

28th Annual Report 2015



Premium Textile Mills Ltd.

ANNUAL REPORT 2015

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Premium Textile Mills Ltd.

COMPANY INFORMATION

Board of Directors	MR.ABDUL KADER HAJI ADAM MR.MOHAMMED YASIN SIDDIK MR.MOHAMMED ASLAM MR.MOHAMMED ALI JALIAWALA MR.MOHAMMED TUFAIL MR.GHULAM MOHAMMED SURTI MR.AAMIR AMIN (NIT Nominee)	Chairman Chief Executive Director Director Director Director Director
Chief Financial Officer	MR.GHULAM MOHAMMED SURTI	
Company Secretary	MR.IQBAL CHAPPPRA	
Auditor	RAHMAN SARFARAZ RAHIM IQBAL RAFIQ Chartered Accountants	
Audit Committee	MR.MOHAMMED TUFAIL MR.MOHAMMED ASLAM MR.MOHAMMED ALI JALIAWALA	Chairman Member Member
HR & RC	MR.MOHAMMED ALI JALIAWALA MR.MOHAMMED ASLAM MR.MOHAMMED TUFAIL	Chairman Member Member
Head of Internal Auditor	MR.WASIF HUSSAIN NAQVI	
Bankers	BANK AL-HABIB LIMITED BANK ALFALAH LIMITED	
Registered Office	1 st Floor, Haji Adam Chambers, Altaf Hussain Road, New Challi, Karachi. Phone: 32400405-8 Fax : 32417908 E-mail: premhead@premiumtextile.com	
Factory	Plot 58, 60, 61 & 76, 77, 78 Main Super Highway, Nooriabad, Distt. Dadu (Sindh), Pakistan. Phone: (025) 4007463-9	
Share Registrar	TECHNOLOGY TRADE (PVT) LTD. Dagja House, 241-C, Block-2, P.E.C.H.S. Off: Shahrah-e-Qaideen, Karachi. Phone: 34391316-7 & 19	
U R L	www.premiumtextile.com	

VISION STATEMENT

At Premium Textile Mills Ltd we envisage ourselves as a leading company in the manufacturing of value added yarn. Our relentless endeavors are directed to make our customers view Premium as a reliable brand that gets to the future first.

MISSION STATEMENT

Our mission is to manage and operate the company in a manner that allows continued growth and profitability without high risk for investors. We do this by offering quality products to our customers, by constantly striving to improve our product to meet our customer's needs and by trying to keep abreast of the new developments taking place in the textile world.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 28th Annual General Meeting of the Shareholders of **PREMIUM TEXTILE MILLS LIMITED** will be held on **Wednesday the 28th October, 2015 at 10:00 a.m.** at Registered Office 1st Floor, Haji Adam Chambers, Altaf Hussain Road, Karachi, to transact the following business:

1. To confirm minutes of the 27th Annual General Meeting held on October 23, 2014.
2. To receive, consider and adopt the Report of Directors, Auditors and Audited Accounts of the Company for the year ended 30th June, 2015.
3. To approve the payment of dividend @ 60 % (i.e.Rs.6.00 per share) as recommended by the Board of Directors.
4. To appoint Auditors for the next year 2015-2016 and fix their remuneration.
5. To transact any other business with the permission of the Chair.

By order of the Board of Directors

YASIN SIDDIK
Chief Executive

Karachi:
The 5th October, 2015

NOTES:

1. The Share Transfer Books of the Company will remain closed from 22nd October 2015 to 28th October 2015 (both days inclusive).
2. A member entitled to attend, speak and vote at the Annual General Meeting may appoint another member as his/her proxy in order to be effective must be received at Registered Office of the Company not less than 48 hours before the meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her Original CNIC or Passport to prove his/her identity and in case of Proxy must enclose additionally an attested copy of his/her CNIC or Passport, Representatives of corporate members should bring the usual documents required for such purpose.
4. Shareholders are requested to promptly notify the Company of any change in their address, if any.

5. Submission of copies of CNIC and NTN Certificate (Mandatory)

Pursuant to the directive of the Securities & Exchange Commission of Pakistan (SECP). Dividend Warrants shall mandatorily bear the Computerized National Identity Card (CNIC) numbers of shareholders. Shareholders are therefore requested to fulfill the statutory requirements and submit a copy of their CNIC (if not already provided) to the Company's Share Register, M/s Premium Textile Mills Limited without any delay.

In case of non-availability of a valid copy of the Shareholders CNIC in the records of the Company the company shall be constrained to withhold the Dividend Warrants in terms of Section 251(2)(a) of the Companies Ordinance 1984, which will be released by the Share Registrar only upon submission of a valid copy of the CNIC in compliance with the aforesaid SECP directives.

6. Withholding Tax on Dividend

Government of Pakistan through Finance Act. 2015 has made certain amendments in section 150 of the income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

(a)	For filers of income tax returns	12.5%
(b)	For non-filers of income tax returns	17.5%

Shareholders, who are filers, are advised to make sure that their names are entered into latest Active Tax Payers List (ATL) provided on the website of FBR at the time of dividend payment, otherwise they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 17.5% instead of 12.5%.

7. Withholding Tax on Dividend in case of Joint Account Holders

In order to enable the Company to follow the directives of the regulators to determine shareholding ratio of the Joint Account Holder(s) (where shareholding has not been determined by the Principal shareholder) for deduction of withholding tax on dividends of the Company, shareholders are requested to please furnish the shareholding ratio details of themselves as Principal shareholder and their Joint Holders, to the Company's Share Registrar, in writing as per format given below enabling the Company to Compute withholding tax of each shareholder accordingly.

Company Name	Folio/CDX Account No.	Total Shares	Principal Shareholder		Joint Shareholder(s)	
			Name & CNIC No.	Shareholding Proportion (No. of Shares)	Name & CNIC No.	Shareholding Proportion (No. of shares)

The required information must reach our Share Registrar within 10 Days of this notice; otherwise it will be assumed that the shares are equally held by Principal Shareholder and Joint Holder(s).

8. Payment of Cash Dividend Electronically (Optional)

The SECP has initiated e-dividend mechanism through its Notification 8(4) SM/CDC/2008 dated April 05, 2013 in order to avail benefits of e-dividend shareholders are hereby advised to provide detail of their bank mandate specifying: (i) title of account, (ii) account number, (iii) bank name, (iv) branch name, code and address to Company's Shares Registrar M/s. Premium Textile Mills Limited. Shareholders who hold shares with Participants / Central Depository Company of Pakistan (CDC) are advised to provide the mandate to the concerned Broker / CDC.

Premium Textile Mills Ltd.

CHAIRMAN/DIRECTOR'S REPORT

Dear Shareholders,

The Directors have pleasure in presenting to you 28th Annual Report together with the audited accounts of the company for the year ended, 30th June, 2015 for your consideration and approval.

OPERATING RESULT

	2015 Rupees	2014 Rupees
Operating Profit	359,436,349	521,126,832
Financial & Others	(166,941,187)	(470,397,949)
Profit before Taxation	192,495,162	50,728,883
Taxation	(29,788,044)	16,130,052
Profit after Taxation	162,707,118	66,858,935
Earning per share	26.40	10.85
Gross Margin %	8.70 %	9.51 %
Operating Profit %	5.96 %	7.23 %

OPERATING PROFIT

The net sale during the year under review amounted to Rs.6030 Million as compared to Rs.7213 Million last year showing decreased of 1183 Million due to decrease d in the price of Raw cotton, although the quantity of yarn manufactured was 23434-tons for 2015 as compared to 23070-tons for 2014. Yarn price decreased by 13.90% while raw material price decreased by 15.70% where as production expenses decreased by 2.9%. Similarly, financial cost reduced by 142 Million as the company availed F.E.Loan facilities more than last year.

ADDITION IN FIXED ASSETS

During the year under review following assets have been added.

BUILDING	Rs. 27.36	Million
<u>MACHINERY</u>		
1 No.60-KVA Generator	Rs. 01.64	Million
2 Nos.Murata Q-Pro Cone Winder	Rs. 52.26	Million
Replacement of Uster 2 yarn clearer by Quantum 3	Rs. 14.24	Million
2 Nos.yarn Conditioning	Rs. 13.43	Million
Dust & Waste removal system replacement	Rs. 03.12	Million
5 Nos.Slubber Yarn Devices	Rs. 10.29	Million
1 No.Cots Grinding Machine	Rs. 02.82	Million
Fire Sprinkler System	Rs. 10.48	Million
Replacement of Aluminum fans by FRP fan	Rs. 06.36	Million
1 No.Knitting Machine	Rs. 00.40	Million
1 No.Carding Machine	Rs. 01.80	Million
Sliver Cans & others	Rs. 11.40	Million
VEHICLE	Rs. 25.92	Million
OFFICE & COMPUTER EQUIPMENT	Rs. 01.39	Million

FUTURE OUTLOOK

With India and Vietnam fast increasing their production capacities and competing for a larger share in the global textile market and with higher than region costs of electricity and gas prices prevailing in Pakistan, the textile industry is finding it difficult to cope with the pressure and we feel the need to modernize and reduce our costs in order to remain profitable. The company is preparing a plan for the gradual up radiation and modernization of it's machinery and bring about sayings in labor cost and energy cost. Inshaallah your management will endeavor to maintain good levels of profit and payouts.

CORPORATE & FINANCIAL REPORTING FRAME WORK

Your company is committed to standards of corporate governance and continually seeking improvements. The company applies the principles contained in the following manner:

- a) The financial statements, prepared by the company, fairly presents its state of affairs in operations, cash flows and changes in equity.
- b) Proper books of account have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. Of financial statements and any deviation has been adequately disclosed.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There has been no deviation from the best practices of corporate governance, as mentioned in the listing regulations.
- g) The Company's record shows growth in terms of quantity and sales of value added yarn as per plan keeping in view future prospects regarding sales, the company has improved its production performance by making capital expenditure in different departments of the mill. This was done in line with the company's objective of providing quality products and value added yarn.

Premium Textile Mills Ltd.

- h) During the year under review. Four Board of Directors meeting were held and attended as follows:

<u>NAME OF DIRECTORS</u>	<u>NO.OF MEETING ATTEND</u>
01- Mr. Abdul Kadir Adam	4
02- Mr. M.Yasin Siddik	4
03- Mr. M.Tufail Sattar	4
04- Mr. M.Ali Jaliawala	3
05- Mr. G.M Surti	4
06- Mr. M.Aslam Parekh	2
07- Mr. Aamir Amin	4

(However, leave of absence was granted to the Directors who could not attend the Board Meetings due to their preoccupations).

- l) During the year under review, trading in shares of the Company by the Directors, CEO and their spouses are as follows:

	<u>Opening Balance 01-07-2014</u>	<u>purchase</u>	<u>sale</u>	<u>Closing Balance 30-06-2015</u>
Mr. Abdul Kadir Adam	83,986	-	-	83,986
Mr. M.Yasin Siddik	284,075	-	-	284,075
Mrs.Nabila Kadir (w/o Kadir Adam)	35,400	-	-	35,400
Mrs.Nabila Yasin (w/o Yasin Siddik)	120,000	-	-	120,000

AUDIT COMMITTEE

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee and the following Directors are its members:

Mr. Mohammed Tufail Sattar	Chairman
Mr. Mohammed Ali Jaliawala	Member
Mr. Mohammed Aslam Parekh	Member

HUMAN RESOURCES & REMUNERATION COMMITTEE (HR & RC):

Mr. Mohammed Ali Jaliawala	Chairman
Mr. Mohammed Aslam Parekh	Member
Mr. Mohammed Tufail Sattar	Member

AUDITORS

The Present auditors of the Company M/S Rahman Sarfaraz Rahim Iqbal Rafiq (Chartered Accountants) retire and being eligible, offer themselves for reappoint as Auditor for the ensuring year.

PATTERN OF SHAREHOLDING

The pattern of share holding of the company as at June30, 2015 is annexed.

ACKNOWLEDGMENT

The Board is pleased to record its appreciation to its bankers for their continued support, its staff Member and workers for their hard work. The board appreciates the valued shareholders for their Confidence & moral support. The Board also thanks its valued customers for their business and Support to your Company.

On behalf of Board of Directors.

**YASIN SIDDIK
Chief Executive**

Karachi:
The 5th October, 2015

Premium Textile Mills Ltd.

KEY OPERATING AND FINANCIAL RESULTS

	2015	2014	2013	2012	2011	2010
(Rupees in '000)						
OPERATING DATA						
Sales (net)	6030823	7212829	4932271	4136399	4645118	3209472
Cost of Goods Sold	5506409	6526785	4124263	3677932	4088940	2706750
Gross Profit	524414	686044	808008	458467	556178	502722
Operating Profit	359436	521127	690473	374283	476695	447018
Financial charges & others	166941	470398	182026	134586	197726	181583
Profit /(Loss) before taxation	192495	50729	508447	239697	278969	265435
Profit /(Loss) after taxation	162707	66859	493200	194159	242720	191548
FINANCIAL DATA						
Shareholders equity	1358605	1208942	1223279	769939	608578	395308
Surplus on revaluation of Plant & Machinery	11025	7486	8847	9830	11047	12413
Long term liabilities	700000	700000	0	0	0	105000
Deferred liabilities	33714	52189	45642	71404	68759	80010
Current liabilities	1432340	2685433	2817346	950245	1177324	864564
	3535684	4654050	4095115	1801419	1865708	1457295
Fixed Assets	1810720	1841389	1458731	722621	640470	571982
Long Term Deposit	1504	1504	1191	1191	1191	843
Long Term Investment	0	1966	1966	1825	0	0
Current Assets	1723460	2809192	2633227	1075782	1224047	884470
	3535684	4654050	4095115	1801419	1865708	1457295
KEY RATIOS						
Gross Margin	8.70%	9.51%	16.38%	11.08%	11.97%	15.66%
Operating Margin	5.96%	7.22%	14.00%	9.05%	10.26%	13.93%
Net Profit	2.70%	0.93%	10.00%	4.69%	5.23%	5.97%
Current Ratio	1.20	1.05	0.93	1.13	1.04	1.03
Earning Per Share (Rupees)	26.40	10.85	80.03	31.50	39.38	31.08
Break-up value of shares	Rs. 220.45	Rs. 196.16	Rs. 198.49	Rs. 124.93	Rs. 98.75	Rs. 64.14
Cash Dividend %	60.00%	35.00%	125.00%	60.00%	55.00%	50.00%
STATISTICS						
Spindles Installed	61260	61260	47263	43716	41136	41136
Spindles Worked	59659	57718	45104	42253	40498	41097
Production Capacity Conversion 20/s in Kgs.	20861356	20861356	16094846	14886958	14008370	14008370
Actual Production Conversion 20/s in Kgs.	21239598	19655151	15085312	14096368	13790986	13994991

**PATTERN OF HOLDING OF SHARES
AS AT JUNE 30, 2015**

No. of Shareholders	Shareholdings		Total Shares Held
593	Shareholding From 1	To 100	43,374
104	Shareholding From 101	To 500	32,173
41	Shareholding From 501	To 1000	38,644
57	Shareholding From 1001	To 5000	140,538
8	Shareholding From 5001	To 10000	69,900
10	Shareholding From 10001	To 15000	126,450
3	Shareholding From 15001	To 20000	54,586
1	Shareholding From 30001	To 35000	34,400
2	Shareholding From 45001	To 50000	96,200
1	Shareholding From 70001	To 75000	74,010
1	Shareholding From 85001	To 90000	87,400
1	Shareholding From 90001	To 95000	90,700
4	Shareholding From 110001	To 115000	442,800
1	Shareholding From 115001	To 120000	120,000
1	Shareholding From 165001	To 170000	167,389
1	Shareholding From 240001	To 245000	240,523
1	Shareholding From 280001	To 285000	284,075
1	Shareholding From 400001	To 405000	404,250
1	Shareholding From 805001	To 810000	809,323
1	Shareholding From 2805001	To 2810000	2,806,265
<u>833</u>			<u>6,163,000</u>

**Detail of Categories of Shareholders
As at June 30, 2015**

Shareholders' Category	Shares Held	%
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS		
NATIONAL BANK OF PAKISTAN	455	
NATIONAL BANK OF PAKISTAN	167,389	
Sub-Total :	167,844	2.72
DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSE, MINOR CHILDREN AND RELATIVES		
MR.ABDUL KADER HAJI ADAM	CHAIRMAN	83,986
MR.MOHAMMAD YASIN SIDDIQ	CHIEF EXECUTIVE	284,075
MR.MUHAMMAD ASLAM PAREKH	DIRECTOR	11,600
MR.GHULAM MOHAMMAD	DIRECTOR	3,000
MR.MOHAMMAD ALI JALIAWALA	DIRECTOR	3,000
MR.TUFAIL SATTAR	DIRECTOR	3,000
MRS.NABILA KADER	W/O.KADER ADAM	35,400
MRS.NABILA YASIN	W/O.YASIN SIDDIQ	120,000
MR.ZAID YASIN	S/O.YASIN SIDDIQ	10,000
MS.SAADIA YASIN	D/O.YASIN SIDDIQ	10,000
MST. RAZIA		110,700
MST. NEELUM SIDDIQ		110,700
MST. FARHEEN SIDDIQ		110,700
MST. LUBNA SIDDIQ		90,700
MST MUNEZA SIDDIQ		110,700
Sub-Total :	1,097,561	17.81
NIT AND ICP		
INVESTMENT CORP. OF PAKISTAN	500	
Sub-Total :	500	0.01
OTHERS		
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT)	809,323	
FIKREE'S (SMC-PVT) LTD.	380	
128 SECURITIES (PVT) LTD.	115	
MAPLE LEAF CAPITAL LIMITED	1	
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BE	2,597	
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES	74,010	
TRUSTEES OF ABDUL KADIR ADAM BENEFICIARY	2,806,265	
TRUSTEES OF NABILA AND ABDUL KADIR ADAM	240,523	
RAHMAT INVESTMENT COMPANY (PVT) LTD	404,250	
MUHAMMAD AHMAD NADEEM SEC(SMC-PVT)LTD (I	500	
PAKISTAN MEMON EDUCATIONAL & WELFARE SOC	3,000	
FREEDOM ENTERPRISES (PVT) LTD	1,000	
M/S ABDUL KADIR ADAM BENEFICIARY TRUST	5,000	
Sub-Total :	4,346,964	70.53
Individual		
Local - Individuals	550,131	
Sub-Total :	550,131	8.93
Grand Total :	6,163,000	100.00
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STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE (See clause XL)

Name of Company: PREMIUM TEXTILE MILLS LIMITED

Year ended : June 30, 2015

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of **Karachi Stock Exchange Ltd.**, 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 principle contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors including director representing minority interests on its Board of Directors. At present the Board includes one independent director representing NIT, four non-executive directors and two executive directors.
2. The directors have confirmed that none of them is serving as a director in more than seven listed companies including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or any NBFIs or, being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the board during the financial year 2014-2015.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all concerned.
6. The company has prepared a "Code of Conduct" and has been disseminated throughout the company along with its supporting policies and procedures.
7. The Board has developed vision and mission statement, overall corporate strategy and significant policies of the Company, which have been approved by the board in its meeting. A complete record of particulars of significant policies along-with the dates on which they were approved or amended has been maintained.
8. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.
9. 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 meeting, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

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10. The Board arranges orientation courses for its directors as and when needed to apprise them of their duties and responsibilities. The incoming directors are also provided with appropriate briefing and orientation material to enable them firsthand Knowledge on the working of the company.
11. Directors of company have 14 years of education and 16 years of experience on the board of a listed company due to which they are exempted from having certification under any directors' training program offered by local institution or foreign institution that meet the criteria specified by the SECP.
12. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
13. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
14. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
15. 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.
16. The Company has complied with all the corporate and financial reporting requirements of the Code.
17. The Board has formed an audit committee. It comprises three members, of whom all are non-executive directors. The chairman of Audit Committee is independent director who is not the chairman of the board.
18. The meeting of the audit committee was held in every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have formed and advised to the committee for compliance.
19. The Board has formed HR and Remuneration committee. It comprises three members, of whom two are non-executive directors and the Chairman of the Committee is an independent director.
20. The Board has set-up an inter audit function, which are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they (or their representatives) are involved in internal audit function.
21. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programmed of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
22. The statutory auditors or the person's associates with them have not been appointment 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.
23. The closed period prior to the announcement of interim/final results, and business decisions, which may have material affect on the market price of company's securities was determined and intimated to directors, employees and stock exchange.
24. No such material / price sensitive information existed which should be disseminated among all market participants at once through stock exchange.
25. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

YASIN SIDDIK
Chief Executive

Karachi:
The 5th October, 2015

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Premium Textile Mills Limited** for the year ended **June 30, 2015** to comply with the requirements of Listing Regulation of the Karachi Stock Exchange Limited, where the Company is listed.

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

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

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

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

Karachi.
Date: 5th October, 2015

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: Muhammad Waseem

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Premium Textile Mills Limited** ("the Company") as at **June 30, 2015**, and the related profit & loss account, statement of comprehensive income, statement of changes in equity and cash flow statement 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 the 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 & loss account, statement of comprehensive income, statement of changes in equity and cash flow statement 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 changes in equity and cash flows for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi.
Date: 5th October, 2015

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: Muhammad Waseem

**BALANCE SHEET
AS AT JUNE 30, 2015**

ASSETS	Note	2015	Rupees	2014
Non - Current Assets				
Property, plant and equipment	4	1,810,719,508		1,841,388,819
Long term deposits		1,504,100		1,504,100
Long term investment	5	-		1,965,854
Current Assets				
Stores and spares	6	42,403,916		45,785,782
Stock in trade	7	946,659,818		1,434,905,802
Trade debts - considered good	8	596,301,304		1,123,896,836
Taxation - net	9	92,285,304		134,647,295
Advances, deposits, prepayments and other receivables	10	36,344,976		56,180,948
Cash and bank balances	11	9,465,038		13,774,943
		1,723,460,356		2,809,191,606
		3,535,683,964		4,654,050,379
Share Capital and Reserves				
Authorized Capital				
7,000,000 (2014: 7,000,000) ordinary shares of Rs. 10/- each		70,000,000		70,000,000
Issued, subscribed and paid up capital				
6,163,000 (2014: 6,163,000) ordinary shares of Rs. 10/- each fully paid in cash		61,630,000		61,630,000
Unappropriated profit		1,296,974,954		1,147,311,981
		1,358,604,954		1,208,941,981
Surplus on revaluation of Property, plant and equipment	12	11,025,162		7,486,220
LIABILITIES				
Non - Current Liabilities				
Long term loan	13	700,000,000		700,000,000
Deferred liabilities	14	33,713,997		52,189,370
Current liabilities				
Loan from directors	15	40,000,000		40,000,000
Trade and other payables	16	233,810,900		256,949,140
Short term borrowing - secured	17	1,127,496,017		2,307,746,309
Accrued markup		31,032,934		80,737,359
		1,432,339,851		2,685,432,808
Contingencies and Commitments	18	-		-
		3,535,683,964		4,654,050,379

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015**

		2015	2014
	Note	Rupees	
Sales - net	19	6,030,823,143	7,212,829,001
Cost of sales	20	<u>(5,506,409,041)</u>	<u>(6,526,784,604)</u>
Gross profit		524,414,102	686,044,397
Operating expenses			
Administrative expenses	21	<u>(62,492,240)</u>	<u>(61,710,023)</u>
Distribution costs	22	<u>(102,485,513)</u>	<u>(103,207,542)</u>
		<u>(164,977,753)</u>	<u>(164,917,565)</u>
Operating profit		359,436,349	521,126,832
Finance costs	23	<u>(198,843,538)</u>	<u>(341,284,316)</u>
Other operating expenses	24	<u>(15,654,203)</u>	<u>(8,552,990)</u>
Other (loss) / income	25	<u>47,556,554</u>	<u>(120,560,643)</u>
		<u>(166,941,187)</u>	<u>(470,397,949)</u>
Profit before taxation		192,495,162	50,728,883
Taxation			
- Current	26	<u>(29,788,044)</u>	<u>16,130,052</u>
Profit after taxation		<u>162,707,118</u>	<u>66,858,935</u>
Earnings per share - basic and diluted	27	<u>26.40</u>	<u>10.85</u>

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	2015	Rupees	2014
Profit before taxation	192,495,162		50,728,883
Adjustments for non cash and other items:			
Depreciation	197,456,422		161,622,806
(Gain)/loss on disposal of property, plant and equipment	(10,493,875)		26,237
Provision for gratuity	12,705,519		9,424,758
Contribution to Workers' Profit Participation Fund	10,407,468		2,964,094
Contribution to Workers' Welfare Fund	5,246,735		5,588,896
Exchange loss on debtors	12,906,429		-
Exchange loss on FE loan	4,191,025		-
Other income	(54,160,133)		-
Finance cost	198,843,538		341,284,316
	377,103,128		520,911,107
Operating cash flows before working capital changes	569,598,290		571,639,990
Changes in working capital			
Decrease / (increase) in current assets			
Stores and spares	3,381,866		(7,008,174)
Stock in trade	488,245,984		243,121,451
Trade debtors	514,689,103		(311,346,303)
Advances, deposits, prepayments and other receivables	19,835,972		1,415,181
(Decrease) / increase in current liability			
Trade and other payables	19,302,361		63,894,624
	1,045,455,286		(9,923,221)
	1,615,053,576		561,716,769
Tax refund / (paid)	12,573,947		(77,047,907)
Gratuity paid	(19,115,595)		(8,397,439)
Payment of WPPF and WWF	(8,552,990)		(37,682,985)
Finance cost paid	(248,642,290)		(323,339,621)
Net cash generated from operating activities	1,351,316,648		115,248,817
CASH FLOWS FROM INVESTING ACTIVITIES			
Long term investment	1,965,854		-
Long term deposit	-		(313,000)
Interest income on long term investment	521,621		-
Proceeds from sale of property, plant and equipment	18,488,759		23,500
Capital expenditure	(174,781,995)		(544,330,416)
Net cash used in investing activities	(153,805,761)		(544,619,916)

Premium Textile Mills Ltd.

	Note	2015 Rupees	2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(21,570,500)	(77,037,500)
Long term loan		-	700,000,000
Net cash (used in) / generated from financing activities		(21,570,500)	622,962,500
Net increase in cash and cash equivalents		1,175,940,387	193,591,401
Cash and cash equivalents at the beginning of the year		(2,293,971,366)	(2,487,562,767)
Cash and cash equivalents at the end of the year		<u>(1,118,030,979)</u>	<u>(2,293,971,366)</u>
Cash and cash equivalents comprise the following:			
Cash and bank balance	11	9,465,038	13,774,943
Short term borrowing	17	(1,127,496,017)	(2,307,746,309)
		<u>(1,118,030,979)</u>	<u>(2,293,971,366)</u>

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014
	Rupees	
Profit after taxation	162,707,118	66,858,935
Other comprehensive income		
- Surplus on revaluation of property, plant and equipment realized during the period on account of incremental depreciation	1,225,018	1,361,131
Actuarial Gain/(Loss) on Defined Benefit Obligation- net of tax	7,301,337	(5,519,957)
Total comprehensive income for the year	<u>171,233,473</u>	<u>62,700,109</u>

The annexed notes from 1 to 36 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	Unappropriated Profit Rupees	Total
Balance as at July 1, 2013	61,630,000	1,161,649,372	1,223,279,372
Total comprehensive Income for the year	-	62,700,109	62,700,109
Final cash dividend paid @ 125%	-	(77,037,500)	(77,037,500)
Balance as at June 30, 2014	61,630,000	1,147,311,981	1,208,941,981
Balance as at July 1, 2014	61,630,000	1,147,311,981	1,208,941,981
Total comprehensive Income for the year	-	171,233,473	171,233,473
Final cash dividend paid @ 35%	-	(21,570,500)	(21,570,500)
Balance as at June 30, 2015	61,630,000	1,296,974,954	1,358,604,954

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

1 LEGAL STATUS AND NATURE OF BUSINESS

Premium Textile Mills Limited ("the Company") was incorporated in Pakistan in 1987 and is quoted on the Karachi Stock Exchange Limited. The Company is engaged in the business of manufacturing and sale of cotton and polyester yarn. The registered office of the company is situated at 1st floor, Haji Adam Chamber, Altaf Hussain Road, New Challi, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except certain property, plant and equipment carried at revalued amounts and certain employee retirement benefits carried at present value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of the financial statements in conformity with approved accounting standards requires the management to make the judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Areas where various assumptions and estimates are significant to the financial statements or where judgments were exercised in application of accounting policies are as follows:

- a) Residual values and useful lives of items of property, plant and equipment
- b) Provision for obsolete inventory
- c) Provision of slow moving and obsolete stores and spares
- d) Provision for staff retirement benefits
- e) Provision for taxation

Note
3.1
3.3
3.4
3.9
3.10

2.5 Amendments / interpretation to existing standard and forthcoming requirements

a) Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards or new interpretations became effective, however, the amendments or interpretation were either not relevant to the Company's operations or were not expected to have any significant impact on the Company's financial statements.

b) New / revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective:

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Company's financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Company's financial statements.

Premium Textile Mills Ltd.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard will result in certain additional disclosures in the Company's financial statements.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.
- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Company's financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in Company's interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment loss, if any, except Plant, machinery and electrical instruments and installations which are stated at revalued amount less accumulated depreciation and impairment loss, if any. Depreciation is charged to profit & loss account applying the reducing balance method whereby the cost or revalued amount of an asset is written off over its useful life at the rates specified in note 4 to the financial statements. Depreciation is charged when asset is available for use until asset is disposed off.

Capital work - in - progress is stated at cost less accumulated impairment losses, if any. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work - in - progress. These are transferred to specified assets as and when assets are available for use.

Any surplus arising on revaluation of plant and machinery is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of plant and machinery (net of deferred taxation) is transferred directly to retained earning / unappropriated profit.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposal of assets, if any, are taken to the profit and loss account.

The assets' residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of plant, machinery and electrical instruments and installation as at 30 June 2015 did not require any adjustment as its impact is considered insignificant.

An item of property, plant and equipments is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year in which the asset is derecognized.

3.2 Impairment of non - financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceed their recoverable amount, an impairment loss is recognized in the profit and loss account.

Premium Textile Mills Ltd.

3.3 Stock in trade

Raw materials are valued at average cost and finished goods are valued at lower of average cost and net realizable value.

Work-in-process is valued at average cost of raw materials including a proportionate of manufacturing overheads.

Waste materials are stated at net realizable value and raw material in transit is valued at invoice value plus other charges paid thereon.

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

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding their future usability.

3.4 Stores and spares

Stores, spares and loose tools excluding items in transit are valued at lower of average cost and net realizable value. Provision is made for slow moving and obsolete items.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date.

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

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding their future usability.

3.5 Trade and other receivables

Trade and other receivables are carried at original invoice amount / cost, which is the fair value of the consideration to be received, less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balance considered bad and irrevocable are written off.

3.6 Cash and cash equivalents

Cash in hand and at banks, short term bank deposits and short term running finances, if any, are carried at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and deposits in bank, net of short term running finances (if any) that are highly liquid in nature, readily convertible into known amounts of cash and subject to insignificant risks of changes in value.

3.7 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts and other receivables, cash and bank balances, trade and other payables, long term loan, accrued mark-up on short term finance and short term borrowings.

• Financial assets

The Company classifies its financial assets in held to maturity, fair value through profit and loss, and available-for-sale categories. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

(a) Held-to-maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold till maturity.

Premium Textile Mills Ltd.

(b) Fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. There were no financial assets at fair value through profit or loss on the balance sheet date.

(c) Available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the right to receive the cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownerships.

Fair value of available-for-sale investments are determined on the basis of rates notified by Mutual Fund Association of Pakistan for debt securities, relevant redemption prices for the open-end mutual funds, or PKRV sheets.

Available-for-sale financial assets are subsequently carried at fair value with changes in fair value recognised in other comprehensive income until derecognised or impaired. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustment recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Company's right to receive the dividends is established.

The Company assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and is recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

The Company follows trade date accounting for regular way purchase and sales of securities.

- **Financial liabilities**

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instruments. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

3.8 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are off set and the net amount is reported in the balance sheet only when the Company has a legally enforceable right to offset the recognised amount and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.9 Staff Retirement Benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering those permanent employees & management staff of the Company who have completed prescribed qualifying period of service. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation. The most recent actuarial valuation was carried out at June 30, 2015 using Project Unit Credit Method (Refer note:14).

3.10 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

Premium Textile Mills Ltd.

Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date or minimum or turnover tax under Income Tax Ordinance, 2001, whichever is higher and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is recognised using balance sheet liability method, providing for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.11 Provisions

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

3.12 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognised on the following basis:

- Sales revenue is recognized on dispatch of goods to customers.
- Rebate income is recognized on accrual basis.
- Markup / interest income is recognized on a time proportion basis that takes into account the effective yield.

3.13 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset are capitalized as a part of the cost of that asset. Borrowing costs includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

3.14 Foreign currency transaction and translation

Foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates. Non-monetary assets are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in income currently.

3.15 Related party transactions

Transactions with related parties are carried out on commercial terms and conditions.

	Note	2015	2014
		Rupees	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	1,793,142,923	1,815,678,404
Capital work in process	4.2	17,576,585	25,710,415
		<u>1,810,719,508</u>	<u>1,841,388,819</u>

Premium Textile Mills Ltd.



4.1 Operating fixed assets

	Free hold land	Building and godown on Free hold land	Plant and machinery	Office, tools, fire fighting and laboratory equipments	Furniture and fixtures	Computer and allied equipments	Vehicles	Electrical instruments and installations	Arms and ammunition	Total
Rupees										
As at July 1, 2013										
Cost / Revalued amount	13,421,003	261,943,927	1,170,737,117	12,083,247	10,750,164	3,132,556	58,055,801	272,193,418	37,150	1,802,354,383
Accumulated depreciation	-	(146,663,291)	(461,428,182)	(5,084,611)	(7,052,015)	(2,528,425)	(28,873,895)	(65,657,259)	(33,276)	(717,320,954)
Net book value	13,421,003	115,280,636	709,308,935	6,998,636	3,698,149	604,131	29,181,906	206,536,159	3,874	1,085,033,429
Year ended June 30, 2014										
Opening net book value	13,421,003	115,280,636	709,308,935	6,998,636	3,698,149	604,131	29,181,906	206,536,159	3,874	1,085,033,429
Additions / transfers during the year	-	357,964,162	318,644,128	2,154,716	341,550	685,600	13,082,500	199,444,862	-	892,317,518
Disposals / transfers	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	(108,809)	(589,715)	-	-	-	(698,524)
Accumulated depreciation	-	-	-	-	63,141	585,646	-	-	-	648,787
Net book value	-	-	-	-	(45,668)	(4,069)	-	-	-	(49,737)
Depreciation for the year	-	(33,757,646)	(88,616,396)	(812,517)	(370,879)	(316,219)	(7,312,277)	(30,436,499)	(373)	(161,622,806)
Closing net book value	13,421,003	439,487,152	939,336,667	8,340,835	3,623,152	969,443	34,952,129	375,544,522	3,501	1,815,678,404
As at July 1, 2014										
Cost / Revalued amount	13,421,003	619,908,089	1,489,381,245	14,237,963	10,982,905	3,228,441	71,138,301	471,638,280	37,150	2,693,973,377
Accumulated depreciation	-	(180,420,937)	(550,044,578)	(5,897,128)	(7,359,753)	(2,258,998)	(36,186,172)	(96,093,758)	(33,649)	(878,294,973)
Net book value	13,421,003	439,487,152	939,336,667	8,340,835	3,623,152	969,443	34,952,129	375,544,522	3,501	1,815,678,404
Year ended June 30, 2015										
Opening net book value	13,421,003	439,487,152	939,336,667	8,340,835	3,623,152	969,443	34,952,129	375,544,522	3,501	1,815,678,404
Revaluation	-	-	-	-	-	-	-	-	-	-
Additions / transfers during the year	1,426,300	25,929,592	126,604,861	1,089,362	124,330	174,800	25,924,439	1,642,141	-	182,915,825
Disposals / transfers	-	-	-	-	-	-	-	-	-	-
Cost	(3,263,925)	-	-	-	(25,000)	(666,700)	(15,676,568)	-	-	(19,632,193)
Accumulated depreciation	-	-	-	-	21,616	660,725	10,954,968	-	-	11,637,309
Net book value	(3,263,925)	-	-	-	(3,384)	(5,975)	(4,721,600)	-	-	(7,994,884)
Depreciation for the year	-	(45,871,742)	(101,975,841)	(882,177)	(365,648)	(311,960)	(10,439,777)	(37,608,927)	(350)	(197,456,422)
Closing net book value	11,583,378	419,545,002	963,965,687	8,548,020	3,378,450	826,308	45,715,191	339,577,736	3,151	1,793,142,923
As at June 30, 2015										
Cost / Revalued amount	11,583,378	645,837,681	1,615,986,106	15,327,325	11,082,235	2,736,541	81,386,172	473,280,421	37,150	2,857,257,009
Accumulated depreciation	-	(226,292,679)	(652,020,419)	(6,779,305)	(7,703,785)	(1,910,233)	(35,670,981)	(133,702,685)	(33,999)	(1,064,114,086)
Net book value	11,583,378	419,545,002	963,965,687	8,548,020	3,378,450	826,308	45,715,191	339,577,736	3,151	1,793,142,923
Annual rates of depreciation	-	10%	10%	10%	10%	30%	20%	10%	10%	10%

Premium Textile Mills Ltd.

	Note	2015	2014
		Rupees	
4.1.1 Depreciation for the year has been allocated as under :			
Cost of sales		192,520,012	158,273,410
Administrative expenses		4,936,410	3,349,396
		<u>197,456,422</u>	<u>161,622,806</u>

4.1.2 Details of disposals made during the year are as follows :

Particulars	Cost	Accumulated Depreciation	Book Value	Proceeds	Gain/ (Loss) on Disposal	Mode of Disposal	Purchaser
2015							
<u>Free hold Land</u>	3,263,925	-	3,263,925	12,580,000	9,316,075	Negotiations	Younus Textile Mills
<u>Furniture & Fixtures</u>	25,000	21,616	3,384	14,000	10,616	Negotiations	Individual
<u>Vehicles</u>							
Honda Civic- ATC-627	1,977,920	1,112,065	865,855	900,000	34,145	Negotiations	Individual
Toyota Corolla GLI- ATE-086	1,499,848	974,589	525,259	525,259	-	Negotiations	Individual
Honda CD-70.	62,900	44,350	18,550	20,000	1,450	Negotiations	Individual
Suzuki Mehran - ATR-159	504,000	327,495	176,505	225,000	48,495	Negotiations	Individual
Suzuki Liana - ATH-081	1,222,755	817,074	405,681	500,000	94,319	Negotiations	Individual
Suzuki Liana - ATM-983	1,224,000	795,345	428,655	500,000	71,345	Negotiations	Individual
Suzuki Liana - ATB-519	1,132,095	756,493	375,602	425,000	49,398	Negotiations	Individual
Suzuki Alto - ATR-839	700,250	455,017	245,233	325,000	79,767	Negotiations	Individual
Suzuki Cultus - ATS-604	873,250	567,431	305,819	375,000	69,181	Negotiations	Individual
Suzuki Cultus - ATS-605	873,250	567,431	305,819	350,000	44,181	Negotiations	Individual
Suzuki Liana - APP-172	863,500	699,954	163,546	225,000	61,454	Negotiations	Individual
Unique Motor Bile - KER-2607	42,800	27,899	14,901	20,000	5,099	Negotiations	Individual
BMW APU-928	4,700,000	3,809,825	890,175	1,500,000	609,825	Negotiations	Individual
<u>Computer & Accessories</u>	666,700	660,725	5,975	4,500	(1,475)	Negotiations	Individual
	<u>19,632,193</u>	<u>11,637,309</u>	<u>7,994,884</u>	<u>18,488,759</u>	<u>10,493,875</u>		

4.1.3 Had there been no revaluation , the net carrying amount of Plant, machinery and electrical instrument and installations would have been amounting to Rs: 958,386,999 (2014: 931,374,051).

	Note	2015	2014
		Rupees	
4.2 Capital work in progress			
Opening balance		25,710,415	373,697,517
Additions			
- Machinery		116,190,943	294,578,132
- Civil works		28,209,678	245,364,276
		144,400,621	539,942,408
Transferred to operating fixed assets		(152,534,451)	(887,929,510)
		<u>17,576,585</u>	<u>25,710,415</u>

5 LONG TERM INVESTMENT

Investment in Term Deposit Receipt of National Bank Limited for a period of 36 months, is matured during the period on April 18, 2015.

	Note	2015	2014
		<u>Rupees</u>	<u>Rupees</u>
6 STORES AND SPARES			
Stores and spares		35,460,306	39,409,764
Packing materials		6,943,610	6,376,018
		<u>42,403,916</u>	<u>45,785,782</u>

7 STOCK IN TRADE

Raw material			
- In hand	7.1	441,389,837	1,126,853,690
- In transit		143,544,635	-
		584,934,472	1,126,853,690
Work in process		30,613,053	36,522,987
Finished goods		330,982,086	271,045,851
Waste material		130,207	483,274
		<u>331,112,293</u>	<u>271,529,125</u>
		<u>946,659,818</u>	<u>1,434,905,802</u>

7.1 This includes 7,201(2014: 44,833) Bales of raw cotton , 412 (2014: 588) Bales of Dyed Cotton , 15,000 (2014: 18000) Bags of Cotton Yarn and 1,816 (2014: 1548) Bales of Polyester Staple Fiber against finance facility (refer note 17) obtained from banks.

	Note	2015	2014
		<u>Rupees</u>	<u>Rupees</u>
8 TRADE DEBTORS - Considered good			
Local debtors - unsecured		306,321,151	334,793,367
Foreign debtors - secured		289,980,153	789,103,469
		<u>596,301,304</u>	<u>1,123,896,836</u>

9 TAXATION - NET

Advance tax deducted	140,692,575	169,982,064
Less: Current tax for the year	(48,407,271)	(35,334,769)
	<u>92,285,304</u>	<u>134,647,295</u>

10 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good:		
Staff	2,680,383	3,452,069
Suppliers	7,343,954	7,810,467
	10,024,337	11,262,536
Security deposits	2,009,861	505,388
Prepaid insurance	650,134	
Sales tax refundable	21,863,733	10,263,873
Receivables against Claim	1,769,754	34,143,166
Other receivables	27,157	5,985
	<u>36,344,976</u>	<u>56,180,948</u>

Premium Textile Mills Ltd.

11	CASH AND BANK BALANCES	Note	2015	2014
			Rupees	
	Cash in hand		989,297	736,242
	Cash with banks - current accounts		8,475,741	13,038,701
			9,465,038	13,774,943
12	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	Note	2015	2014
			Rupees	
	Balance as at July 1		12,250,180	13,611,311
	-Revaluation Surplus on Plant, Machinery and Building		-	-
	-Surplus relating to disposal of revalued assets transferred to retained earnings		-	-
	-Incremental depreciation charged during the year		(1,225,018)	(1,361,131)
			(1,225,018)	(1,361,131)
			11,025,162	12,250,180
	Related deferred tax:			
	Balance as at July 1		4,763,960	4,763,960
	-On revaluation Surplus of Plant, Machinery and Building		-	-
	-Reversal on incremental depreciation charged during the year		-	-
	-Reversal of deferred tax on revaluation surplus during the year	12.1	(4,763,960)	-
			-	(4,763,960)
			11,025,162	7,486,220
12.1	Deferred taxation on revaluation of plant, machinery and electrical instruments and installation has been reverse during the period as Company's income is chargeable under final tax regime.			
13	LONG TERM LOAN	Note	2015	2014
			Rupees	
	Bank Al-Habib Limited			
	- Term Finance	13.1	500,000,000	500,000,000
	- Term Finance	13.2	200,000,000	200,000,000
			700,000,000	700,000,000
13.1	This represent liability against Term Finance for Import of Machinery to be repaid in 7 years expiring in August, 2020. The loan is secured against Registered Hypothecation charge over all present and Future Plant and Machinery for Rs 556 Million. The rate of Mark-up is 3 month Kibor+1%.The Bank has allowed 2 Years grace Period for repayment of Principal.			
13.2	This represent liability against Term Finance for Import of Machinery to be repaid in 7 years expiring in September, 2020. The loan is secured against 1st Equitable Mortgage Charge for Rs 500 Million over Factory Property measuring 16 Acres situated at Plot # 60, 61, 76 and 77 at District Nooriabad, Sindh. The rate of Mark-up is 6 month Kibor+1%. The Bank has allowed 2 Years grace Period for repayment of Principal.			
14	DEFERRED LIABILITIES	Note	2015	2014
			Rupees	
	Deferred taxation	14.1	29,875,972	34,639,932
	Staff gratuity	14.2	3,838,025	17,549,438
			33,713,997	52,189,370

Premium Textile Mills Ltd.



14.1 Deferred taxation:	Note	2015	2014
Represents the tax effect of taxable/(deductible) temporary differences relating to:		<u>Rupees</u>	
Accelerated depreciation allowance		32,611,375	37,375,335
Debits arising in respect of provision for staff gratuity		(2,582,616)	(2,582,616)
Debits arising in respect of minimum tax		(152,787)	(152,787)
		<u>29,875,972</u>	<u>34,639,932</u>

The Company's income is chargeable to tax under Final Tax Regime prescribed under the Income Tax Ordinance, 2001 and hence no deferred tax is booked during the period. Deferred tax liability related to revaluation surplus amounted to Rs. 4,763,960 has been reverse during the year (Refer note 12).

14.2 Staff gratuity	Note	2015	2014
		<u>Rupees</u>	
		<u>3,838,025</u>	<u>17,549,438</u>

14.2.1 Actuarial Assumptions

As disclosed in note 3.9.1, the company operates a unfunded gratuity scheme for its staff employees. The latest actuarial valuation was carried out as at June 30, 2015, using the Projected Unit Credit Actuarial Cost Method. "

14.2.2 Defined benefit liability recognized in balance sheet	Note	2015	2014
		<u>Rupees</u>	
Present value of defined benefit obligation		3,838,025	17,549,438
Unrecognized actuarial gains / (losses)		-	-
Defined benefit liability recognized		<u>3,838,025</u>	<u>17,549,438</u>

14.2.3 Changes in the present value of the defined benefit obligation	Note	2015	2014
		<u>Rupees</u>	
Opening defined benefit obligation		17,549,438	11,002,162
Current service cost		11,646,627	8,269,531
Interest cost		1,058,892	1,155,227
Benefits paid		(19,115,595)	(8,397,439)
Remeasurements chargeable in other comprehensive income		(7,301,337)	5,519,957
		<u>3,838,025</u>	<u>17,549,438</u>

14.2.4 Movement in net liability

Opening liability		17,549,438	11,002,162
Expense recognized in P & L	14.2.5	12,705,519	9,424,758
Remeasurements recognized in other comprehensive income	14.2.6	(7,301,337)	5,519,957
Benefits paid during the year		(19,115,595)	(8,397,439)
Closing liability		<u>3,838,025</u>	<u>17,549,438</u>

14.2.5 Expense recognized in P & L

Current service cost		11,646,627	8,269,531
Interest cost		1,058,892	1,155,227
		<u>12,705,519</u>	<u>9,424,758</u>

14.2.6 Remeasurements recognized in other comprehensive income

Experience adjustments		<u>(7,301,337)</u>	<u>5,519,957</u>
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Premium Textile Mills Ltd.

14.2.7 The present value of defined benefit obligation for the five years is as follows:

	2015	2014	2013	2012	2011
			Rupees		
Present Value of Defined benefit obligation	3,838,025	17,549,438	11,002,162	7,115,351	5,554,501

15 LOAN FROM DIRECTORS

This represents interest free loan from directors.

	Note	2015	2014
		Rupees	
16 TRADE AND OTHER PAYABLES			
Creditors		96,020,390	93,913,072
Accrued liabilities		117,226,958	152,421,359
Workers' profits participation fund	16.1	10,407,468	2,964,094
Workers welfare fund		5,246,735	5,588,896
Unclaimed dividend		2,468,637	2,061,719
Others		2,440,712	-
		<u>233,810,900</u>	<u>256,949,140</u>

16.1 Workers' profit participation fund

Opening balance		2,964,094	27,306,514
Add:			
- Contribution for the year		10,407,468	2,964,094
- Interest accrued		114,016	1,382,532
		<u>10,521,484</u>	<u>4,346,626</u>
Less: Payment during the year		<u>(3,078,110)</u>	<u>(28,689,046)</u>
		<u>10,407,468</u>	<u>2,964,094</u>

	Note	2015	2014
		Rupees	
17 SHORT TERM BORROWING - Secured			
Bank Al-Habib Limited			
- Cash finance		562,928,501	1,650,681,215
- Running finance		50,790,232	-
- Foreign currency export finance		394,655,072	657,065,094
		<u>1,008,373,805</u>	<u>2,307,746,309</u>
Bank Al-Falah Limited - Foreign currency export finance		119,122,212	-
		<u>1,127,496,017</u>	<u>2,307,746,309</u>

17.1 This represents short term cash and running finance facilities, Foreign currency export finance of Rs. 4.800 billion (2014: Rs. 4.800 billion) which is secured by:

- Registered Hypothecation charge over Receivables.
- Pledge over stocks under effective control of bank's approved mucaadam (refer note 7.1)
- Registered Subordinated Hypothecation Charge over present and future Plant and Machinery of the Company to the extent of PKR 556 million
- Lien over Export LC/Contract
- Fresh personal guarantees from Sponsor Directors of RS 2,500 million each
- Registered Subordinated Hypothecation charge over Moveable of for Rs. 99 million
- 1st Equitable mortgage charge for Rs. 500 million over factory property at plot # 60, 61, 76 & 77: measuring 16.0 acres at deh kale kohar, Tehsil Thana Bola Khan, Distt. Dadu, Nooriabad, Sindh
- Lien over Local Bills.
- Truck Receipts and Accepted Drafts

The rate of mark-up for running finance ranges from 1 Month Average KIBOR + 1% (2014: 1 Month KIBOR + 1% to 3 Month KIBOR + 2.25% per annum). The rates of mark-up for foreign currency finance is at 6 month LIBOR + ranging 1.8% to 2.5% per annum (2014: 6 months LIBOR + minimum 2.5% per annum).

As at 30 June 2015, the Company has unavailed financing facilities of Rs. 3.630 billion (2014: Rs. 1.192 billion).

Premium Textile Mills Ltd.



18 CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 The Company filed a suit against Shashandev Cotton Trading (Private) Limited, Ahmedabad, India for recovery of damages for breach of contract number PTML/003/07-08 in the year 2008. The Cotton Association of India decided the case (arbitration # 5 of 2009/10) and gave decree (dated: March 5, 2010) in favour of the company of Indian Rupees 4,657,712 (Pak Rupees 9,315,424). The company's application for execution of decree in Ahmedabad City Civil Court, India for the recovery of damages is currently pending. The company has deferred the recognition of the above said amount as receivables in these financial statements till the amount is realised.

18.1.2 During the year, the Company filed a suit against Federation of Pakistan, for Sui Southern Gas Co. Limited related to Gas Infrastructure Development Charges. The Company has deferred the recognition of expense against such billing amounting to Rs. 152,253,092 in these financial statements as per the advice of its legal counsel. The case is pending for further adjudication in the High Court of Sindh, Karachi.

		2015	2014
	Note	Rupees	
18.2 Commitments			
In respect of:			
Capital expenditure		9,061,956	65,707,500
Letter of credit to SSGC		60,185,800	52,564,000
Letter of guarantee		60,942,340	51,200,000
Letter of credit in respect of raw material		200,031,044	155,485,200

19 SALES - NET

Local sales	329,080,123	288,979,555
Export sales - indirect	2,912,211,408	3,049,046,196
Export sales	2,753,907,476	3,515,669,172
Raw material and wastage	109,509,396	455,199,105
	6,104,708,403	7,308,894,028
Commission and brokerage	(72,123,808)	(94,257,491)
Discount and claims	(1,761,452)	(1,807,536)
	(73,885,260)	(96,065,027)
	6,030,823,143	7,212,829,001

20 COST OF SALES

Raw materials consumed	20.1	4,296,566,221	5,095,944,297
Store and spares consumed	20.2	192,804,290	221,884,116
Production expenses	20.3	960,320,175	966,000,991
Work in process:			
Opening		36,522,987	26,574,547
Closing		(30,613,053)	(36,522,987)
		5,909,934	(9,948,440)
Cost of goods manufactured		5,455,600,620	6,273,880,964
Trading cost		110,391,589	404,844,198
Opening stock of finished goods		271,529,125	119,588,567
Cost of goods available for sale		5,837,521,334	6,798,313,729
Closing stock of finished goods		(331,112,293)	(271,529,125)
		5,506,409,041	6,526,784,604

Premium Textile Mills Ltd.

		2015	2014
		Rupees	
20.1 Raw material consumed	Note		
Opening stock		1,126,853,690	1,489,984,904
Purchases		3,721,493,957	5,137,657,281
		4,848,347,647	6,627,642,185
Sale of raw material		(110,391,589)	(404,844,198)
Closing stock		(441,389,837)	(1,126,853,690)
		4,296,566,221	5,095,944,297
20.2 Stores and spares consumed	Note	2015	2014
		Rupees	
Opening stock		45,785,782	38,777,608
Purchases		189,422,424	228,892,290
		235,208,206	267,669,898
Closing stock		(42,403,916)	(45,785,782)
		192,804,290	221,884,116
20.3 Production expenses			
Salaries, wages and other benefits	20.3.1	367,521,998	325,403,278
Fuel and power		346,433,245	425,677,498
Water charges		8,338,246	8,926,060
Vehicle running and maintenance		5,020,180	4,928,841
Repairs and maintenance		3,202,209	3,304,186
Insurance		22,272,245	23,376,354
Depreciation	4.1.1	192,520,012	158,273,410
Other manufacturing expenses		15,012,040	16,111,364
		960,320,175	966,000,991

20.3.1 This includes amount of Rs. 11,562,022/- (2014: Rs. 8,576,530/-) in respect of staff retirement benefits.

		2015	2014
		Rupees	
21 ADMINISTRATIVE EXPENSES	Notes		
Directors' and Executives' remuneration	28	22,082,051	18,285,000
Meeting fees		80,000	70,000
Salaries, allowances and other benefits	21.1	16,261,065	19,677,297
Travelling and conveyance		2,076,754	3,510,655
Printing and stationery		1,221,848	833,625
Utilities		1,501,748	1,547,932
Advertisement		192,150	44,050
Newspaper and periodicals		47,023	41,172
Fees and subscription		1,327,699	1,076,708
Vehicle running and maintenance		4,487,765	5,215,146
Postage and telephone		1,544,463	1,382,280
Legal and professional		1,391,850	338,500
Auditors' remuneration	21.2	988,000	1,260,100
Entertainment expense		802,830	799,602
Repairs and maintenance		726,343	560,662
Insurance		1,916,163	2,029,738
Charity and donations	21.3	46,000	1,083,500
Depreciation	4.1.1	4,936,410	3,349,396
Others		862,078	604,660
		62,492,240	61,710,023

21.1 This includes amount of Rs. 1,143,497/- (2014 :Rs. 848,228/-) in respect of staff retirement benefits.

	Note	2015	2014
		Rupees	
21.2 Auditors' remuneration			
Audit fee		700,000	1,000,000
Half yearly review fee		250,000	220,000
Other certifications' fee		30,000	30,100
Out of Pocket Expenses		8,000	10,000
		<u>988,000</u>	<u>1,260,100</u>

21.3 None of the directors or their spouses have any interest in the above donee funds.

	Note	2015	2014
		Rupees	
22 DISTRIBUTION COST			
Freight and handling charges			
- Local		20,814,691	20,729,629
- Export		75,505,582	76,575,704
Packing charges		6,165,240	5,902,209
		<u>102,485,513</u>	<u>103,207,542</u>

23 FINANCE COSTS

Markup and interest charges on:

- Long term finances	74,240,850	61,603,225
- Short term borrowings	96,510,198	250,410,663
- Workers' profit participation fund	114,016	1,382,532
Bank charges	27,978,474	27,887,896
Trade debts	<u>198,843,538</u>	<u>341,284,316</u>

24 OTHER OPERATING EXPENSES

Workers' welfare fund	5,246,735	5,588,896
Workers' profit participation fund	10,407,468	2,964,094
	<u>15,654,203</u>	<u>8,552,990</u>

25 OTHER INCOME / (LOSS)

Exchange gain / (loss)

- Realised	(13,942,022)	6,814,455
- Unrealised	(3,155,432)	(526,993)
	(17,097,454)	6,287,462
Loss on Import Cotton	-	(126,821,868)
Gain/(Loss) on disposal of fixed assets	10,493,875	(26,237)
Interest income on TDR	521,621	-
Reversal of Commission Expense	4,096,698	-
Gas infrastructure development surcharge	49,541,814	-
	<u>47,556,554</u>	<u>(120,560,643)</u>

25.1

Premium Textile Mills Ltd.

- 25.1 Amount Provided in the year 2012, 2013 and 2014 has been reversed during the year and related amount has been disclosed in contingent liability. (Refer note 18.1.2)

26 TAXATION

Current

-for the year	26.1	48,407,271	35,334,769
-prior year		(18,619,227)	(51,464,821)
		<u>29,788,044</u>	<u>(16,130,052)</u>

- 26.1 The Company's income is chargeable to tax under Final Tax Regime prescribed under the Income Tax Ordinance, 2001 and hence tax reconciliation is not being presented.

- 26.2 The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

- 26.3 In terms of 5A in case if Company distributes cash dividend amounting to Rs 30.815 million within six months of the close of the year it would not be liable to any tax under section 5A. The recognition of any liability in this respect as at financial year end is not considered necessary keeping in view the above and liability if any in this respect would be recognized as of December 31, 2015 depending upon the dividend distributed out of profit for the year ended 30 June 2015.

27 EARNINGS PER SHARE - BASIC AND DILUTED	2015	Rupees	2014
Profit after taxation	<u>162,707,118</u>		<u>66,858,935</u>
		Number	
Weighted average number of ordinary shares	<u>6,163,000</u>		<u>6,163,000</u>
		Rupees	
Earnings per share - basic and diluted	<u>26.40</u>		<u>10.85</u>

28 CHIEF EXECUTIVE, DIRECTORS' & EXECUTIVE OFFICERS' REMUNERATION

Remuneration of chief Executive, directors and executives is as follows:

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014
	Rupees							
Remuneration	2,600,000	2,513,808	2,000,000	1,933,160	10,121,367	7,590,000	14,721,367	12,036,968
House rent	1,036,400	1,131,216	796,400	869,920	3,987,347	2,974,800	5,820,147	4,975,936
Conveyance allowance	3,600	3,600	3,600	3,600	61,200	61,200	68,400	68,400
Utilities	260,000	251,376	200,000	193,320	1,012,137	759,000	1,472,137	1,203,696
	<u>3,900,000</u>	<u>3,900,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>15,182,051</u>	<u>11,385,000</u>	<u>22,082,051</u>	<u>18,285,000</u>
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>13</u>	<u>12</u>	<u>15</u>	<u>14</u>

28.1 The chief executive and executive director are also provided with free use of company maintained cars and residential telephones.

29 CAPACITY AND PRODUCTION

	2015	2014
Number of spindles installed	<u>61,260</u>	<u>61,260</u>
Number of spindles operated	<u>59,659</u>	<u>57,718</u>
Installed capacity in Kgs. after conversion into 20 single count	<u>20,861,356</u>	<u>20,861,356</u>
Actual production of yarn in Kgs. after conversion into 20 single count	<u>21,239,598</u>	<u>19,655,151</u>
Number of shifts worked during the year	<u>1,092</u>	<u>1,092</u>

30 FINANCIAL INSTRUMENTS

		2015	2014
30.1 Financial instruments by category	Note	Rupees	
FINANCIAL ASSETS			
Trade debts - considered good	8	596,301,304	1,123,896,836
Advances, deposits, prepayments and other receivables	10	36,344,976	56,180,948
Cash and bank balances	11	9,465,038	13,774,943
		<u>642,111,318</u>	<u>1,193,852,727</u>
FINANCIAL LIABILITIES			
Loans from directors	15	40,000,000	40,000,000
Trade and other payables	16	218,156,697	248,396,150
Short term borrowings - secured	17	1,127,496,017	2,307,746,309
Accrued markup		31,032,934	80,737,359
		<u>1,416,685,648</u>	<u>2,676,879,818</u>

Premium Textile Mills Ltd.

30.2 Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk (including foreign exchange or currency risk, interest/mark-up rate risk and price risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

30.3 Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

The companies finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance.

30.4 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk and interest rate risk.

a) Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Exposure to currency risk

The Company is exposed to currency risk on trade debts and sales that are denominated in a currency other than the respective functional currency of the Company. The currency in which these transactions are denominated is US Dollars. The Company's exposure to foreign currency risk is as follows:

	2015		2014	
	Rupees	US Dollars	Rupees	US Dollars
Trade debts	<u>289,980,153</u>	<u>2,851,329</u>	<u>789,103,469</u>	<u>7,990,921</u>

The following significant exchange rates applied during the year:

	Average rates		Reporting date rate	
	2015	2014	2015	2014
	Rupees			
US Dollars	100.23	99.75	101.70	98.75

Sensitivity Analysis

A 10 percent strengthening of the Rupee against US Dollar at 30 June would have increased / (decreased) profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit and loss Rupees
As at 30 June 2015	
Effect of US Dollars	28,998,015
As at 30 June 2014	
Effect of US Dollars	78,910,347

A 10 percent weakening of the Rupees against the above currency at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

b) Interest rate risk

Interest/mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest/mark up rate risk arises from mismatches of financial liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The long-term financing and short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	<u>Effective interest rate (%)</u>			
	2015	2014	2015	2014
			<u>Rupees</u>	
Long term finance	8.95% to 11.17%	10.03% to 11.15%	700,000,000	700,000,000
Short term borrowing	8.93% to 11.36%	10.01% to 12.34%	1,127,496,017	2,307,746,309

Premium Textile Mills Ltd.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit and loss Rupees
As at 30 June 2015	
Cash flow sensitivity - Variable rate instruments	18,274,960
As at 30 June 2014	
Cash flow sensitivity - Variable rate instruments	30,077,463

30.5 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economics, political or other conditions. Concentration of credit risk indicates that relative sensitivity of the company's performance to development affecting a particular industry.

The carrying amount of financial assets represents the maximum credit exposure. To manage exposure to credit risk, the company applies credit limits to their customers and exports to China and Turkey is against sight L/C. Cash is held only with banks with high quality credit worthiness.

The maximum exposure to credit risk at the balance sheet date is as follows:

	2015		2014	
	Balance Sheet	Maximum exposure	Balance Sheet	Maximum exposure
	Rupees			
Trade debts	596,301,304	596,301,304	1,123,896,836	1,123,896,836
Advances, deposits, prepayments and other receivables	36,344,976	36,344,976	56,180,948	56,180,948
Cash and bank balances	9,465,038	9,465,038	13,774,943	13,774,943
	642,111,318	642,111,318	1,193,852,727	1,193,852,727

Premium Textile Mills Ltd.



The maximum exposure to credit risk at the balance sheet date by geographic region is as follows:

	2015	Rupees	2014
Local	306,321,150		334,793,367
China	240,122,121		586,252,195
Turkey	39,486,086		179,712,492
Bangladesh	10,371,947		193,062
Korea	-		12,162,766
Egypt	-		10,782,954
	596,301,304		1,123,896,836

Impairment losses

The aging of trade debts at the balance sheet date was:

	2015		2014	
	Gross	Impairment	Gross	Impairment
Not past due	501,423,197	-	763,992,357	-
Past due 1 to 60 days	93,276,347	-	306,047,404	-
Past due 61 days to 1 year	1,601,760	-	53,857,075	-
	596,301,304	-	1,123,896,836	-

The credit quality of company's liquid funds can be assessed with reference to external credit ratings as follows:

	2015	Rupees	2014
A 1+	8,316,603		12,139,800
A - 1+	62,118		453,621
A - 1	97,020		-
A-3	-		445,280
	8,475,741		13,038,701

30.6 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities 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 interest payments):

	2015				
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years	More than Five years
			Rupees		
Non-Derivative Financial liabilities					
Loans from directors	40,000,000	40,000,000	40,000,000	-	-
Trade and other payables	233,810,900	233,810,900	233,810,900	-	-
Short term borrowing	1,127,496,017	1,142,061,980	1,142,061,980	-	-
Long term Loan	700,000,000	1,499,699,728	167,999,998	1,113,809,319	217,890,411
	2,101,306,917	2,915,572,608	1,583,872,878	1,113,809,319	217,890,411
	2014				
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years	More than Five years
			Rupees		
Non-Derivative Financial liabilities					
Loans from directors	40,000,000	40,000,000	40,000,000	-	-
Trade and other payables	256,949,140	256,949,140	256,949,140	-	-
Short term borrowing	2,307,746,309	2,369,049,559	2,369,049,559	-	-
Long term loan	700,000,000	1,499,699,728	167,999,998	1,113,809,319	217,890,411
	3,304,695,449	4,165,698,427	2,833,998,697	1,113,809,319	217,890,411

Premium Textile Mills Ltd.

30.7 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties at arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of all financial assets and financial liabilities are estimated to approximate their respective carrying amount.

31 RELATED PARTY TRANSACTIONS

Related parties comprise of group companies, directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules.:

	2015	2014
	Rupees	
Sale of goods to associated company - Premium Knits	206,301,920	241,274,401
Amount outstanding from Premium Knits	1,014,515	2,707,464
Directors remuneration	22,082,051	18,285,000
Workers' profit participation fund	10,407,468	2,964,094
Workers' Welfare fund	5,246,735	5,588,896

32 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes comparison and better presentation.

33 NON - ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on 5th Oct, 2015 has proposed a final cash dividend of Rs. 6.00 per share (2014: Rs 3.50/- per share) for approval of the members at the Annual General Meeting to be held on 28th Oct, 2015.

The financial statements for the year ended June 30, 2015 do not include the effect of the proposed cash dividend, which will be accounted for in the financial statements for the year ending June 30, 2016.

34 NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2015	2014
	(Number)	
Total number of employees as at June 30	2,290	1,989
Average number of employees during the year	1,995	1,900

35 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 5th Oct, 2015 by the Board of Directors of the Company.

36 GENERAL

Figures have been rounded off to the nearest rupee.



Premium Textile Mills Ltd.

PROXY FORM

PREMIUM TEXTILE MILLS LIMITED,
1st Floor, Haji Adam Chambers,
Altaf Hussain Road,
New Challi,
Karachi.

Please quote Reg. Folio Number

I/We _____
of _____
being a member of **Premium Textile Mills Limited** and holder of _____
Ordinary Shares hereby appoint _____
of _____

or failing him/her _____
of _____
as my/our proxy in my / our absence to attend and vote for me/us on my/our behalf at the Annual General meeting of the Company to be held on October 28th, 2015 at 10:00 a.m. at 1st Floor, Haji Adam Chambers, Altaf Hussain Road, New Challi, Karachi.

Signed this _____ day of _____ 2015 in the
presence of _____

(Witness Signature)

Affix
Five Rupees
Revenue Stamp

(Signature of Proxy)

(Member's Signature)

- NOTE: (i) This form of proxy, in order to be effective, must be deposited duly completed with the Company not less than 48 hours before the time for holding the meeting.
- (ii) The proxy must be signed across a Rs. 5/- Revenue Stamp.
- (iii) Signature should agree with the specimen registered with the Company.
- (iv) Proxies granted by shareholders who have deposited their shares into Central Depository Company of Pakistan Limited must be accompanied with attested copies of the Computerized National Identity Card (CNIC) or the Passport of the beneficial owners. Representatives of Corporate members should bring the usual documents required for such purpose.
- (v) In case of CDC Accounts Holders, attested copies of CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.