               | -        | 145,421,707        |
| Add: Received during the year                        | -        | 23,544,996         |
|  | <u>-</u> | <u>168,966,703</u> |
| Less: Adjusted against shares issued during the year | -        | 134,566,703        |
|  | <u>-</u> | <u>34,400,000</u>  |
| Less: Transferred to short term borrowings           | 11       | 34,400,000         |
|  |          | <u>-</u>           |

7.2 These loans were obtained from the directors and their associates amounting Rs.nil (2014: Rs.133,166,703) and Rs.nil (2014:Rs.35,800,000) respectively. The sponsors, directors and their associates had already paid amounting Rs.134.567 million with the company that had been adjusted against right shares subscription.



## 8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments  
Less: Current portion shown under current liabilities

| 2015<br>Rupees    | 2014<br>Rupees    |
|-------------------|-------------------|
| 30,790,807        | 39,347,120        |
| (10,048,147)      | (8,556,313)       |
| <u>20,742,660</u> | <u>30,790,807</u> |

During the previous year, the company had entered into a sale & lease-back agreement with Orix Leasing Pakistan Limited to finance 6 embroidery machines. Against the total cost of machines of Rs.40.00 million, the Company has given security deposit amounting Rs.10 million and Orix Leasing has financed the remaining cost of Rs.30.00 million. The amount financed by Orix Leasing Pakistan Limited is repayable in 36 monthly installments commenced from June, 2014 and carries mark-up at the rate of 6-months KIBOR + 600 basis points per annum. Effective mark-up rate charged by Orix Leasing Pakistan Limited, during the current year was 16.18% per annum. The facility is secured against personal guarantees of the directors and registration of the leased machinery in Orix Leasing Pakistan Limited's name.

Gain arisen on sale & lease-back of these machines amounting Rs.11.377 million had been recognised as deferred income and is being amortized over the lease term.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

|   | Minimum lease payments | Future finance cost | Present value of minimum lease payments |                   |
|---|------------------------|---------------------|---|-------------------|
|   |                        |                     | 2015<br>Rupees                          | 2014<br>Rupees    |
|   |                        |                     |   |                   |
| Not later than one year                           | 12,688,560             | 2,640,413           | 10,048,147                              | 8,556,313         |
| Later than one year but not later than five years | 21,631,180             | 888,521             | 20,742,659                              | 30,790,807        |
|   | <u>34,319,740</u>      | <u>3,528,933</u>    | <u>30,790,807</u>                       | <u>39,347,120</u> |

## 9 DEFERRED LIABILITIES

Provision for staff gratuity  
Deferred taxation

Note

| 2015<br>Rupees    | 2014<br>Rupees    |
|-------------------|-------------------|
| 12,722,769        | 11,287,492        |
| 19,692,369        | 11,085,316        |
| <u>32,415,138</u> | <u>22,372,808</u> |

### 9.1 Staff Gratuity - Defined benefits plan

The amount recognized in the balance sheet on this account as per IAS 19 is:

Present value of defined benefit obligation

|            |            |
|------------|------------|
| 12,722,769 | 11,287,492 |
|------------|------------|

Movement in present value of defined benefit obligation:

Present value of defined benefit obligations as on July 01,

|            |           |
|------------|-----------|
| 11,287,492 | 8,918,239 |
|------------|-----------|

Charge to profit and loss account

|           |           |
|-----------|-----------|
| 2,610,680 | 2,263,318 |
|-----------|-----------|

Benefits paid during the year

|           |             |
|-----------|-------------|
| (418,205) | (2,120,685) |
|-----------|-------------|

Recognised in other comprehensive income

|           |           |
|-----------|-----------|
| (757,198) | 2,226,620 |
|-----------|-----------|

Present value of defined benefit obligations as on June 30,

|                   |                   |
|-------------------|-------------------|
| <u>12,722,769</u> | <u>11,287,492</u> |
|-------------------|-------------------|

Charge to profit and loss account for the year is as follows:

Service cost

|           |           |
|-----------|-----------|
| 1,142,793 | 1,241,791 |
|-----------|-----------|

Interest cost

|           |           |
|-----------|-----------|
| 1,467,887 | 1,021,527 |
|-----------|-----------|

|                  |                  |
|------------------|------------------|
| <u>2,610,680</u> | <u>2,263,318</u> |
|------------------|------------------|

Recognised in other comprehensive income for the year is as follows:

Actuarial (gains) / losses on remeasurement - Gross

|           |           |
|-----------|-----------|
| (757,198) | 2,226,620 |
|-----------|-----------|

Related deferred tax

|         |           |
|---------|-----------|
| 242,303 | (779,317) |
|---------|-----------|

|                  |                  |
|------------------|------------------|
| <u>(514,895)</u> | <u>1,447,303</u> |
|------------------|------------------|

### 9.2 Principal Actuarial Assumptions

Discount Rate

|                 |                  |
|-----------------|------------------|
| 9.75% per annum | 13.25% per annum |
|-----------------|------------------|

Expected rate of eligible salary increase in future years

|                 |                  |
|-----------------|------------------|
| 8.75% per annum | 12.25% per annum |
|-----------------|------------------|

Expected mortality rate

|                |                |
|----------------|----------------|
| SLIC (2001-05) | SLIC (2001-05) |
|----------------|----------------|

### 9.3 Comparison for five years:

As at June 30,

Present value of defined benefit obligation

| 2015              | 2014              | 2013             | 2012             | 2011             |
|-------------------|-------------------|------------------|------------------|------------------|
|                   |                   |                  |                  |                  |
| <u>12,722,769</u> | <u>11,287,492</u> | <u>8,918,239</u> | <u>7,764,751</u> | <u>6,836,269</u> |



| 9.4         | Deferred Taxation   | Note        | 2015<br>Rupees     | 2014<br>Rupees      |
|-------------|---|-------------|--------------------|---------------------|
|             | <b>This is composed of the following:</b>   |             |                    |                     |
|             | <b>Deferred tax liability on taxable temporary differences arising in respect of:</b> |             |                    |                     |
|             | Accelerated tax depreciation  |             | 23,471,633         | 22,729,935          |
|             | Excess of accounting book value of leased assets over liabilities                     |             | 1,493,405          | 62,809              |
|             |   |             | <u>24,965,038</u>  | <u>22,792,744</u>   |
|             | <b>Deferred tax asset on deductible temporary differences arising in respect of:</b>  |             |                    |                     |
|             | Deferred debits arising in respect of staff gratuity                                  |             | (4,071,286)        | (3,950,622)         |
|             | Deferred debits arising on brought forward losses                                     |             | (1,201,383)        | (7,756,806)         |
|             |   |             | <u>(5,272,669)</u> | <u>(11,707,428)</u> |
|             |   |             | <u>19,692,369</u>  | <u>11,085,316</u>   |
|             | Balance as at July 01,  |             | 11,085,316         | 5,123,393           |
|             | Add: Charge during the year to:   |             |                    |                     |
|             | Profit and loss account   |             | 8,364,750          | 6,741,240           |
|             | Other comprehensive income  |             | 242,303            | (779,317)           |
|             |   |             | <u>8,607,053</u>   | <u>5,961,923</u>    |
|             |   |             | <u>19,692,369</u>  | <u>11,085,316</u>   |
| <b>10</b>   | <b>TRADE AND OTHER PAYABLES</b>   |             |                    |                     |
|             | Sundry creditors  |             | 40,422,859         | 49,431,055          |
|             | Accrued expenses  |             | 13,869,046         | 13,612,076          |
|             | Advance from customers  |             | 19,460,289         | 14,327,934          |
|             | Unclaimed dividend  |             | 508,826            | 508,826             |
|             | Letter of credit payable  |             | 4,156,682          | 13,425,942          |
|             | Income tax withheld   |             | 673,741            | 295,150             |
|             | Sales tax withheld  |             | 682,702            | 704,817             |
|             | Workers' (profit) participation fund  | <b>10.1</b> | <u>1,502,246</u>   | <u>1,113,025</u>    |
|             |   |             | <u>81,276,391</u>  | <u>93,418,825</u>   |
| <b>10.1</b> | <b>Workers' (Profit) Participation Fund</b>   |             |                    |                     |
|             | Balance as at July 01,  |             | 1,113,025          | 865,840             |
|             | Interest charged for year   |             | 116,868            | 77,150              |
|             |   |             | <u>1,229,893</u>   | <u>942,990</u>      |
|             | Less: Payments during the Year  |             | <u>1,229,893</u>   | <u>942,990</u>      |
|             | Allocation for the year   |             | <u>1,502,246</u>   | <u>1,113,025</u>    |
|             |   |             | <u>1,502,246</u>   | <u>1,113,025</u>    |
| <b>11</b>   | <b>SHORT TERM BORROWINGS -Secured</b>   |             |                    |                     |
|             | <b>From banking companies:</b>  |             |                    |                     |
|             | Cash finance  | <b>11.1</b> | <u>29,052,673</u>  | <u>29,225,764</u>   |
|             | Running finance   | <b>11.2</b> | <u>7,944,190</u>   | <u>-</u>            |
|             |   |             | <u>36,996,863</u>  | <u>29,225,764</u>   |
|             | <b>From relates parties:</b>  |             |                    |                     |
|             | Directors and their associates - unsecured and interest free                          | <b>11.4</b> | <u>25,365,000</u>  | <u>30,600,000</u>   |
|             |   |             | <u>62,361,863</u>  | <u>59,825,764</u>   |

**11.1** This facility has been obtained from National Bank of Pakistan with sanctioned limit of Rs.30.00 Million (2014: Rs.30.00 million) for working capital. This is secured against hypothecation charge over Company's present and future current assets, mortgage / charge over fixed assets and personal guarantees of all directors. This carries markup @ 3 months KIBOR(Ask) rate+3.25% per annum (2014:@ 3 months KIBOR(Ask) rate+3.25% per annum) payable on quarterly basis.

**11.2** This facility has been obtained from The Bank of Punjab with sanctioned limit of Rs.8.00 Million (2014:Rs.8.00 million) for working capital. This is secured against hypothecation charge over Company's present and future current assets, mortgage charge over fixed assets and personal properties of two directors and personal guarantees of all directors. This carries markup @ 3 month KIBOR + 325 bps per annum (2014:@ 3 month KIBOR + 325 bps per annum) payable on quarterly basis.

**11.3** The facilities for opening letters of credit and export bills negotiation as at June 30, 2015 amounted to Rs.130 Million (2014: Rs.130.00 Million) of which the amount over utilized at year end was Rs.19.581 Million (2014: under utilized Rs.18.65 Million).

|  | Note | 2015<br>Rupees | 2014<br>Rupees |
|--|------|----------------|----------------|
| <b>11.4 FROM RELATES PARTIES:</b>  |      |                |                |
| <b>Directors and their associates - unsecured and interest free</b>  |      |                |                |
| Balance as at July 01,   |      | 30,600,000     | -              |
| Add: Transferred from long term loan   | 7.1  | -              | 34,400,000     |
| Received during the year   |      | 25,365,000     | -              |
|  |      | 25,365,000     | 34,400,000     |
| Less: Repaid during the year   |      | 30,600,000     | 3,800,000      |
|  |      | 25,365,000     | 30,600,000     |
| <b>11.5</b> This comprises of loan obtained from the directors and their associates amounting Rs. nil (2014: Rs.nil) and Rs.25,365,000 (2014: Rs.30,600,000) respectively.   |      |                |                |
| <b>12 ACCRUED INTEREST AND MARK UP</b>   |      |                |                |
| Mark up on short term finances- Secured  |      | 908,354        | 930,526        |
|  |      | 908,354        | 930,526        |
| <b>13 CURRENT PORTION OF LEASE LIABILITIES</b>   |      |                |                |
| Payable within next twelve months  |      | 10,048,147     | 8,556,313      |
|  |      | 10,048,147     | 8,556,313      |
| <b>14 PROVISION FOR TAXATION</b>   |      |                |                |
| Balance as at 1st July,  |      | -              | -              |
| Less: Adjusted during the year   |      | -              | -              |
| Add: Provision for the taxation-current  |      | 6,773,449      | 5,910,632      |
|  |      | 6,773,449      | 5,910,632      |
| Less: Tax deducted at source / advance tax   |      | (6,773,449)    | (5,910,632)    |
|  |      | -              | -              |
| <b>14.1</b> Income tax assessments of the company have been finalized up to the Tax Year 2014. On the basis of return filed for the Tax Year 2014 the loss of Rs.21,623,925 was determined.  |      |                |                |
| <b>14.2</b> Provision for the current year represents tax on income chargeable under minimum tax on turnover due under section 113 of the Income Tax Ordinance, 2001.  |      |                |                |
| <b>14.3</b> No numeric tax rate reconciliation is presented in these financial statements as the company is not liable to pay normal tax due to available tax losses.  |      |                |                |
| <b>15 CONTINGENCIES AND COMMITMENTS</b>  |      |                |                |
| <b>15.1 Contingencies</b>  |      |                |                |
| <b>15.1.1</b> Counter guarantees by the bank in respect of guarantees issued in the normal course of business for sum of Rs.6.550 million (2014: Rs.Nil million).  |      |                |                |
| <b>15.1.2</b> The Sui Northern Gas Pipelines Limited (SNGPL) has raised a demand amounting Rs.39.805 million (2014:Rs.39.805 million) . Which has been contested by the Company as unsubstantiated and unjustified. The Company has deposited Rs.6.858 million (2014: Rs.6.858 million) during the year with SNGPL under protest as referred to note No.21 to the financial statements. SNGPL had constituted a Review Committee to examine and resolve the matter and bring the facts on record. During the year, aforesaid Committee has decided the case against the Company. The Company had filed appeal to Oil & Gas Regulatory Authority (OGRA). The Joint Executive Director (OGRA) has decided the case in favor of the Company. However, SNGPL has filed appeal to OGRA for review against the decision of Joint Executive Director (OGRA). OGRA has decided the case against the company. The company has filed writ petition against the decision of the OGRA.The Company is hopeful that the decision of OGRA in respect of appeal filed by SNGPL would be in favor of the Company. |      |                |                |
| <b>15.2 Commitments</b>  |      |                |                |
| <b>15.2.1</b> Commitments in respect of letters of credit for capital expenditures were amounting Rs.Nil (2014: Rs.Nil)  |      |                |                |
| <b>15.2.2</b> Commitments in respect of letters of credit other than for capital expenditures were amounting Rs.35.730 million (2014: Rs.38.105 million).  |      |                |                |

PROPERTY, PLANT AND EQUIPMENT

| PARTICULARS                    | OWNED                       |                     |                            |             |                     |                               | LEASED           |                       |            |           | CAPITAL WORK IN PROGRESS |             |              |                            | GRAND TOTAL |             |             |           |            |              |             |   |
|--------------------------------|-----------------------------|---------------------|----------------------------|-------------|---------------------|-------------------------------|------------------|-----------------------|------------|-----------|--------------------------|-------------|--------------|----------------------------|-------------|-------------|-------------|-----------|------------|--------------|-------------|---|
|                                | Land-Freehold               |                     | Building on Free hold Land |             | Plant and Machinery | Pipeline and Electric Fitting | Office Equipment | Furniture and Fixture | Vehicles   | TOTAL     | Plant and Machinery      | Building    | TOTAL        | Plant and Electric Fitting |             | TOTAL       |             |           |            |              |             |   |
|                                | Cost                        | Revaluation Surplus | Sub Total                  | Factory     |                     |                               |                  |                       |            |           |                          |             |              |                            |             |             | Residential | Sub Total |            |              |             |   |
|                                | R u p e e s                 |                     |                            |             |                     |                               |                  |                       |            |           |                          |             |              |                            |             |             |             |           |            |              |             |   |
| A m o u n t                    |                             |                     |                            |             |                     |                               |                  |                       |            |           |                          |             |              |                            |             |             |             |           |            |              |             |   |
| In                             |                             |                     |                            |             |                     |                               |                  |                       |            |           |                          |             |              |                            |             |             |             |           |            |              |             |   |
| Vehicles                       |                             |                     |                            |             |                     |                               |                  |                       |            |           |                          |             |              |                            |             |             |             |           |            |              |             |   |
| TOTAL                          |                             |                     |                            |             |                     |                               |                  |                       |            |           |                          |             |              |                            |             |             |             |           |            |              |             |   |
| Plant and Machinery            |                             |                     |                            |             |                     |                               |                  |                       |            |           |                          |             |              |                            |             |             |             |           |            |              |             |   |
| TOTAL                          |                             |                     |                            |             |                     |                               |                  |                       |            |           |                          |             |              |                            |             |             |             |           |            |              |             |   |
| Pipe-line and Electric Fitting |                             |                     |                            |             |                     |                               |                  |                       |            |           |                          |             |              |                            |             |             |             |           |            |              |             |   |
| TOTAL                          |                             |                     |                            |             |                     |                               |                  |                       |            |           |                          |             |              |                            |             |             |             |           |            |              |             |   |
| Plant and Electric Fitting     |                             |                     |                            |             |                     |                               |                  |                       |            |           |                          |             |              |                            |             |             |             |           |            |              |             |   |
| TOTAL                          |                             |                     |                            |             |                     |                               |                  |                       |            |           |                          |             |              |                            |             |             |             |           |            |              |             |   |
| GRAND TOTAL                    |                             |                     |                            |             |                     |                               |                  |                       |            |           |                          |             |              |                            |             |             |             |           |            |              |             |   |
| Cost / Revaluation             |                             |                     |                            |             |                     |                               |                  |                       |            |           |                          |             |              |                            |             |             |             |           |            |              |             |   |
| Balance as at 01 July, 2013    |                             | 220,909             | 176,329,091                | 176,550,000 | 17,961,368          | 104,888                       | 18,066,256       | 261,588,488           | 11,241,930 | 1,991,914 | 753,590                  | 6,950,933   | 477,143,111  | -                          | -           | 2,053,629   | -           | 2,053,629 | -          | 479,196,740  |             |   |
|                                | Additions                   | -                   | -                          | -           | -                   | -                             | -                | 22,772,968            | -          | -         | -                        | 3,662,130   | 26,435,098   | 40,200,000                 | -           | 40,200,000  | 4,972,380   | -         | 4,972,380  | -            | 71,607,478  |   |
|                                | Transfers                   | -                   | -                          | -           | -                   | -                             | -                | -                     | -          | -         | -                        | -           | -            | -                          | -           | -           | -           | -         | -          | -            | -           |   |
|                                | Disposals                   | -                   | -                          | -           | -                   | -                             | -                | (34,623,135)          | -          | -         | -                        | (1,350,440) | (35,973,575) | -                          | -           | -           | -           | -         | -          | (35,973,575) | -           |   |
|                                | Balance as at 30 June 2014  | 220,909             | 176,329,091                | 176,550,000 | 17,961,368          | 104,888                       | 18,066,256       | 249,738,321           | 11,241,930 | 1,991,914 | 753,590                  | 9,262,623   | 467,604,634  | 40,200,000                 | -           | 40,200,000  | 7,026,009   | -         | 7,026,009  | -            | 514,830,643 |   |
|                                | Balance as at 01 July, 2014 | 220,909             | 176,329,091                | 176,550,000 | 17,961,368          | 104,888                       | 18,066,256       | 249,738,321           | 11,241,930 | 1,991,914 | 753,590                  | 9,262,623   | 467,604,634  | 40,200,000                 | -           | 40,200,000  | 7,026,009   | -         | 7,026,009  | -            | 514,830,643 |   |
|                                | Additions                   | -                   | -                          | -           | -                   | -                             | -                | 26,870,619            | -          | -         | -                        | 9,799,090   | 36,669,669   | -                          | -           | 6,410,835   | -           | 9,564,987 | 15,975,822 | 52,645,491   | -           |   |
|                                | Transfers                   | -                   | -                          | -           | -                   | -                             | -                | 4,987,496             | -          | -         | -                        | 4,987,496   | -            | -                          | -           | (4,987,496) | -           | -         | -          | (4,987,496)  | -           |   |
|                                | Disposals                   | -                   | -                          | -           | -                   | -                             | -                | -                     | -          | -         | -                        | (595,620)   | (595,620)    | -                          | -           | -           | -           | -         | -          | -            | (595,620)   | - |
|                                | Balance as at 30 June       | 220,909             | 176,329,091                | 176,550,000 | 22,948,864          | 104,888                       | 23,053,752       | 276,608,940           | 11,241,930 | 1,991,914 | 753,590                  | 18,466,053  | 508,666,179  | 40,200,000                 | -           | 40,200,000  | 8,449,348   | -         | 9,564,987  | 18,014,335   | 566,880,514 | - |
| Depreciation                   |                             |                     |                            |             |                     |                               |                  |                       |            |           |                          |             |              |                            |             |             |             |           |            |              |             |   |
| Balance as at 01 July, 2013    |                             | -                   | -                          | -           | 14,906,840          | 97,290                        | 15,004,130       | 122,440,204           | 6,649,072  | 1,450,618 | 666,383                  | 2,175,292   | 148,385,099  | -                          | -           | -           | -           | -         | -          | 148,385,099  | -           |   |
|                                | Charge for the year         | -                   | -                          | -           | 305,453             | 380                           | 305,833          | 14,669,206            | 459,286    | 54,130    | 8,721                    | 1,417,662   | 16,914,838   | 670,000                    | -           | 670,000     | -           | -         | -          | 17,384,838   | -           |   |
|                                | Transfers                   | -                   | -                          | -           | -                   | -                             | -                | -                     | -          | -         | -                        | -           | -            | -                          | -           | -           | -           | -         | -          | -            | -           |   |
|                                | On disposals/transfers      | -                   | -                          | -           | -                   | -                             | -                | (5,999,999)           | -          | -         | -                        | (62,6364)   | (6,626,363)  | -                          | -           | -           | -           | -         | -          | (6,626,363)  | -           |   |
|                                | Balance as at 30 June 2014  | -                   | -                          | -           | 15,212,293          | 97,670                        | 15,309,963       | 131,109,411           | 7,108,358  | 1,504,748 | 675,104                  | 2,966,590   | 158,674,174  | 670,000                    | -           | 670,000     | -           | -         | -          | 159,344,174  | -           |   |
|                                | Balance as at 01 July, 2014 | -                   | -                          | -           | 15,212,293          | 97,670                        | 15,309,963       | 131,109,411           | 7,108,358  | 1,504,748 | 675,104                  | 2,966,590   | 158,674,174  | 670,000                    | -           | 670,000     | -           | -         | -          | 159,344,174  | -           |   |
|                                | Charge for the year         | -                   | -                          | -           | 732,066             | 361                           | 732,457          | 13,901,385            | 413,357    | 48,717    | 7,449                    | 1,817,155   | 16,920,919   | 3,953,000                  | -           | 3,953,000   | -           | -         | -          | 20,873,919   | -           |   |
|                                | Transfers                   | -                   | -                          | -           | -                   | -                             | -                | -                     | -          | -         | -                        | -           | -            | -                          | -           | -           | -           | -         | -          | -            | -           | - |
|                                | Disposals                   | -                   | -                          | -           | -                   | -                             | -                | -                     | -          | -         | -                        | -           | -            | -                          | -           | -           | -           | -         | -          | -            | -           | - |
|                                | Balance as at 30 June       | -                   | -                          | -           | 15,944,389          | 98,031                        | 16,042,420       | 145,010,796           | 7,521,715  | 1,553,465 | 682,553                  | 4,188,125   | 174,999,473  | 4,623,000                  | -           | 4,623,000   | -           | -         | -          | 179,622,473  | -           |   |
| Balance as at 30 June          |                             |                     |                            |             |                     |                               |                  |                       |            |           |                          |             |              |                            |             |             |             |           |            |              |             |   |
| Carrying amount-2014           | 220,909                     | 176,329,091         | 176,550,000                | 2,749,075   | 7,218               | 2,756,293                     | 118,028,910      | 4,133,572             | 487,166    | 78,486    | 6,296,033                | 308,930,460 | 39,530,000   | -                          | 39,530,000  | -           | 7,026,009   | -         | 7,026,009  | -            | 355,486,469 | - |
|                                | 220,909                     | 176,329,091         | 176,550,000                | 7,004,475   | 6,857               | 7,011,332                     | 131,598,144      | 3,720,215             | 438,449    | 70,637    | 14,277,928               | 333,666,706 | 35,577,000   | -                          | 35,577,000  | -           | 8,449,348   | -         | 9,564,987  | 18,014,335   | 387,258,041 | - |

| Note                    | 2014 |            |
|-------------------------|------|------------|
|                         | 2015 | Ruppes     |
| Cost of sales           | 26   | 18,786,527 |
| Administrative expenses | 28   | 2,087,392  |
|                         |      | 17,584,838 |

16.1 The depreciation charged for the year has been allocated as follows:

16.2

First revaluation of freehold land of the company was carried out during the year ended June 30, 2000. The revaluation exercise was carried out by an independent valuer M/S Iqbal and Company, Surveyors, Assessors and Consultants, Multan on the basis of replacement cost. The latest revaluation was under taken during the year ended June 30, 2012. This revaluation was carried out by Material and Design Services (Pvt) Limited. Had there been no revaluation of Freehold Land, the carrying amount of the Land as at June 30, 2012 would have been as follows:

| Particulars                | Cost<br>Rupees | Accumulated<br>Depreciation | Carrying Value |
|----------------------------|----------------|-----------------------------|----------------|
|                            | .....R         | U P E E S.....              |                |
| Freehold Land              | 220,909        | -                           | 220,909        |
| As at June 30, 2015        | 220,909        | -                           | 220,909        |
| As at June 30, 2014-Rupees | 220,909        | -                           | 220,909        |

16.3 Disposal of property, plant and equipment:

| Description                                    | Cost       | Accumulated<br>Depreciation | Book<br>Value  | Sale Proceeds | Profit     | Mode of<br>Disposal | Particulars  |
|--|------------|-----------------------------|----------------|---------------|------------|---------------------|--|
| Vehicle  |            | .....R                      | U P E E S..... |               |            |                     |  |
| shehzore<br>Vehicle Registration No. FSC. 6076 | 595,620    | 595,620                     | -              | 460,000       | 460,000    | Negotiation         | Mr. Tahir Raza<br>House # P-4, Mohalla<br>Jewan Sing, Faisalabad |
|  | 595,620    | 595,620                     | -              | 460,000       | 460,000    |                     |  |
| 2014: Rupees                                   | 35,973,575 | 6,626,363                   | 29,347,212     | 41,200,000    | 11,852,788 |                     |  |

|   | Note   | 2015<br>Rupees    | 2014<br>Rupees    |
|---|--|-------------------|-------------------|
| <b>17 LONG TERM DEPOSITS</b>  |  |                   |                   |
| Security deposits   |  | 17,591,241        | 969,141           |
| Deposits against finance lease  |  | 10,000,000        | 10,000,000        |
|   |  | <u>27,591,241</u> | <u>10,969,141</u> |
| <b>18 STORES, SPARES AND LOOSE TOOLS</b>  |  |                   |                   |
| Stores  |  | 32,922            | 22,726            |
| Spares  |  | 270,901           | 123,916           |
|   |  | <u>303,823</u>    | <u>146,642</u>    |
| <b>19 STOCK IN TRADE</b>  |  |                   |                   |
| Raw material  |  | 23,759,394        | 41,010,745        |
| Packing material  |  | 137,979           | 141,842           |
| Work in process - Cost of processing done on third party orders   |  | 1,364,143         | 3,154,555         |
| Finished goods - Cost of processing done on third party orders  |  | 1,517,205         | 3,661,800         |
|   |  | <u>26,778,721</u> | <u>47,968,942</u> |
| <b>19.1</b>   | These stocks are hypothecated with banks as security against short term finances as indicated in note no.11. |                   |                   |
| <b>20 TRADE DEBTS</b>   |  |                   |                   |
| Local - Unsecured and considered good by the management   |  | 35,248,672        | 46,409,638        |
|   |  | <u>35,248,672</u> | <u>46,409,638</u> |
| <b>21 LOANS AND ADVANCES</b>  |  |                   |                   |
| <b>Advances to: (Unsecured but considered good)</b>   |  |                   |                   |
| Suppliers of goods  |  | 2,280,402         | 20,138,387        |
| Employees against salaries  |  | -                 | 100,000           |
| Employees against expenses  |  | 94,907            | 179,814           |
| Others  | <b>21.1</b>  | 28,177,979        | 28,177,979        |
|   |  | <u>30,553,288</u> | <u>48,596,180</u> |
| <b>21.1</b>   | Referred to note no.15.1.2 to the financial statements.  |                   |                   |
| <b>22 TRADE DEPOSITS , SHORT TERM PRE-PAYMENTS AND CURENT ACCOUNT BALANCES WITH STATUTORY AUTHORITIES</b> |  |                   |                   |
| Trade deposits:   |  |                   |                   |
| Security deposits   |  | 982,500           | 16,622,100        |
| Short term prepayments  |  | 425,261           | 297,263           |
| Immature letters of credit- secured   | <b>22.1</b>  | 1,673,926         | 469,391           |
| Tax deducted at source  |  | 5,397,718         | 3,334,117         |
|   |  | <u>8,479,405</u>  | <u>20,722,871</u> |

**22.1** These comprise of opening charges, bank charges and partial payments of cost of documents.

|  | Note | 2015<br>Rupees      | 2014<br>Rupees      |
|--|------|---------------------|---------------------|
| <b>23 DUE FROM GOVERNMENT</b>  |      |                     |                     |
| Sales tax refundable   |      | 64,045,815          | 40,448,270          |
|  |      | <u>64,045,815</u>   | <u>40,448,270</u>   |
| <b>24 CASH AND BANK BALANCES</b>   |      |                     |                     |
| Cash in hand   |      | 130,582             | 166,605             |
| Cash with banks in:  |      |                     |                     |
| Current accounts   |      | 4,739,407           | 12,607,205          |
| Deposit accounts   | 24.1 | 305,000             | 305,000             |
|  |      | <u>5,044,407</u>    | <u>12,912,205</u>   |
|  |      | <u>5,174,989</u>    | <u>13,078,810</u>   |
| 24.1 These are Term Deposit Receipts (TDR) held under lien by National Bank of Pakistan as margin against guarantees issued to Sui Northern Gas Pipe Lines Limited and carry mark up @7.10% per annum (2014:@7.60% per annum). |      |                     |                     |
| <b>25 SALES -net</b>   |      |                     |                     |
| <b>Gross:</b>  |      |                     |                     |
| Exports  |      | 16,749,284          | 11,025,214          |
| Processing receipts  |      | 670,645,296         | 589,191,246         |
| Others   |      | 972,680             | 41,530              |
|  |      | <u>671,617,976</u>  | <u>589,232,776</u>  |
| Less: sales tax  |      | <u>(16,417,077)</u> | <u>(11,638,747)</u> |
|  |      | <u>655,200,899</u>  | <u>577,594,029</u>  |
|  |      | <u>671,950,183</u>  | <u>588,619,243</u>  |
| <b>26 COST OF SALES</b>  |      |                     |                     |
| Salaries, wages and benefits   | 26.2 | 49,326,356          | 41,309,090          |
| Fuel and power   |      | 219,902,580         | 214,654,761         |
| Raw material consumed  | 26.1 | 286,435,572         | 234,708,795         |
| Packing material consumed  |      | 10,271,780          | 11,815,344          |
| Stores and spares consumed   |      | 19,077,119          | 19,523,714          |
| Oil and greases consumed   |      | 2,952,632           | 3,856,372           |
| Repair and maintenance   |      | 1,866,418           | 1,448,298           |
| Depreciation   | 16.1 | 18,786,527          | 15,826,354          |
|  |      | <u>608,618,984</u>  | <u>543,142,728</u>  |
| <b>Work in process</b>   |      |                     |                     |
| Opening stock  |      | 3,154,555           | 1,048,323           |
| Closing stock  |      | <u>(1,364,143)</u>  | <u>(3,154,555)</u>  |
|  |      | <u>1,790,412</u>    | <u>(2,106,232)</u>  |
|  |      | <u>610,409,396</u>  | <u>541,036,496</u>  |
| <b>Finished goods</b>  |      |                     |                     |
| Opening stock  |      | 3,661,800           | 1,864,437           |
| Closing stock  |      | <u>(1,517,205)</u>  | <u>(3,661,800)</u>  |
|  |      | <u>2,144,595</u>    | <u>(1,797,363)</u>  |
|  |      | <u>612,553,991</u>  | <u>539,239,133</u>  |
| <b>26.1 Raw Material Consumed</b>  |      |                     |                     |
| Balance as at July 01,   |      | 41,010,745          | 16,171,025          |
| Purchases during the Year  |      | 269,184,221         | 259,548,515         |
| Available for Consumption  |      | <u>310,194,966</u>  | <u>275,719,540</u>  |
| Less: Balance as at June 30,   |      | <u>23,759,394</u>   | <u>41,010,745</u>   |
|  |      | <u>286,435,572</u>  | <u>234,708,795</u>  |

26.2 Salaries, wages and benefits include Rs.2,207,330 (2014: Rs.1,913,635) in respect of staff gratuity.

|  | Note | 2015<br>Rupees | 2014<br>Rupees |
|--|------|----------------|----------------|
| <b>27 DISTRIBUTION COSTS</b>               |      |                |                |
| Salaries and benefits                      |      | 151,000        | 142,070        |
| Advertisement and sales promotion expenses |      | 32,850         | 281,450        |
| Ocean charges                              |      | 425,732        | 37,369         |
| Clearing and forwarding charges            |      | 91,535         | 19,059         |
|  |      | <u>701,117</u> | <u>479,948</u> |

## 28 ADMINISTRATIVE EXPENSES

|                                 |      |                   |                   |
|---------------------------------|------|-------------------|-------------------|
| Directors' remuneration         |      | 6,000,000         | 6,000,000         |
| Rent, rates and taxes           |      | 259,950           | 206,619           |
| Staff salaries and benefits     | 28.1 | 5,948,179         | 5,109,030         |
| Traveling and conveyance        |      | 362,446           | 445,028           |
| Electricity                     |      | 791,503           | 433,843           |
| Water and sewerage expense      |      | 1,403,318         | 1,573,119         |
| Communication expenses          |      | 1,001,022         | 892,414           |
| Printing and stationery         |      | 628,803           | 672,344           |
| Repair and maintenance          |      | 779,744           | 1,007,875         |
| Vehicle running and maintenance |      | 1,240,445         | 1,341,940         |
| Fees and subscriptions          |      | 589,980           | 1,107,695         |
| Legal and professional charges  |      | 96,000            | 91,000            |
| Auditors' remuneration          | 28.2 | 510,000           | 465,000           |
| Newspapers and periodicals      |      | 11,804            | 10,372            |
| Entertainment                   |      | 927,729           | 1,183,342         |
| Insurance                       |      | 745,561           | 642,404           |
| Zakat deducted at source        |      | 7,625             | 7,625             |
| Depreciation                    | 16.1 | 2,087,392         | 1,758,484         |
| Miscellaneous                   | 28.3 | 1,491,249         | 430,269           |
|                                 |      | <u>24,882,750</u> | <u>23,378,403</u> |

**28.1** Staff salaries and benefits includes Rs.403,350 (2014: Rs.349,683) in respect of staff gratuity.

### 28.2 Auditors' remuneration

The audit fee and remuneration for other services included in the financial statements is as follows:

#### Amin, Mudassar & Co.

|                        |                |                |
|------------------------|----------------|----------------|
| Statutory audit        | 435,000        | 400,000        |
| Half yearly review     | 55,000         | 50,000         |
| Out of pocket expenses | 20,000         | 15,000         |
|                        | <u>510,000</u> | <u>465,000</u> |

**28.3** This includes Rs.792,845 (2014: Rs.410,000) donation paid during the year. No director or his/her spouse had any interest in the donee.

## 29 OTHER OPERATING EXPENSES

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Workers' (Profit) Participation Fund | 1,502,246        | 1,113,025        |
| Exchange loss                        | 66,349           | 508,841          |
|                                      | <u>1,568,595</u> | <u>1,621,866</u> |

|  | Note | 2015<br>Rupees    | 2014<br>Rupees    |
|--|------|-------------------|-------------------|
| <b>30 OTHER INCOME</b>   |      |                   |                   |
| <b>Income from financial assets:</b>   |      |                   |                   |
| Profit on bank deposits  |      | 20,578            | 22,309            |
| <b>Income from non-financial assets:</b>   |      |                   |                   |
| Sale of scrap  |      | 1,121,845         | 1,629,742         |
| Profit on disposal of fixed assets   |      | 460,000           | 475,924           |
| Deferred income recognised   | 6    | 3,792,288         | 316,024           |
|  |      | <u>5,394,711</u>  | <u>2,443,999</u>  |
| <b>31 FINANCE COST</b>   |      |                   |                   |
| Markup on:   |      |                   |                   |
| Lease finance  |      | 4,132,246         | 404,500           |
| Short term borrowings  |      | 4,080,659         | 3,626,472         |
| Interest on workers' (profit) participation fund   |      | 116,868           | 77,150            |
| Bank charges and commission  |      | 765,985           | 603,360           |
|  |      | <u>9,095,758</u>  | <u>4,711,482</u>  |
| <b>32 TAXATION</b>   |      |                   |                   |
| Income tax   |      |                   |                   |
| - Current  | 14   | 6,773,449         | 5,910,632         |
| - Prior  |      | 380,041           | -                 |
|  |      | 7,153,490         | 5,910,632         |
| Deferred   | 9.4  | 8,364,750         | 6,741,240         |
|  |      | <u>15,518,240</u> | <u>12,651,872</u> |
| <b>33 EARNING PER SHARE</b>  |      |                   |                   |
| Weighted average number of shares  |      | 15,553,174        | 2,314,461         |
| Profit for the year (Rs.)  |      | 13,024,443        | 8,980,538         |
| Earning per share (Rs.)  |      | <u>0.84</u>       | <u>3.88</u>       |
| <b>34 TRANSACTIONS WITH RELATED PARTIES</b>  |      |                   |                   |
| Transactions with related parties have been disclosed in the relevant notes to the financial statements.   |      |                   |                   |
| <b>35 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE</b>   |      |                   |                   |
| The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits to the chief executive, working directors and executive of the company is as follows: |      |                   |                   |

|                        | CHIEF EXECUTIVE  |                  | DIRECTORS        |                  | EXECUTIVES     |                |
|------------------------|------------------|------------------|------------------|------------------|----------------|----------------|
|                        | 2015<br>Rupees   | 2014<br>Rupees   | 2015<br>Rupees   | 2014<br>Rupees   | 2015<br>Rupees | 2014<br>Rupees |
| Basic salary           | 2,746,000        | 1,636,364        | 2,746,000        | 3,818,182        | 520,000        | -              |
| Re-imbursable expenses | 254,000          | 163,636          | 254,000          | 381,818          | -              | -              |
|                        | <u>3,000,000</u> | <u>1,800,000</u> | <u>3,000,000</u> | <u>4,200,000</u> | <u>520,000</u> | <u>-</u>       |
|                        | 1                | 1                | 1                | 3                | 1              | 0              |

Executives are defined as employees with basic salary exceeding Rs. 500,000.

The Chief Executive and Directors are also provided with free use of company maintained cars and residential telephones.



## 36 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest rate risk). Financial risk management is carried out under risk policies established and approved by the Board of Directors. The management administers all aspects of risk management involving currency and interest rate risk, and cash management, in accordance with the risk policy.

The company's exposure to financial risks, the way these risks affect revenues, expenses, assets, liabilities and forecast transactions of the company and the manner in which each of these risks are managed is as follows:

### 36.1 Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trades debts, advances and deposits, interest accrued, other receivables and margin on letter of guarantee. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

|                    | 2015<br>Rupees    | 2014<br>Rupees     |
|--------------------|-------------------|--------------------|
| Trade debts        | 35,248,672        | 46,409,638         |
| Loans and advances | 30,553,288        | 48,596,180         |
| Interest accrued   | 9,022             | 11,494             |
| Bank balances      | 5,044,407         | 12,912,205         |
|                    | <u>70,855,389</u> | <u>107,929,517</u> |

Geographically there is no concentration of credit risk.

#### Credit Quality of Financial Assets

Foreign trade debts are secured against confirmed letter of credit. The company has placed funds in financial institutions keeping in view credit ratings. The company assesses the credit quality of the counter parties as satisfactory. The company does not hold any collateral as security against any of its financial assets except foreign debtors, if any.

The aging of trade debts at the reporting date was:

|                      | Gross<br>2015     | Gross<br>2014     |
|----------------------|-------------------|-------------------|
| Upto 1 month         | 24,881,737        | 45,592,193        |
| 1 to 6 months        | 9,699,280         | 817,445           |
| More then 6 months   | 667,655           | -                 |
|                      | <u>35,248,672</u> | <u>46,409,638</u> |
| <b>Cash at banks</b> |                   |                   |
| A-1+                 | 2,594,840         | 6,369,517         |
| A1+                  | 2,300,213         | 6,490,770         |
| A-1                  | 142,591           | -                 |
| A-3                  | -                 | 44,955            |
| A3                   | -                 | 6,963             |
| C                    | 6,763             | -                 |
|                      | <u>5,044,407</u>  | <u>12,912,205</u> |

#### Credit Risk Management

In respect of trade receivables, the company does not have significant concentration of credit risk with a single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables balances and individually significant balances, along with collection activities are reported to the Board of Directors on a monthly basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis of confirmed letters of credit. These actions are also reported to the Board on a monthly basis.

### 36.2 Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

| 2015  |                        |                         |                         |                   |
|---|------------------------|-------------------------|-------------------------|-------------------|
| Carrying Amount                                     | Contractual Cash Flows | Maturity up to one year | Maturity after one year |                   |
| R u p e e s   |                        |                         |                         |                   |
| Liabilities against assets subject to finance lease | 30,790,806             | 37,848,674              | 10,048,147              | 20,742,659        |
| Trade and other payables                            | 81,276,391             | 81,276,391              | 81,276,391              | -                 |
| Mark up accrued                                     | 908,354                | 908,354                 | 908,354                 | -                 |
| Short term borrowings                               | 62,361,863             | 62,361,863              | 62,361,863              | -                 |
|   | <u>175,337,415</u>     | <u>182,395,281</u>      | <u>154,594,755</u>      | <u>20,742,660</u> |
| 2014  |                        |                         |                         |                   |
| Carrying Amount                                     | Contractual Cash Flows | Maturity upto one year  | Maturity after one year |                   |
| R u p e e s   |                        |                         |                         |                   |
| Liabilities against assets subject to finance lease | 39,347,120             | 47,008,300              | 12,688,560              | 34,319,740        |
| Trade and other payables                            | 93,418,825             | 93,418,825              | 93,418,825              | -                 |
| Mark up accrued                                     | 930,526                | 930,526                 | 930,526                 | -                 |
| Short term borrowings                               | 59,825,764             | 59,825,764              | 59,825,764              | -                 |
|   | <u>193,522,235</u>     | <u>201,183,415</u>      | <u>166,863,675</u>      | <u>34,319,740</u> |

#### Liquidity Risk Management

The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the company ensures that it has sufficient cash on demand to meet expected operational cash flows, including serving of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. Further, the company has the support of its sponsors in respect of any liquidity shortfalls.

### 36.3 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 net profit or the fair value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

#### 36.3.1 Currency Risk

The company is exposed to currency risk in respect of export sales, imports and resulting balances that are denominated in a currency other than functional currency. There is no company's exposure to currency risk as at the reporting date.

| 2015                     |                  | 2014               |                 |
|--------------------------|------------------|--------------------|-----------------|
| Rupees                   | U.S. \$          | Rupees             | U.S. \$         |
| Trade debts              | 6,994,242        | -                  | -               |
| Trade and other payables | -                | (2,054,000)        | (20,800)        |
|                          | <u>6,994,242</u> | <u>(2,054,000)</u> | <u>(20,800)</u> |

The following significant exchange rates have been applied:

|                      | Reporting date rate |       |
|----------------------|---------------------|-------|
|                      | 2015                | 2014  |
| U.S. Dollar to Rupee | 101.5               | 98.75 |

#### Sensitivity analysis

At June 30, 2015, if Rupee had strengthened / weakened by 10% against U.S. Dollar with all other variables held constant, profit before taxation for the year would have been higher / (lower) by the amount shown below mainly as a result of foreign exchange gain / (loss) on translation of denominated financial liabilities and financial assets.

#### Effect on profit before taxation for the year:

|                      | 2015                | 2014      |
|----------------------|---------------------|-----------|
|                      | --- R u p e e s --- |           |
| U.S. Dollar to Rupee | 699,424             | (205,400) |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets and liabilities of the Company.

#### Foreign Currency Risk Management

Foreign currency risk arises mainly due to fluctuation in foreign exchange rates. The company also has transactional currency exposure. Such exposure arises from sales and purchases of certain materials by the company in currencies other than rupees. In appropriate cases, the management takes out forward contacts to mitigate risk where it is necessary.

### 36.3.2 Interest Rate Risk

The interest rate profile the company's interest bearing financial instruments as at the reporting date is as follows:

The company is exposed to interest rate risk in respect of its variable rate instruments. A 100 basis points increase in variable interest rates would have decreased profit by Rs.473,500 (2014: decreased profit by Rs.374,771). A 100 basis points decrease in variable interest rate would have had an equal but opposite impact on profit. This sensitivity analysis is based on assumption that all variables, with the exception of interest rates, remain unchanged.

The effective interest / mark-up rates in respect of financial instruments are mentioned in respective notes to the financial statements.

### 36.4 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing majority of its operations through long-term and short-term financing in addition to its equity. The Company has a gearing ratio of 48% (2014: 55%) as of the balance sheet date.

### 36.5 Fair Value of Financial Assets and Liabilities

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

## 37 PROPOSED DIVIDEND

The Board of the Company have proposed a final dividend for the year ended June 30, 2015 of Rs. Nil (2014: Rs. Nil) per share amounting to Rs. Nil (2014: Rs. Nil).

### 38 PLANT CAPACITY AND ACTUAL PRODUCTION

|   | 2015       | 2014       |
|---|------------|------------|
| <b>Cloth Processing</b>                     |            |            |
| Rated capacity (meters)                     | 57,600,000 | 57,600,000 |
| Actual processing (meters)                  | 28,448,153 | 29,063,457 |
| Percentage                                  | 49.39%     | 50.46%     |
| <b>Embroidery Processing</b>                |            |            |
| Rated capacity (meters)                     | 7,095,600  | 4,940,050  |
| Actual processing (meters)                  | 9,745,303  | 7,245,175  |
| Percentage of utilization of rated capacity | 137.34%    | 146.66%    |
| No. of working days                         | 313        | 313        |

Under utilization of available capacity is due to different mélange of cloth available for processing and unsustained supply of electricity and sui gas. Over utilisation of rated capacity is due to less number of stitches per meter of cloth.

### 39 OPERATING SEGMENT

39.1 These financial statements have been prepared on the basis of a single reportable segment.

39.2 All non-current assets of the company as at June 30, 2015 are located in Pakistan.

### 40 NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

|   | 2015<br>(-----N u m b e r-----) | 2014 |
|---|---------------------------------|------|
| Average number of employees during the year | 308                             | 319  |
| Number of employees as at June 30,          | 307                             | 314  |

### 41 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorized for issue by the board of directors of the company on October 9, 2015.

### 42 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. During the current year, security deposits with SNGPL amounting Rs. 16.622 million has been reclassified from short term security deposits (note no. 22) to long term deposits (note no. 17). There is no other material rearrangement to report.

### 43 GENERAL

Figures have been rounded off to the nearest rupee unless otherwise stated.

CHIEF EXECUTIVE

DIRECTOR

# Pattern of Shareholding

as at June 30, 2015

| Number of shareholder |     |       | From      | To        | Shares held |         |            |
|-----------------------|-----|-------|-----------|-----------|-------------|---------|------------|
|                       |     |       |           |           | Physical    | CDC     | Total      |
| Physical              | CDC | Total |           |           |             |         |            |
| 221                   | 93  | 314   | 1         | 100       | 9,745       | 1,451   | 11,196     |
| 104                   | 24  | 128   | 101       | 500       | 26,714      | 6,941   | 33,655     |
| 29                    | 5   | 34    | 501       | 1,000     | 21,287      | 3,633   | 24,920     |
| 19                    | 4   | 23    | 1,001     | 5,000     | 37,943      | 9,171   | 47,114     |
| 1                     | 1   | 2     | 5,001     | 10,000    | 9,680       | 8,000   | 17,680     |
| -                     | 1   | 1     | 10,001    | 15,000    | -           | 14,000  | 14,000     |
| -                     | 1   | 1     | 25,001    | 35,000    | -           | 29,500  | 29,500     |
| 2                     | 1   | 3     | 40,001    | 45,000    | 82,204      | 44,500  | 126,704    |
| -                     | 1   | 1     | 60,001    | 65,000    | -           | 63,000  | 63,000     |
| 1                     | -   | 1     | 100,001   | 110,000   | 107,500     | -       | 107,500    |
| 1                     | -   | 1     | 110,001   | 120,000   | 115,098     | -       | 115,098    |
| 1                     | -   | 1     | 200,001   | 210,000   | 205,427     | -       | 205,427    |
| 3                     | -   | 3     | 300,001   | 350,000   | 1,036,447   | -       | 1,036,447  |
| 1                     | -   | 1     | 2,000,001 | 2,100,000 | 2,061,639   | -       | 2,061,639  |
| 1                     | -   | 1     | 2,300,001 | 2,400,000 | 2,304,588   | -       | 2,304,588  |
| 1                     | -   | 1     | 3,500,001 | 4,000,000 | 3,979,144   | -       | 3,979,144  |
| 1                     | -   | 1     | 5,000,001 | 5,500,000 | 5,375,562   | -       | 5,375,562  |
| 386                   | 131 | 517   |           |           |             |         |            |
|                       |     |       |           |           | 15,372,978  | 180,196 | 15,553,174 |

| Categories of Shareholders   | Number     | Number of Shareholders | Percentage share held |
|--|------------|------------------------|-----------------------|
| <b>1. Directors, Chief Executives, their spouse and minor children</b> |            |                        |                       |
| i Sh. Faisal Tauheed Puri  | 1          | 5,375,562              | 34.56                 |
| ii Sh. Kashif Tauheed Puri   | 1          | 4,008,644              | 25.77                 |
| iii Sh. Tauheed Ellahi Puri  | 1          | 107,500                | 0.69                  |
| iv Mst. Shahida Tauheed  | 1          | 115,098                | 0.74                  |
| v Mst. Saima Shahid  | 1          | 350,000                | 2.25                  |
| vi Mst. Amna Kamran  | 1          | 350,000                | 2.25                  |
| vii Mst. Sadia Kamran  | 1          | 205,427                | 1.32                  |
| viii Mst. Samira Faisal  | 1          | 2,304,588              | 14.82                 |
| ix Mst. Tahira Kashif  | 1          | 2,061,639              | 13.26                 |
| x Mr. Yasir Munir  | 1          | 2,500                  | 0.02                  |
| xi Sh. Mustafa Tauheed   | 1          | 40,776                 | 0.26                  |
| xii Sh. Mahad Kashif   | 1          | 41,428                 | 0.27                  |
| <b>Total</b>   | <b>12</b>  | <b>14,963,162</b>      | <b>96</b>             |
| <b>2. Executives</b>   | <b>-</b>   | <b>-</b>               | <b>-</b>              |
| <b>3. Associated Companies, Undertaking &amp; Related Parties</b>      | <b>-</b>   | <b>-</b>               | <b>-</b>              |
| <b>4. Investment Corporation of Pakistan</b>                           | <b>1</b>   | <b>900</b>             | <b>0.01</b>           |
| <b>5. Mutual Funds</b>   | <b>-</b>   | <b>-</b>               | <b>-</b>              |
| <b>6. Banks, NBFC's, DFI's, Takaful, Pension Funds</b>                 | <b>-</b>   | <b>-</b>               | <b>-</b>              |
| <b>8. Insurance Companies</b>  | <b>1</b>   | <b>20</b>              | <b>0.00</b>           |
| <b>9. Joint Stock Companies, Corporate Bodies, Trust etc.</b>          | <b>5</b>   | <b>46,366</b>          | <b>0.30</b>           |
| <b>10. General Public</b>  | <b>494</b> | <b>479,135</b>         | <b>3.08</b>           |
| <b>11. Others</b>  | <b>4</b>   | <b>63,591</b>          | <b>0.41</b>           |
| <b>GRAND TOTAL</b>   | <b>517</b> | <b>15,553,174</b>      | <b>100</b>            |

## Shareholders more than 5% shareholding

|                             |   |           |       |
|-----------------------------|---|-----------|-------|
| i Sh. Faisal Tauheed Puri   | 1 | 5,375,562 | 34.56 |
| ii Sh. Kashif Tauheed Puri  | 1 | 4,008,644 | 25.77 |
| iii Sh. Tauheed Ellahi Puri | 1 | 2,304,588 | 14.82 |
| iv Mst. Shahida Tauheed     | 1 | 2,061,639 | 13.26 |

# Summary of Last Six Years Financial Results

| Description                   | 2015        | 2014        | 2013        | 2012        | 2011        | 2010        |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Trading Results</b>        |             |             |             |             |             |             |
| Turnover                      | 671,950,183 | 588,619,243 | 522,512,061 | 502,965,825 | 365,110,217 | 378,580,342 |
| Gross Profit                  | 59,396,192  | 49,380,110  | 39,790,051  | 31,584,767  | 21,335,044  | 21,725,148  |
| Operating Profit (Loss)       | 37,638,441  | 26,343,892  | 20,524,794  | 14,073,103  | 6,548,925   | 6,239,964   |
| Profit/(Loss) before taxation | 28,542,683  | 21,632,410  | 15,585,123  | 9,197,648   | 1,699,799   | 1,827,188   |
| Profit/(Loss) after taxation  | 13,024,443  | 8,980,538   | 7,831,660   | 4,167,990   | (2,232,525) | 864,642     |
| <b>Balance Sheet</b>          |             |             |             |             |             |             |
| Shareholders equity           | 155,531,740 | 155,531,740 | 11,109,410  | 11,109,410  | 11,109,410  | 11,109,410  |
| Unappropriated profit/(loss)  | 38,561,081  | 25,021,743  | 18,969,456  | 11,137,796  | 6,969,806   | 10,313,272  |
| Tangible fixed assets         | 387,258,041 | 355,486,469 | 330,811,041 | 324,912,958 | 167,446,255 | 174,339,259 |
| <b>Significant Ratios:</b>    |             |             |             |             |             |             |
| Gross Profit %                | 8.84        | 8.39        | 7.62        | 6.28        | 5.84        | 5.74        |
| Current Ratio                 | 1.10        | 1.34        | 1.39        | 1.06        | 1.04        | 1.01        |
| Earning per share             | 0.84        | 3.88        | 7.05        | 3.75        | (2.01)      | 0.78        |

# FORM OF PROXY

**Folio No.**

I/WE \_\_\_\_\_

Of \_\_\_\_\_

Being a member of The National Silk & Rayon Mills Limited hereby appoint

\_\_\_\_\_  
(Name)

Of \_\_\_\_\_

(Another member of the) failing him

\_\_\_\_\_  
(Name)

Of \_\_\_\_\_

(Another member of the Company) to attend, act and vote for me and on my/our behalf at the 65th Annual General Meeting of the Company to be held on Saturday, 31st day of October 2015 at 3.00 p.m. Fletti's Hotel 24, Egerton Road, Lahore and at any adjournment thereof.

As witness my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2015

Signature on  
Revenue Stamp  
of Correct Value

(Signature should agree with the specimen  
Signature registered with the Company)

Date: \_\_\_\_\_

**NOTE:**

Proxy form must be signed across a correct value Revenue Stamp and it should be deposited in the Registered Office of the company not later than 48 hours before time of holding the meeting.