

ANNUAL REPORT 2016

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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.

Premium Textile Mills Ltd.

CORPORATE INFORMATION

Board of Directors

Mr. Mohammad Aslam
Mr. Abdul Kadir Haji Adam
Mr. Mohammad Yasin Siddik
Mr. Mohammad Ali Jaliawala
Mr. Mohammad Tufail
Mr. Ghulam Mohammed Surti
Mr. Farrukh V. Junaidee (NIT Nominee)

Chairman
Chief Executive
Executive Director
Director
Director
Director
Director

Company Secretary
Mr. Iqbal Chappra

Chief Financial Officer

Mr. Ghulam Mohammed Surti

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Bank Al-Habib Limited
Bank Alfalah Limited
Mezan Bank Ltd.

Auditors

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Audit Committee

Mr. Mohammed Tufail
Mr. Mohammad Aslam
Mr. Mohammad Ali Jaliawala

Chairman
Member
Member

Head of Internal Auditor

Mr. Syed Wasif Hussain Naqvi

Human Resource and Remuneration Committee

Mr. Mohammad Ali Jaliawala
Mr. Mohammad Aslam
Mr. Mohammed Tufail

Chairman
Member
Member

Registered Office

1st Floor, Haji Adam Chambers, Altaf Hussain Road,
New Challi, Karachi.
Phone: 0213-2400405-8
Fax: : 0213-2417908
E-Mail: premhead@premiumtextile.com

Mill

Plot 58,60,61 & 76,77,78 Main Super Highway,
Nooriabad, Distt. Dadu (Sindh), Pakistan
Phone: (025) 4007463-9

Website

www.premiumtextile.com

Share Registrar

Technology Trade (Pvt) Ltd.
Daiga House, 241-C, Block-2, P.E.C.H.S.
Off: Shahrah-e-Qaideen, Karachi
Phone: 0213-4391316-7 & 19.

COMPANY PROFILE

Ever since the inception of Premium Textile Mills Ltd. took place in 1989 the group has successfully diversified into manufacturing of garments & auto parts and trading. Employing more than 2500 people in its work force. The relentless perseverance of the formative years has been the guiding principle for the group to achieve an annual turnover in excess of Rs.6 billion. However, as the flagship company. Premium Textile Mills Ltd remains the major contributor in the brilliant standing of the group.

Premium Textiles started its operations with 12,230 spindles serving only the local market in the initial years. It is now annually producing approximately 20,000,000 Kg (based on 20/1) with 77,628 spindles and the numbers are growing every year. Currently, the company is operating in both local and international horizons that have brought the company to a reckoned position in a competitive industry. With a commitment to invest every year in BMR, Premium Textiles is geared towards acquiring latest technology to provide better value for money to our customers in the form of Premium yarn. The company is also operating its own power generation plant to ascertain uninterrupted power supply all the year round.

Having served customers in the Americas, Europe, Middle East, Central Asia and Far East we have the requisite experience and feel of the customers around the world. Acquisition of latest technology coupled with stringent quality control measures have given us an edge that reflects in our quality and the portfolio of satisfied customers. Our standards of business ethics and the human capital form the assets that are revered not only throughout the organization but also in the industry.

BOARD OF DIRECTORS

Mr. Mohammed Aslam Parekh
Chairman

Mr. Aslam Parekh is the Chairman of Premium Textile Mills Ltd and has been associated with Premium textile Mills Ltd since 1990, being a Director of other companies, take and accept challenges and take decision in critical situation & scenarios. He also plan & forecast for both long & short term position. He is actively participated in planning for the new project and bared in an excellent manner for expansion & development. He attained very good experience of Textile Spinning, weaving & finishing. He has experience and is competent in business dealing especially for procurement of plant & machinery.

Mr. Abdul Kadir Haji Adam
Chief Executive

Mr. Abdul Kadir is the Chief Executive of Premium Textile. He possess vide experience in textile Business. He has been in the business for more than 45 year. He has full knowledge of working of Textile and provides guidance to the management for smooth running the mills, further planning and selection of right person for job. He traveled abroad and enjoys good reputation both in and outside the country. He is also on the Board of other companies & trust.

Mr. Mohammed Yasin Siddik
Executive Director

Education:

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|-----------------|---|
| Matric | St. Patrick's School Karachi (1973) |
| Graduation | St. Patrick's College Karachi. (1979) |
| Post Graduation | M.B.A. Institute of Business Administration, Karachi (1982) |

Working Experience.

- Internship with Grindlays Bank Ltd.
- 1982 Went into the field of ship breaking at Gadani Beach and continued for 5 years during which I dismantled 7 vessels.
- Took dealership of Pakistan Steels and Peoples Steel Mills and traded in steel for 5 years.
- Set up Premium Textile Mills Ltd.
- Started a Spinning Mills based on 12380 spindles in the Public Listed Sector and gradually increased it now to 77600 spindles. The company is by the name of Premium Textile Mills Limited and is listed on the Pakistan Stock Exchange. The annual turnover now is Rs 5.0 Billion.

Premium Textile Mills Ltd.

- Have held the office of Chairman APTMA (Sindh Baluchistan.) for 3 years
- Was elected Chairman APTMA (All Pakistan.) 2013-2014.

Mr. Mohammed Ali Jaliawala Director

Mr.M.Ali Jaliawala has been associated with Premium Textile Mills since 1990, being a Director he undertaken various expansion project of Textile. The textile has quite complex dimension due to seasonal exposure and hence require efficient planning. He is experience and competent in business dealing especially for procurement of raw material & others assets he has a rich experience export sale as well as in local market.

Mr. Mohammed Tufail Director

Mr.Tufail Sattar joined the Board as a Director in 1998. He is also a member of the audit Committee at Premium Textile Mills Ltd. Mr.Tufail Sattar graduated with a Bachelor's degree in Business administration from Whittier College, California. He is also a partner in prudential enterprises, a trading company dealing in home textiles and dairy ingredients. He attended very good experience of Textile, participating in planning of expansion and new project

Mr.Ghulam Mohammed Surti Director

Mr.Ghulam Muhammad Surti has been associated with Premium Textile since 1990, being a Director he take challenges and took decision in critical situation and scenarios. He gives expert advice in planning & for celling for both long term & short terms. He attained very good experience of textile participating in planning of expansion and new project. He is good administrator and handled the administration successfully.

Mr. Farrukh V.Junaidy (NIT Nominee) Director

Mr. Junaidy is a Fellow Member of the Institute of Chartered Accountants of Pakistan and has serve as the Vice President and Council Member of the ICAP and has 30 years diversified experience with strong background in financial & business management, strategic planning, budget administration, staff training & development, contract negotiation, audit coordination, policy & procedural development, risk management, tax planning & compliance, report preparation and public relations, He possessed 15 years' experience with KPMG Pakistan, including 6 year as Partner with KPMG. He also served on the Board of directors of Pakistan Stock Exchange as nominee of securities & Exchange commission of Pakistan.

COMMITTEES

1- 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 |

The terms of reference of the audit committee shall also include the following:

- i. The Audit Committee shall, recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the company in addition to audit of its financial statements.
 - ii. Determination of appropriate measures to safeguard the company's assets;
 - iii. Review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board of Directors, focusing on:
Major judgmental areas;
Significant adjustments resulting from the audit;
The going concern assumption;
Any changes in accounting policies and practices;
Compliance with applicable accounting standards;
Compliance with listing regulations and other statutory and regulatory requirements; and Significant related party transactions.
- IV- Review of preliminary announcements of results prior to publication;
 - V- Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
 - VI- Review of management letter issued by external auditors and management's response thereto;
 - VII- Ensuring coordination between the internal and external auditors of the company;
 - VIII- Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;
 - IX- Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
 - X- Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;

- XI- Review of the company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- XII- Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;
- XIII- Determination of compliance with relevant statutory requirements;
- XIV- Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- XV- Consideration of any other issue or matter as may be assigned by the Board of Directors.

2- HUMAN RESOURCE AND REMUNERATION COMMITTEE (HR&R)

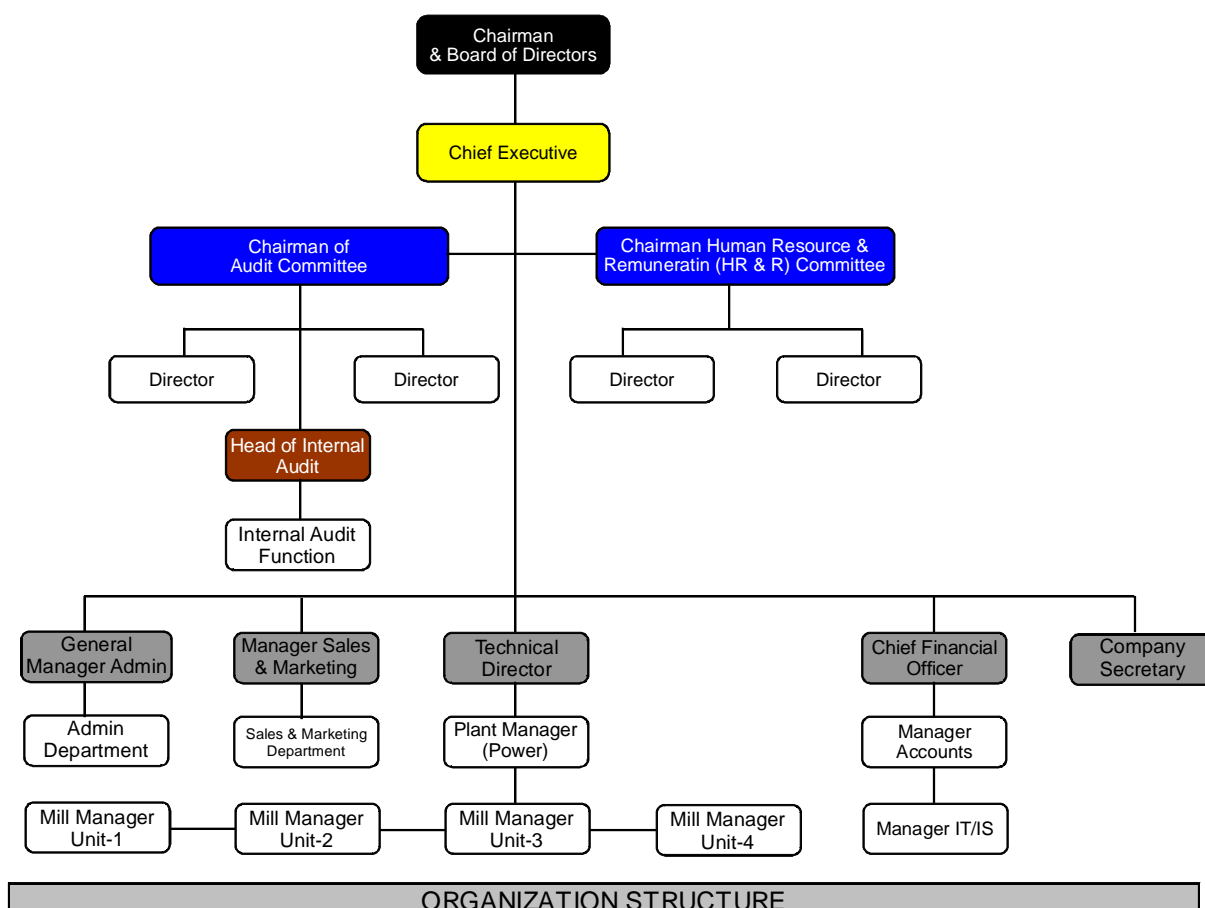
Human Resource and Remuneration (HR&R) Committee have three members comprising a majority of non-executive directors including Chairman of the Committee.

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

The terms of reference of the HR & R committee shall also include the following:

- I- Recommending human resource management policies to the board;
- II- Recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO.
- III- Recommending to the board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and
- IV- Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.

Premium Textile Mills Ltd.



ORGANIZATION STRUCTURE

| |
|-----------------------------|
| Mr. Mohammad Aslam |
| Mr. Abdul Kadir Haji Adam |
| Mr. Mohammad Yasin Siddik |
| Mr. Mohammad Ali Jaliawala |
| Mr. Mohammad Tufail |
| Mr. Ghulam Mohammad Surti |
| Mr. Farrukh V.Junaidy (NIT) |

| |
|----------------------|
| (Chairman) |
| (Chief Executive) |
| (Executive Director) |
| (Director) |
| (Director) |
| (Director) |
| (Director) |

Statement of Our Core values

Company Vision

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

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.

Build Trust and Credibility

The success of our business is dependent on the trust and confidence we earn from our employees, customers and shareholders. We gain credibility by adhering to our commitments, displaying honesty and integrity and reaching company goals solely through honorable conduct. It is easy to say what we must do, but the proof is in our *actions*. Ultimately, we will be judged on what we do.

When considering any action, it is wise to ask: will this build trust and credibility for Premium Textile Mills Mills Ltd.? Will it help create a working environment in which Premium Textile Mills Ltd. can succeed over the long term? Is the commitment I am making one I can follow through with? The only way we will maximize trust and credibility is by answering "yes" to those questions and by working every day to build our trust and credibility.

Respect for the Individual

We all deserve to work in an environment where we are treated with dignity and respect. Premium Textile Mills Ltd. is committed to creating such an environment because it brings out the full potential in each of us, which, in turn, contributes directly to our business success. We cannot afford to let anyone's talents go to waste.



Premium Textile Mills Ltd.

Premium Textile Mills Ltd. is an equal employment/affirmative action employer and is committed to providing a workplace that is free of discrimination of all types from abusive, offensive or harassing behavior. Any employee who feels harassed or discriminated against should report the incident to his or her manager or to human resources.

Create a Culture of Open and Honest Communication

At Premium Textile Mills Ltd. everyone should feel comfortable to speak his or her mind, particularly with respect to ethics concerns. Managers have a responsibility to create an open and supportive environment where employees feel comfortable raising such questions. We all benefit tremendously when employees exercise their power to prevent mistakes or wrongdoing by asking the right questions at the right times.

Premium Textile Mills Ltd. will investigate all reported instances of questionable or unethical behavior. In every instance where improper behavior is found to have occurred, the company will take appropriate action. We will not tolerate retaliation against employees who raise genuine ethics concerns in good faith.

Employees are encouraged, in the first instance, to address such issues with their managers or the HR manager, as most problems can be resolved swiftly. If for any reason that is not possible or if an employee is not comfortable raising the issue with his or her manager or HR, Premium Textile Mills Ltd.'s does operate with an open-door policy.

Set Tone at the Top

Management has the added responsibility for demonstrating, through their actions, the importance of this Code. In any business, ethical behavior does not simply happen; it is the product of clear and direct communication of behavioral expectations, modeled from the top and demonstrated by example. Again, ultimately, our actions are what matters.

To make our Code work, managers must be responsible for promptly addressing ethical questions or concerns raised by employees and for taking the appropriate steps to deal with such issues. Managers should not consider employees' ethics concerns as threats or challenges to their authority, but rather as another encouraged form of business communication. At Premium Textile Mills Ltd, we want the ethics dialogue to become a natural part of daily work.



Premium Textile Mills Ltd.

Uphold the Law

Premium Textile Mills Ltd.'s commitment to integrity begins with complying with laws, rules and regulations where we do business. Further, each of us must have an understanding of the company policies, laws, rules and regulations that apply to our specific roles. If we are unsure of whether a contemplated action is permitted by law or Premium Textile Mills Ltd. policy, we should seek the advice from the resource expert. We are responsible for preventing violations of law and for speaking up if we see possible violations.

Competition

We are dedicated to ethical, fair and vigorous competition. We will sell Premium Textile Mills Ltd. products and services based on their merit, superior quality, functionality and competitive pricing. We will make independent pricing and marketing decisions and will not improperly cooperate or coordinate our activities with our competitors. We will not offer or solicit improper payments or gratuities in connection with the purchase of goods or services for Premium Textile Mills Ltd. or the sales of its products or services, nor will we engage or assist in unlawful boycotts of particular customers.

Proprietary Information

It is important that we respect the property rights of others. We will not acquire or seek to acquire improper means of a competitor's trade secrets or other proprietary or confidential information. We will not engage in unauthorized use, copying, distribution or alteration of software or other intellectual property.

Selective Disclosure

We will not selectively disclose (whether in one-on-one or small discussions, meetings, presentations, proposals or otherwise) any material nonpublic information with respect to Premium Textile Mills Ltd, its securities, business operations, plans, financial condition, results of operations or any development plan. We should be particularly vigilant when making presentations or proposals to customers to ensure that our presentations do not contain material nonpublic information.

Health and Safety

Premium Textile Mills Ltd. is dedicated to maintaining a healthy environment. A safety manual has been designed to educate you on safety in the workplace.

Avoid Conflicts of Interest

Conflicts of Interest

We must avoid any relationship or activity that might impair, or even appear to impair, our ability to make objective and fair decisions when performing our jobs. At times, we may be faced with situations where the business actions we take on behalf of Premium Textile Mills Ltd. may conflict with our own personal or family interests. We owe a duty to Premium Textile Mills Ltd. to advance its legitimate interests when the opportunity to do so arises. We must never use Premium Textile Mills Ltd. property or information for personal gain or personally take for ourselves any opportunity that is discovered through our position with Premium Textile Mills Ltd.

Determining whether a conflict of interest exists is not always easy to do. Employees with a conflict of interest question should seek advice from management. Before engaging in any activity, transaction or relationship that might give rise to a conflict of interest, employees must seek review from their managers or the HR department.

Gifts, Gratuities and Business Courtesies

Premium Textile Mills Ltd. is committed to competing solely on a merit of our products and services. We should avoid any actions that create a perception that favorable treatment of outside entities by Premium Textile Mills Ltd. was sought, received or given in exchange for personal business courtesies. Business courtesies include gifts, gratuities, meals, refreshments, entertainment or other benefits from persons or companies with whom Premium Textile Mills Ltd. does or may do business. We will neither give nor accept business courtesies that constitute, or could reasonably be perceived as constituting, unfair business inducements that would violate law, regulation or policies of Premium Textile Mills Ltd. or customers, or would cause embarrassment or reflect negatively on Premium Textile Mills Ltd.'s reputation.

Accepting Business Courtesies

Most business courtesies offered to us in the course of our employment are offered because of our positions at Premium Textile Mills Ltd. We should not feel any entitlement to accept and keep a business courtesy. Although we may not use our position at Premium Textile Mills Ltd. to obtain business courtesies, and we must never ask for them, we may accept unsolicited business courtesies that promote successful working relationships and good will with the firms that Premium Textile Mills Ltd. maintains or may establish a business relationship with.

Employees who award contracts or who can influence the allocation of business, who create specifications that result in the placement of business or who participate in negotiation of contracts must be particularly careful to avoid actions that create the appearance of favoritism or that may adversely affect the company's reputation for impartiality and fair dealing. The prudent course is to refuse a courtesy from a supplier when Premium Textile Mills Ltd. is involved in choosing or reconfirming a supplier or under circumstances that would create an impression that offering courtesies is the way to obtain Premium Textile Mills Ltd. business.

Meals, Refreshments and Entertainment

We may accept occasional meals, refreshments, entertainment and similar business courtesies that are shared with the person who has offered to pay for the meal or entertainment, provided that:

- They are not inappropriately lavish or excessive.
- The courtesies are not frequent and do not reflect a pattern of frequent acceptance of courtesies from the same person or entity.
- The courtesy does not create the appearance of an attempt to influence business decisions, such as accepting courtesies or entertainment from a supplier whose contract is expiring in the near future.
- The employee accepting the business courtesy would not feel uncomfortable discussing the courtesy with his or her manager or co-worker or having the courtesies known by the public.

Gifts

Employees may accept unsolicited gifts, other than money, that conform to the reasonable ethical practices of the marketplace, including:

- Flowers, fruit baskets and other modest presents that commemorate a special occasion.
- Gifts of nominal value, such as calendars, pens, mugs, caps and t-shirts (or other novelty, advertising or promotional items).

Generally, employees may not accept compensation, honoraria or money of any amount from entities with whom Premium Textile Mills Ltd. does or may do business. Tangible gifts (including tickets to a sporting or entertainment event) that have a market value greater than \$100 may not be accepted unless approval is obtained from management.

Employees with questions about accepting business courtesies should talk to their managers or the HR department.

Offering Business Courtesies

Any employee who offers a business courtesy must assure that it cannot reasonably be interpreted as an attempt to gain an unfair business advantage or otherwise reflect negatively upon Premium Textile. An employee may never use personal funds or resources to do something that cannot be done with Premium Textile Mills Ltd. resources. Accounting for business courtesies must be done in accordance with approved company procedures.

Other than to our government customers, for whom special rules apply, we may provide non monetary gifts (i.e., company logo apparel or similar promotional items) to our customers. Further, management may approve other courtesies, including meals, refreshments or entertainment of reasonable value, provided that:

- The practice does not violate any law or regulation or the standards of conduct of the recipient's organization.
- The business courtesy is consistent with industry practice, is infrequent in nature and is not lavish.
- The business courtesy is properly reflected on the books and records of Premium Textile Mills Limited.

Set Metrics and Report Results Accurately

Accurate Public Disclosures

We will make certain that all disclosures made in financial reports and public documents are full, fair, accurate, timely and understandable. This obligation applies to all employees, including all financial executives, with any responsibility for the preparation for such reports, including drafting, reviewing and signing or certifying the information contained therein. No business goal of any kind is ever an excuse for misrepresenting facts or falsifying records.

Employees should inform Executive Management and the HR department if they learn that information in any filing or public communication was untrue or misleading at the time it was made or if subsequent information would affect a similar future filing or public communication.

Corporate Recordkeeping

We create, retain and dispose of our company records as part of our normal course of business in compliance with all Premium Textile Mills Ltd. policies and guidelines, as well as all regulatory and legal requirements.



Premium Textile Mills Ltd.

All corporate records must be true, accurate and complete, and company data must be promptly and accurately entered in our books in accordance with Premium Textile Mills Ltd.'s and other applicable accounting principles.

We must not improperly influence, manipulate or mislead any unauthorized audit, nor interfere with any auditor engaged to perform an internal independent audit of Premium Textile Mills Ltd. books, records, processes or internal controls.

Promote Substance over Form

At times, we are all faced with decisions we would rather not have to make and issues we would prefer to avoid. Sometimes, we hope that if we avoid confronting a problem, it will simply go away.

At Premium Textile Mills Ltd., we must have the courage to tackle the tough decisions and make difficult choices; secure in the knowledge that Premium Textile Mills Ltd. is committed to doing the right thing. At times this will mean doing more than simply what the law requires. Merely because we can pursue a course of action does not mean we *should* do so.

Although Premium Textile Mills Ltd.'s guiding principles cannot address every issue or provide answers to every dilemma, they can define the spirit in which we intend to do business and should guide us in our daily conduct.

Accountability

Each of us is responsible for knowing and adhering to the values and standards set forth in this Code and for raising questions if we are uncertain about company policy. If we are concerned whether the standards are being met or are aware of violations of the Code, we must contact the HR department.

Premium Textile Mills Ltd. takes seriously the standards set forth in the Code, and violations are cause for disciplinary action up to and including termination of employment.

Be Loyal

Confidential and Proprietary Information

Integral to Premium Textile Mills Ltd.'s business success is our protection of confidential company information, as well as nonpublic information entrusted to us by employees, customers and other business partners. Confidential and proprietary information includes such things as pricing and financial data, customer names/addresses or nonpublic information about other companies, including current or potential supplier and vendors. We will not disclose confidential and nonpublic information without a valid business purpose and proper authorization.



Use of Company Resources

Company resources, including time, material, equipment and information, are provided for company business use. Nonetheless, occasional personal use is permissible as long as it does not affect job performance or cause a disruption to the workplace.

Employees and those who represent Premium Textile Mills Ltd. are trusted to behave responsibly and use good judgment to conserve company resources. Managers are responsible for the resources assigned to their departments and are empowered to resolve issues concerning their proper use.

Generally, we will not use company equipment such as computers, copiers and fax machines in the conduct of an outside business or in support of any religious, political or other outside daily activity, except for company-requested support to nonprofit organizations. We will not solicit contributions nor distribute non-work related materials during work hours.

In order to protect the interests of the Premium Textile Mills Ltd. network and our fellow employees, Premium Textile Mills Ltd. reserves the right to monitor or review all data and information contained on an employee's company-issued computer or electronic device, the use of the Internet or Premium Textile Mills Ltd.'s internet. We will not tolerate the use of company resources to create, access, store, print, solicit or send any materials that are harassing, threatening, abusive, sexually explicit or otherwise offensive or inappropriate.

Questions about the proper use of company resources should be directed to your manager.

Media Inquiries

Premium Textile Mills Ltd. is a high-profile company in our community, and from time to time, employees may be approached by reporters and other members of the media. In order to ensure that we speak with one voice and provide accurate information about the company.

CODE OF ETHICS & BUSINESS CONDUCT

Objectives

The objectives of Premium Textiles Mills Ltd. are to engage efficiently & responsibly in the yarn manufacturing business. We seek a high standard of performance and aim to maintain a long-term competitive position for sustainable growth.

Standard of Conduct

We conduct our operations with honesty, integrity & openness, and with respect for the rights & interests of our stakeholders. We shall continue conferring respect to the legitimate interests of those with whom we have relationships.

Shared Responsibilities

Premium Textiles Mills Ltd. is committed to increasing its value to customers, employees & shareholders by providing products and services to the concerns that it serves. We will fulfill this commitment while upholding the highest level of ethical conduct and meeting our responsibilities as a good corporate citizen. Although laws may vary from time to time, our basic ethical standards do not vary and are set forth in this guide.

Upholding the Law

The Premium Textiles Mills Ltd. concerns and its employees are required to comply with the laws & regulations enacted at local, national and international level.

Shareholders

Premium Textiles Mills Ltd. will conduct its operations in accordance with the principles of good corporate governance. As a guardian of their investment, we will provide timely, regular and reliable information on our activities, structure, financial situation and performance to all shareholders.

Customers

We are committed to providing quality products & service which are tailored for their intended use. The products and services will be supported by the requisite technical and commercial expertise.

Employees

Premium Textiles Mills Ltd. is committed to improvement in the working environment where there is mutual trust and respect and where everyone feels the pulse of responsibility for the performance and reputation of the company. We are committed towards safe & healthy working conditions for all employees. We appreciate the "to-do-it" instinct of employees that is beneficial for their growth and the company.

Business Partners

We bind ourselves to establish mutually beneficial relationship with our contractors, customers, suppliers and other business dealings, we expect our partners and to promote the application of these principles in so doing. In our business dealings, we expect our partners to adhere to business principles consistent with our own.

Community & Society

Premium Textile Mills Ltd. strives to be a trusted corporate citizen and as an integral part of society to fulfill the responsibilities towards the societies and communities in which it operates.

Public & Associated Activities

Premium Textiles Mills Ltd. concerns are encouraged to promote and defend their legitimate business interests. We will cooperate with governments and other organizations, both directly and through trade bodies such as trade associations, in the development of proposed legislature and other regulations which may affect legitimate business interests.

Continuous improvement

We have always endeavored for continuous improvement in terms of our products, services, physical structure, tangible and intangible assets. This spirit serves as a guiding principle towards sustainable development leading to profits. Without profits and a strong financial foundation, it would not be possible to fulfill the responsibilities outlined above.

Compliance

Every effort will be made across the board for compliance with the above mentioned principles.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 29th Annual General Meeting of the Shareholders of PREMIUM TEXTILE MILLS LIMITED will be held on Wednesday the 26th October, 2016 at 03:00 p.m. at Registered Office 1st Floor, Haji Adam Chambers, Altaf Hussain Road, Karachi, to transact the following business:

1. To confirm minutes of the 28th Annual General Meeting held on October 28, 2015.
2. To receive, consider and adopt the Report of Directors, Auditors and Audited Accounts of the Company for the year ended 30th June, 2016.
3. To approve the payment of dividend @ 100 % (i.e.Rs.10.00 per share) as recommended by the Board of Directors.
4. To appoint Auditors for the next year 2016-2017 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
Executive Director

Karachi:
The 29th September, 2016

NOTES:

1. The Share Transfer Books of the Company will remain closed from 19th October 2016 to 26th October 2016 (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. 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.

CHAIRMAN / DIRECTOR'S REPORT

Dear Shareholders,

The Directors have pleasure in presenting to you 29th Annual Report together with the audited accounts of the company for the year ended, 30th June, 2016 for your consideration and approval.

OPERATING RESULT

| | 2016 <u>Rupees</u> | 2015 <u>Rupees</u> |
|------------------------|-----------------------|-----------------------|
| Operating Profit | 274,693,333 | 359,436,349 |
| Financial & Others | <u>(152,597,037)</u> | <u>(166,941,187)</u> |
| Profit before Taxation | 122,096,296 | 192,495,162 |
| Taxation | 16,167,302 | (29,788,044) |
| Profit after Taxation | 138,263,598 | 162,707,118 |
| Earning per share | 22.43 | 26.40 |
| Gross Margin % | 8.71 % | 8.70 % |
| Operating Profit % | 5.71 % | 5.95% |

OPERATING PROFIT

The net sale during the year under review amounted to Rs.4814 Million as compared to Rs.6031 Million showing a decrease of 20% which is due to count adjustment (last year avg. count was 14/1 where as this year average count was 20/1.) although the quantity of yarn manufactured was 17951.5 tons for 2016 as compared to 23434 ton for 2015. The reason for this count adjustment was that coarse count yarn prices decreased by drastically and went into loss, whereas Raw Material price increased by 3.50%. Production expenses increased by 7.83% mainly due to GIDC provision. Financial charges decreased by 32% mainly due to better cotton procurement planning & better management of F.E loan.

ADDITION IN FIXED ASSETS

During the year under review following assets have been added.

BUILDING Rs. 8.58 Million

MACHINERY

| | |
|---|--------------------|
| 14-Nos,Long Ring Frames with Auto Doffing | Rs. 250.28 Million |
| 5-Nos. Cone Winder | Rs. 72.90 Million |
| 17-Nos of Slub Yarn Devices | Rs. 48.76 Million |
| Mosaic Attachment & Draw Frame | Rs. 20.69 Million |
| Heat Boiler | Rs. 13.11 Million |
| Drawing frame FL-16 & DX-8 | Rs. 23.80 Million |
| 1-No.Of Yarn Conditioning | Rs. 6.59 Million |
| 1-No of Auto Bale Plucker | Rs. 4.95 Million |

Premium Textile Mills Ltd.

| | |
|--|------------------|
| Cutting & Hanks Machine | Rs. 0.40 Million |
| Stretch Wrap Machine | Rs. 0.65 Million |
| 2-Nos. of Rifa Compact | Rs. 2.50 Million |
| Ring Bobbins | Rs. 4.47 Million |
| Sample Dyeing Machine | Rs. 0.63 Million |
| Dust & Waste Removal | Rs. 3.82 Million |
| Sliver Cans & others | Rs. 7.87 Million |
| <u>ELECTRICAL</u> | |
| LED Tubes | Rs. 3.53 Million |
| Inverters | Rs. 2.95 Million |
| <u>VEHICLE</u> | Rs. 23.79Million |
| <u>OFFICE & COMPUTER EQUIPMENT</u> | Rs. 0.99Million |

Corporate Environment, Health & Social responsibility

The Company maintain working condition which are safe and without risk to the health of all employees and public at large, our focus remain on improving all aspects of safety specialty with regards to the safe, production ,delivery, storage and handling of materials. Safety is a matter of concern for madinery as well as the employee working at fire extinguishers and other fine safety equipment's have been placed at sites as well as registered and head office of the Company. Regular visit of Doctor to mill provide medical advice and treatment.

Contribution to National Ex chequer

Premium Textile contributes towards. The national economy of account of Taxes & other levies. During the period under review our company paid 86.66-million as tax & custom duties.

National cause donation

Financial assistance and donation to the tune of 2.6 Million paid during the period.

Rural Development program

As on factory situated superhighway near nooriabad industrial estate the employment has been awarded to nearest locality person Premium Textile Mills Ltd practice active corporate citizenship through corporate philanthropy, energy construction, environmental protection measure community investment, consumer protection measure, employment of special person, industrial relationship, occupational health and safety, business ethics anticorruption measure, and contribution to national exchequer.

FUTURE OUTLOOK

The future outlook for the Company looks good, as now we have large production capacity as a result of the expansion, which is near completion and which will reduce labor costs and give us more efficiency and better quality. We are focusing on timely purchase of Raw Material and pray to Almighty to guide us in this endeavor so that we may be able to contain our Raw material cost and our financial expenses. Your company is also working on decreasing energy cost. Some aspects worth mentioning in this regards are

1. Replacement of all lighting fixtures to LED.
2. All new machines being installed have higher productivity while simultaneously consuming less power.
3. Installation of Inverters on all heavy motors like the Humidification plants, filters etc.

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

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

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

| | Opening Balance <u>01-07-2015</u> | Purchase | Sale | Gift | Closing Balance <u>30-06-2016</u> |
|--------------------------------------|---|----------|------|--------|---|
| Mr. Abdul Kadir Adam | 83,986 | - | - | 50,000 | 33,986 |
| 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 |

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 shareholding of the company as at June30, 2016 is annexed.

ACKNOWLEDGEMENT

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.

Mohammad Yasin Siddik
Executive Director

Karachi
29th September, 2016

KEY OPERATING AND FINANCIAL RESULTS

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|-------------------|----------------|----------------|----------------|----------------|----------------|
| | (Rupees in ' 000) | | | | | |
| OPERATING DATA | | | | | | |
| Sales (net) | 4814022 | 6030823 | 7212829 | 4932271 | 4136399 | 4645118 |
| Cost of Goods Sold | 4394522 | 5506409 | 6526785 | 4124263 | 3677932 | 4088940 |
| Gross Profit | 419500 | 524414 | 686044 | 808008 | 458467 | 556178 |
| Operating Profit | 274693 | 359436 | 521127 | 690473 | 374283 | 476695 |
| Financial charges & others | 152597 | 166941 | 470398 | 182026 | 134586 | 197726 |
| Profit /(Loss) before taxation | 122096 | 192495 | 50729 | 508447 | 239697 | 278969 |
| Profit /(Loss) after taxation | 138264 | 162707 | 66859 | 493200 | 194159 | 242720 |
| FINANCIAL DATA | | | | | | |
| Shareholders equity | 1445653 | 1358605 | 1208942 | 1223279 | 769939 | 608578 |
| Surplus on revaluation of Plant & Machinery | 9923 | 11025 | 7486 | 8847 | 9830 | 11047 |
| Long term liabilities | 857624 | 700000 | 700000 | 0 | 0 | 0 |
| Deferred liabilities | 33819 | 33714 | 52189 | 45642 | 71404 | 68759 |
| Current liabilities | 1563597 | 1432340 | 2685433 | 2817346 | 950245 | 1177324 |
| | 3910615 | 3535684 | 4654050 | 4095115 | 1801419 | 1865708 |
| Fixed Assets | 2142795 | 1810720 | 1841389 | 1458731 | 722621 | 640470 |
| Long Term Deposit | 1504 | 1504 | 1504 | 1191 | 1191 | 1191 |
| Long Term Investment | 0 | 0 | 1966 | 1966 | 1825 | 0 |
| Current Assets | 1766316 | 1723460 | 2809192 | 2633227 | 1075782 | 1224047 |
| | 3910615 | 3535684 | 4654050 | 4095115 | 1801419 | 1865708 |
| KEY RATIOS | | | | | | |
| Gross Margin | 8.71% | 8.70% | 9.51% | 16.38% | 11.08% | 11.97% |
| Operating Margin | 5.71% | 5.96% | 7.22% | 14.00% | 9.05% | 10.26% |
| Net Profit | 2.87% | 2.70% | 0.93% | 10.00% | 4.69% | 5.23% |
| Current Ratio | 1.13 | 1.20 | 1.05 | 0.93 | 1.13 | 1.04 |
| Earning Per Share (Rupees) | 22.43 | 26.40 | 10.85 | 80.03 | 31.50 | 39.38 |
| Break-up value of shares | Rs. 234.57 | Rs. 220.45 | Rs. 196.16 | Rs. 198.49 | Rs. 124.93 | Rs. 98.75 |
| Cash Dividend % | 100.00% | 60.00% | 35.00% | 125.00% | 60.00% | 55.00% |
| STATISTICS | | | | | | |
| Spindles Installed | 77628 | 61260 | 61260 | 47263 | 43716 | 41136 |
| Spindles Worked | 58562 | 59659 | 57718 | 45104 | 42253 | 40498 |
| Production Capacity Conversion 20/s in Kgs. | 26507906 | 20861356 | 20861356 | 16094846 | 14886958 | 14008370 |
| Actual Production Conversion 20/s in Kgs. | 19997216 | 21239598 | 19655151 | 15085312 | 14096368 | 13790986 |

**Detail of Categories of Shareholders
As at June 30, 2016**

| Shareholders' Category | Shares Held | % |
|---|-------------|--------|
| BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS | | |
| NATIONAL BANK OF PAKISTAN | 455 | |
| NATIONAL BANK OF PAKISTAN | 160,889 | |
| Sub-Total : | 161,344 | 2.62 |
| DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSE, MINOR CHILDREN AND RELATIVES | | |
| MR. MUHAMMAD ASLAM PAREKH | 11,600 | |
| MR. ABDUL KADER HAJI ADAM | 33,986 | |
| MR. MOHAMMAD YASIN SIDDIK | 284,075 | |
| MR. GHULAM MOHAMMAD | 3,000 | |
| MR. MOHAMMAD ALI JALIAWALA | 3,000 | |
| MR. TUFAIL SATTAR | 3,000 | |
| MRS. NABILA KADER | 35,400 | |
| MRS. NABILA YASIN | 120,000 | |
| MR. ZAID YASIN | 10,000 | |
| MS. SAADIA YASIN | 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 : | 1,047,561 | 17.00 |
| 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. | 381 | |
| 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 | |
| YOUSUF YAQOOB KOLIA AND COMPANY (PVT) LTD | 27,500 | |
| 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 : | 4,374,465 | 70.98 |
| Individual | | |
| Local - Individuals | 579,130 | |
| Sub-Total : | 579,130 | 9.39 |
| Grand Total : | 6,163,000 | 100.00 |

PATTERN OF HOLDING OF SHARES AS AT JUNE 30, 2016

| No. of Shareholders | Shareholdings | Total Shares Held |
|---------------------|--------------------------------------|-------------------|
| 584 | Shareholding From 1 To 100 | 42,054 |
| 111 | Shareholding From 101 To 500 | 34,973 |
| 35 | Shareholding From 501 To 1000 | 33,500 |
| 54 | Shareholding From 1001 To 5000 | 137,802 |
| 10 | Shareholding From 5001 To 10000 | 84,400 |
| 10 | Shareholding From 10001 To 15000 | 128,450 |
| 2 | Shareholding From 15001 To 20000 | 39,086 |
| 2 | Shareholding From 25001 To 30000 | 53,000 |
| 1 | Shareholding From 30001 To 35000 | 34,400 |
| 1 | Shareholding From 45001 To 50000 | 50,000 |
| 1 | Shareholding From 70001 To 75000 | 74,010 |
| 2 | Shareholding From 90001 To 95000 | 183,200 |
| 4 | Shareholding From 110001 To 115000 | 442,800 |
| 1 | Shareholding From 115001 To 120000 | 120,000 |
| 1 | Shareholding From 160001 To 165000 | 160,889 |
| 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 |
| ----- | | ----- |
| 824 | | 6,163,000 |
| ===== | | ===== |

**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, 2016 to comply with the requirements of Listing Regulation of the Pakistan 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, 2016.

Karachi,
Date: 29th September, 2016

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

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE (See clause 5.19.23)

Name of Company : PREMIUM TEXTILE MILLS LIMITED

Year ended : June 30, 2016

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Pakistan 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.

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

| Category | Names |
|-------------------------|---|
| Independent Director | Mr. Mohammad Tufail |
| Executive Directors | Mr. Abdul Kader Haji Adam , Mr. Mohammad Yasin Siddik |
| Non-Executive Directors | Mr. Mohammad Aslam , Mr. Mohammad Ali Jaliawala , Mr. Ghulam Mohammad Surti , Mr. Farrukh Viqaruddin (NIT) |

The Independent directors meets the criteria of independence under clause 5.19.1.(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a 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 2015-2016.
5. The company has prepared a "Code of Conduct" and has been disseminated throughout the company along with its supporting policies and procedures.
6. 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.
7. 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.

Premium Textile Mills Ltd.

8. The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board 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.
9. 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. 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.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors. The chairman of Audit Committee is an independent director who is not the chairman of the board.
16. 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.
17. The Board has formed HR and Remuneration committee. It comprises three members, of whom all are non-executive directors and the Chairman of the Committee is also non-executive director.
18. The Board has set-up an internal 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.
19. 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.

Premium Textile Mills Ltd.

20. 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.
21. 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.
22. No such material / price sensitive information existed which should be disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

YASIN SIDDIK
Executive Director

Karachi:
The 29th September, 2016

FINANCIAL STATEMENTS

2016

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Premium Textile Mills Limited ("the Company") as at June 30, 2016, 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, 2016, 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: 29th September, 2016

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

**BALANCE SHEET
AS AT JUNE 30, 2016**

| ASSETS | Note | 2016 | 2015 |
|---|------|----------------------|----------------------|
| Non - Current Assets | | | |
| Property, plant and equipment | 4 | 2,142,794,594 | 1,810,719,508 |
| Long term deposits | | 1,504,100 | 1,504,100 |
| Current Assets | | | |
| Stores and spares | 5 | 42,147,501 | 42,403,916 |
| Stock in trade | 6 | 882,351,985 | 946,659,818 |
| Trade debts - considered good | 7 | 674,335,052 | 596,301,304 |
| Tax refunds due from government | 8 | 115,783,857 | 114,149,037 |
| Advances, deposits, prepayments and other receivables | 9 | 37,233,707 | 14,481,243 |
| Cash and bank balances | 10 | 14,464,392 | 9,465,038 |
| | | <u>1,766,316,494</u> | <u>1,723,460,356</u> |
| | | <u>3,910,615,188</u> | <u>3,535,683,964</u> |
| Share Capital and Reserves | | | |
| Authorized Capital | | | |
| 7,000,000 (2015: 7,000,000) ordinary shares of Rs. 10/- each | | <u>70,000,000</u> | <u>70,000,000</u> |
| Issued, subscribed and paid up capital | | | |
| 6,163,000 (2015: 6,163,000) ordinary shares of Rs. 10/- each fully paid in cash | | <u>61,630,000</u> | <u>61,630,000</u> |
| Unappropriated profit | | <u>1,384,023,099</u> | <u>1,296,974,954</u> |
| | | 1,445,653,099 | 1,358,604,954 |
| Surplus on revaluation of plant and equipment | 11 | 9,922,646 | 11,025,162 |
| Non - Current Liabilities | | | |
| Long term loan-secured | 12 | 857,624,000 | 700,000,000 |
| Deferred liabilities | 13 | 33,818,758 | 33,713,997 |
| Current liabilities | | | |
| Loan from directors | 14 | - | 40,000,000 |
| Trade and other payables | 15 | 349,840,809 | 233,810,900 |
| Accrued markup | | 22,020,683 | 31,032,934 |
| Short term borrowing - secured | 16 | 1,121,735,193 | 1,127,496,017 |
| Current Portion of long term loan | 12 | 70,000,000 | - |
| | | <u>1,563,596,685</u> | <u>1,432,339,851</u> |
| Contingencies and Commitments | 17 | <u>3,910,615,188</u> | <u>3,535,683,964</u> |

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

CHIEF EXECUTIVE

DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016**

| | | 2016 | 2015 |
|--|------|------------------------|------------------------|
| | Note | Rupees | |
| Sales - net | 18 | 4,814,022,320 | 6,030,823,143 |
| Cost of sales | 19 | <u>(4,394,521,992)</u> | <u>(5,506,409,041)</u> |
| Gross profit | | 419,500,328 | 524,414,102 |
| Operating expenses | | | |
| Administrative expenses | 20 | <u>(79,724,014)</u> | <u>(62,492,240)</u> |
| Distribution costs | 21 | <u>(65,082,981)</u> | <u>(102,485,513)</u> |
| | | <u>(144,806,995)</u> | <u>(164,977,753)</u> |
| Operating profit | | 274,693,333 | 359,436,349 |
| Finance costs | 22 | <u>(136,169,708)</u> | <u>(198,843,538)</u> |
| Other operating expenses | 23 | <u>(10,444,973)</u> | <u>(15,654,203)</u> |
| Other (loss) / income | 24 | <u>(5,982,356)</u> | <u>47,556,554</u> |
| | | <u>(152,597,037)</u> | <u>(166,941,187)</u> |
| Profit before taxation | | 122,096,296 | 192,495,162 |
| Taxation | 25 | 16,167,302 | (29,788,044) |
| Profit after taxation | | <u>138,263,598</u> | <u>162,707,118</u> |
| Earnings per share - basic and diluted | 26 | <u>22.43</u> | <u>26.40</u> |

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

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

| | 2016 | Rupees | 2015 |
|---|------------------------|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | 122,096,296 | | 192,495,162 |
| Adjustments for non cash and other items: | | | |
| Depreciation | 200,951,165 | | 197,456,422 |
| Gain on disposal of fixed assets | (1,089,734) | | (10,493,875) |
| Provision for gratuity | 15,141,847 | | 12,705,519 |
| Contribution to Workers' Profit Participation Fund | 6,627,063 | | 10,407,468 |
| Contribution to Workers' Welfare Fund | 3,817,910 | | 5,246,735 |
| Exchange loss on debtors | 10,623,096 | | 12,906,429 |
| Exchange gain on FE loan | (87,373) | | 4,191,025 |
| Other income | (3,463,633) | | (54,160,133) |
| Finance cost | 136,169,708 | | 198,843,538 |
| | <u>368,690,049</u> | | <u>377,103,128</u> |
| Operating cash flows before working capital changes | <u>490,786,345</u> | | <u>569,598,290</u> |
| Changes in working capital | | | |
| (Increase) / decrease in current assets | | | |
| Stores and spares | 256,415 | | 3,381,866 |
| Stock in trade | 64,307,833 | | 488,245,984 |
| Trade debtors | (88,656,844) | | 514,689,103 |
| Advances, deposits, prepayments and other receivables | (22,752,464) | | 19,835,972 |
| Increase in current liability | | | |
| Trade and other payables | 122,242,000 | | 19,302,361 |
| | <u>75,396,940</u> | | <u>1,045,455,286</u> |
| | 566,183,285 | | 1,615,053,576 |
| Tax refund | 3,662,024 | | 12,573,947 |
| Gratuity paid | (19,506,597) | | (19,115,595) |
| Payment of WPPF and WWF | (16,164,882) | | (8,552,990) |
| Finance cost paid | (142,210,508) | | (248,642,290) |
| Net cash generated from operating activities | <u>391,963,322</u> | | <u>1,351,316,648</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Long term investment | - | | 1,965,854 |
| Interest income on long term investment | - | | 521,621 |
| Proceeds from sale of fixed assets | 5,720,000 | | 18,488,759 |
| Capital expenditure | (537,656,517) | | (174,781,995) |
| Net cash used in investing activities | <u>(531,936,517)</u> | | <u>(153,805,761)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividend paid | (36,978,000) | | (21,570,500) |
| Long term loan paid | (150,000,000) | | - |
| Director loan paid | (40,000,000) | | - |
| Long term loan obtained | 377,624,000 | | - |
| Net cash generated from / (used in) financing activities | <u>150,646,000</u> | | <u>(21,570,500)</u> |
| Net increase in cash and cash equivalents | <u>10,672,805</u> | | <u>1,175,940,387</u> |
| Cash and cash equivalents at the beginning of the year | <u>(1,118,030,979)</u> | | <u>(2,293,971,366)</u> |
| Cash and cash equivalents at the end of the year | <u>(1,107,358,174)</u> | | <u>(1,118,030,979)</u> |
| Cash and cash equivalents comprise the following: | | | |
| Cash and bank balance | 10 | 14,464,392 | 9,465,038 |
| Short term borrowing | 16 | <u>(1,121,822,566)</u> | <u>(1,127,496,017)</u> |
| | | <u>(1,107,358,174)</u> | <u>(1,118,030,979)</u> |

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

| | 2016 | 2015 |
|---|--------------------|--------------------|
| | Rupees | |
| Profit after taxation | 138,263,598 | 162,707,118 |
| Other comprehensive income | | |
| - Surplus on revaluation of plant and equipment realized during the period on account of incremental depreciation | 1,102,516 | 1,225,018 |
| Actuarial (Loss) / Gain on Defined Benefit Obligation | (15,339,969) | 7,301,337 |
| Total comprehensive income for the year | <u>124,026,145</u> | <u>171,233,473</u> |

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

CHIEF EXECUTIVE

DIRECTOR

Premium Textile Mills Ltd.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016**

| | Share Capital | Unappropriated Profit Rupees | Total |
|--|-------------------|---|----------------------|
| 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 | <u>61,630,000</u> | <u>1,296,974,954</u> | <u>1,358,604,954</u> |
| Balance as at July 1, 2015 | 61,630,000 | 1,296,974,954 | 1,358,604,954 |
| Total comprehensive income for the year | - | 124,026,145 | 124,026,145 |
| Final cash dividend paid @ 60% | - | (36,978,000) | (36,978,000) |
| Balance as at June 30, 2016 | <u>61,630,000</u> | <u>1,384,023,099</u> | <u>1,445,653,099</u> |

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

CHIEF EXECUTIVE

DIRECTOR

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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:

| | Note |
|---|------|
| a) Residual values and useful lives of items of property, plant and equipment | 3.1 |
| b) Provision for obsolete inventory | 3.3 |
| c) Provision of slow moving and obsolete stores and spares | 3.4 |
| d) Provision for staff retirement benefits | 3.10 |
| e) Provision for taxation | 3.11 |

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 2016:

- 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.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.
- Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.

Premium Textile Mills Ltd.

- Agriculture: Bearer Plants [Amendment 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 amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are 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
- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures:

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Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed 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.

The above amendments are not likely to have an impact on Company's financial statements.

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.

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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.

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(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, 2016 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.

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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 | 2016 | 2015 |
|-------------------------|-------------------------------|----------------------|----------------------|
| | | Rupees | |
| 4 | PROPERTY, PLANT AND EQUIPMENT | | |
| Operating fixed assets | 4.1 | 2,088,817,913 | 1,793,142,923 |
| Capital work in process | 4.2 | 53,976,681 | 17,576,585 |
| | | <u>2,142,794,594</u> | <u>1,810,719,508</u> |

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, 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 | (3,263,925) | - | - | - | (25,000) | (666,700) | (15,676,568) | - | - | (19,632,193) |
| Cost / Revalued amount | - | - | - | - | 21,616 | 660,725 | 10,954,968 | - | - | 11,637,309 |
| Accumulated depreciation | (3,263,925) | - | - | - | (3,384) | (5,975) | (4,721,600) | - | - | (7,994,884) |
| Net book value | - | - | - | - | (3,368) | (311,960) | (10,439,777) | (37,608,927) | (350) | (197,456,422) |
| Depreciation for the year | (45,871,742) | (101,975,841) | (882,177) | (365,648) | (311,960) | (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 July 01, 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 |
| Year ended June 30, 2016 | | | | | | | | | | |
| Opening 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 |
| Revaluation | - | - | - | - | - | - | - | - | - | - |
| Additions / transfers during the year | 1,580,000 | 7,089,687 | 461,496,367 | 150,000 | 592,600 | 82,600 | 23,788,720 | 6,476,447 | - | 501,256,421 |
| Disposals / transfers | - | - | - | - | - | - | - | - | - | - |
| Cost | - | - | - | - | (55,000) | - | (11,951,529) | - | - | (12,006,529) |
| Accumulated depreciation | - | - | - | - | (34,281) | - | (4,595,985) | - | - | (4,630,266) |
| Net book value | - | - | - | - | (368,228) | (266,477) | (11,894,116) | (34,261,459) | (316) | (200,951,165) |
| Depreciation for the year | (42,486,226) | (110,810,164) | (864,179) | (368,228) | (3,568,541) | (642,431) | (53,013,810) | (311,792,724) | (2,835) | (2,088,817,913) |
| Closing net book value | 13,163,378 | 384,148,463 | 1,314,651,890 | 7,833,841 | 3,568,541 | 642,431 | 53,013,810 | 311,792,724 | 2,835 | 2,088,817,913 |
| As at June 30, 2016 | | | | | | | | | | |
| Cost / Revalued amount | 13,163,378 | 652,927,368 | 2,077,482,473 | 15,477,325 | 11,619,835 | 2,819,141 | 93,223,363 | 479,756,868 | 37,150 | 3,346,506,901 |
| Accumulated depreciation | - | (268,778,905) | (762,830,583) | (7,643,484) | (8,051,294) | (2,176,710) | (40,209,553) | (167,964,144) | (34,315) | (1,257,688,988) |
| Net book value | 13,163,378 | 384,148,463 | 1,314,651,890 | 7,833,841 | 3,568,541 | 642,431 | 53,013,810 | 311,792,724 | 2,835 | 2,088,817,913 |
| Annual rates of depreciation | - | 10% | 10% | 10% | 10% | 30% | 20% | 10% | 10% | 10% |

| | Note | 2016 | 2015 |
|---|------|--------------------|--------------------|
| | | Rupees | |
| 4.1.1 Depreciation for the year has been allocated as under : | | | |
| Cost of sales | | 195,745,389 | 192,520,012 |
| Administrative expenses | | 5,205,776 | 4,936,410 |
| | | <u>200,951,165</u> | <u>197,456,422</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 |
|--------------------------------|-------------------|--------------------------|------------------|------------------|--------------------------|------------------|--------------------------|
| VEHICLE | | | | 2016 | | | |
| Honda 70 (2003) - KAY-3208 | 67,343 | 63,606 | 3,737 | 12,000 | 8,263 | Negotiations | Mr. Naeem |
| Honda Civic-2010 - ATQ-225 | 1,981,853 | 1,395,757 | 586,096 | 650,000 | 63,904 | Negotiations | Mr. Asif |
| Toyota Gli 2011 - AUS-230 | 1,631,700 | 1,060,266 | 571,434 | 650,000 | 78,566 | Negotiations | Mr. G.M. Surti |
| Vigo Champ - KT-0841 | 3,782,365 | 1,338,957 | 2,443,408 | 3,000,000 | 556,592 | Negotiations | Mr. Saifuddin Godhrawala |
| T.Corolla Gli (2010) - ATS-558 | 1,522,133 | 1,118,127 | 404,006 | 550,000 | 145,994 | Negotiations | Mr. Ashraf Aziz |
| H.Civic (2007) - AMY-502 | 1,543,870 | 1,334,065 | 209,805 | 400,000 | 190,195 | Negotiations | Mr. Hasnain Raza |
| T.Corolla (2010) - ATE-084 | 1,422,265 | 1,044,765 | 377,500 | 450,000 | 72,500 | Negotiations | Mr. Hasnain Raza |
| Furniture and Fixtures | 55,000 | 20,719 | 34,281 | 8,000 | (26,281) | Negotiations | Mr. Yousuf Moti |
| | <u>12,006,529</u> | <u>7,376,262</u> | <u>4,630,267</u> | <u>5,720,000</u> | <u>1,089,733</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 1,616,521,968 (2015: 1,292,518,261).

| | Note | 2016 | 2015 |
|---------------------------------------|------|-------------------|-------------------|
| | | Rupees | |
| 4.2 Capital work in progress | | | |
| Opening balance | | 17,576,585 | 25,710,415 |
| Additions | | | |
| - Machinery | | 460,009,900 | 116,190,943 |
| - Civil works | | 46,056,250 | 28,209,678 |
| - ERP Software | | 500,000 | |
| | | 506,566,150 | 144,400,621 |
| Transferred to operating fixed assets | | (470,166,054) | (152,534,451) |
| | | <u>53,976,681</u> | <u>17,576,585</u> |
| 5 STORES AND SPARES | | | |
| Stores and spares | | 36,408,510 | 35,460,306 |
| Packing materials | | 5,738,991 | 6,943,610 |
| | | <u>42,147,501</u> | <u>42,403,916</u> |

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| | | | | |
|-----|---|------|-------------|--------------|
| 6 | STOCK IN TRADE | | | |
| | Raw material | | | |
| | - In hand | 6.1 | 614,939,170 | 441,389,837 |
| | - In transit | | - | 143,544,635 |
| | | | 614,939,170 | 584,934,472 |
| | Work in process | | 36,095,504 | 30,613,053 |
| | Finished goods | | 230,942,290 | 330,982,086 |
| | Waste material | | 375,021 | 130,207 |
| | | | 231,317,311 | 331,112,293 |
| | | | 882,351,985 | 946,659,818 |
| 6.1 | This includes 11,200 (2015: 7,201) Bales of raw cotton value Rs. 293.26 million (2015: 193.3 million), Nil (2015: 412) Bales of Dyed Cotton value Nil (2015: 14,687,134), Nil (2015: 1,816) Bales of Polyester Staple Fiber value Nil (2015: 44,284,095) and Nil (2015: 15,000) bags of cotton yarn value Nil (2015: 154,892,067) pledged against finance facility (refer note 16) obtained from banks. | | | |
| | | Note | 2016 | 2015 |
| | | | Rupees | |
| 7 | TRADE DEBTORS - Considered good | | | |
| | Local debtors - unsecured | | 436,962,487 | 306,321,151 |
| | Foreign debtors - secured | | 237,372,565 | 289,980,153 |
| | | | 674,335,052 | 596,301,304 |
| 8 | TAX REFUNDS DUE FROM GOVERNMENT | | | |
| | Income tax refundable | | 83,517,852 | 140,692,575 |
| | Less: Current tax for the year | | (1,764,133) | (48,407,271) |
| | | | 81,753,719 | 92,285,304 |
| | Sales tax refundable | | 34,030,138 | 21,863,733 |
| | | | 115,783,857 | 114,149,037 |
| 9 | ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | | |
| | Advances - considered good: | | | |
| | Staff | | 3,589,022 | 2,680,383 |
| | Suppliers | | 31,185,925 | 7,343,954 |
| | | | 34,774,947 | 10,024,337 |
| | Security deposits | | 2,117,468 | 2,009,861 |
| | Prepaid insurance | | 236,150 | 650,134 |
| | Receivables against Claim | | - | 1,769,754 |
| | Other receivables | | 105,142 | 27,157 |
| | | | 37,233,707 | 14,481,243 |
| 10 | CASH AND BANK BALANCES | Note | 2016 | 2015 |
| | | | Rupees | |
| | Cash in hand | | 858,925 | 989,297 |
| | Cash with banks - current accounts | | 13,605,467 | 8,475,741 |
| | | | 14,464,392 | 9,465,038 |

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| 11 | SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT | Note | 2016 | 2015 |
|--------|--|--------|--------------|-------------|
| | | | Rupees | |
| | Balance as at July 1 | | 11,025,162 | 12,250,180 |
| | -Revaluation Surplus on Plant, Machinery and Building | | - | - |
| | -Surplus relating to disposal of revalued assets transferred to retained earnings | | - | - |
| | -Incremental depreciation charged during the year | | (1,102,516) | (1,225,018) |
| | | | (1,102,516) | (1,225,018) |
| | | | 9,922,646 | 11,025,162 |
| | Related deferred tax: | | | |
| | Balance as at July 1 | | - | 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 | 11.1 | - | (4,763,960) |
| | | | - | (4,763,960) |
| | | | 9,922,646 | 11,025,162 |
| 11.1 | No deferred tax arises on revaluation as company's income is chargeable under Final Tax Regime. | | | |
| 12 | LONG TERM LOAN-secured | Note | 2016 | 2015 |
| | | | Rupees | |
| | Long term loan | 12.1 | 806,409,000 | 700,000,000 |
| | Current portion shown under current liabilities | | (70,000,000) | - |
| | | | 736,409,000 | 700,000,000 |
| 12.1 | Bank Al-Habib Limited | | | |
| | - Term Finance | 12.1.1 | 485,000,000 | 500,000,000 |
| | - Term Finance | 12.1.2 | 65,000,000 | 200,000,000 |
| | - Long Term Finance Facility | 12.1.3 | 256,409,000 | - |
| | | | 806,409,000 | 700,000,000 |
| | Bank Al-Falah Limited | | | - |
| | - Long Term Finance Facility | 12.1.4 | 121,215,000 | |
| | Less: Current portion shown under current liabilities | | (70,000,000) | - |
| | | | 857,624,000 | 700,000,000 |
| 12.1.1 | 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% per annum. | | | |
| 12.1.2 | 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% per annum. | | | |
| 12.1.3 | This represents liability against Long Term Finance Facility (LTFF), under LTFF scheme of State Bank of Pakistan, for import of Machinery to be repaid in 10 years expiring in June, 2026. The loan is secured against registered specific hypothecation charge over the imported machineries to be installed at factory premises at plot # 60, 61, 76 and 77 spread over 16 acres at Nooriabad, Sindh. The rate of Mark-up is SBP refinance rate+0.75% per annum. | | | |

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12.1.4 This represents liability against Long Term Finance Facility (LTFF), under LTFF scheme of State Bank of Pakistan, for payment of LC#502320 opened for the import of Machineries. The loan is to be repaid in 10 years expiring in July, 2026. The loan is secured against 1st exclusive charge over machinery imported of PKR 200 million, through bank (initially ranking charge will be registered and upgraded to exclusive charge within 150 days from date of draw down).. The rate of Mark-up is SBP refinance rate+0.75% per annum.

| 13 | DEFERRED TAXATION: | Note | 2016 | Rupees | 2015 |
|----|--------------------|------|-------------------|--------|-------------------|
| | Deferred taxation | 13.1 | 19,005,514 | | 29,875,972 |
| | Staff gratuity | 13.2 | 14,813,244 | | 3,838,025 |
| | | | <u>33,818,758</u> | | <u>33,713,997</u> |

| | | | | | |
|------|--|--|-------------------|--|-------------------|
| 13.1 | Deferred taxation: | | | | |
| | Represents the tax effect of taxable/(deductible) temporary differences relating to: | | | | |
| | Accelerated depreciation allowance (Refer 25.2) | | 21,740,917 | | 32,611,375 |
| | 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>19,005,514</u> | | <u>29,875,972</u> |

| | | | | | |
|------|----------------|------|-------------------|--------|------------------|
| | | Note | 2016 | Rupees | 2015 |
| 13.2 | Staff gratuity | | <u>14,813,244</u> | | <u>3,838,025</u> |

13.2.1 Actuarial Assumptions
As disclosed in note 3.9, the company operates a unfunded gratuity scheme for its staff employees. The latest actuarial valuation was carried out as at June 30, 2016, using the Projected Unit Credit Actuarial Cost Method.

| | | | | | |
|--------|--|------|-------------------|--------|------------------|
| | | Note | 2016 | Rupees | 2015 |
| 13.2.2 | Defined benefit liability recognized in balance sheet | | | | |
| | Present value of defined benefit obligation | | 14,813,244 | | 3,838,025 |
| | Unrecognized actuarial gains / (losses) | | - | | - |
| | Defined benefit liability recognized | | <u>14,813,244</u> | | <u>3,838,025</u> |

| | | | | | |
|--------|---|--|-------------------|--|------------------|
| 13.2.3 | Changes in the present value of the defined benefit obligation | | | | |
| | Opening defined benefit obligation | | 3,838,025 | | 17,549,438 |
| | Current service cost | | 15,718,586 | | 11,646,627 |
| | Interest (income) / cost | | (576,739) | | 1,058,892 |
| | Benefits paid | | (19,506,597) | | (19,115,595) |
| | Remeasurements chargeable in other comprehensive income | | 15,339,969 | | (7,301,337) |
| | | | <u>14,813,244</u> | | <u>3,838,025</u> |

| | | | | | |
|--------|---|--------|-------------------|--|------------------|
| 13.2.4 | Movement in net liability | | | | |
| | Opening liability | | 3,838,025 | | 17,549,438 |
| | Expense recognized in profit and loss account | 13.2.5 | 15,141,847 | | 12,705,519 |
| | Remeasurements recognized in other comprehensive income | 13.2.6 | 15,339,969 | | (7,301,337) |
| | Benefits paid during the year | | (19,506,597) | | (19,115,595) |
| | Closing liability | | <u>14,813,244</u> | | <u>3,838,025</u> |

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13.2.5 Expense recognized in profit and loss account

| | | |
|--------------------------|-------------------|-------------------|
| Current service cost | 15,718,586 | 11,646,627 |
| Interest (income) / cost | (576,739) | 1,058,892 |
| | <u>15,141,847</u> | <u>12,705,519</u> |

13.2.6 Remeasurements recognized in other comprehensive income

| | | |
|------------------------|-------------------|--------------------|
| Experience adjustments | <u>15,339,969</u> | <u>(7,301,337)</u> |
|------------------------|-------------------|--------------------|

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

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|------------|-----------|------------|------------|-----------|
| | | | Rupees | | |
| Present Value of Defined benefit obligation | 14,813,244 | 3,838,025 | 17,549,438 | 11,002,162 | 7,115,351 |

14 LOAN FROM DIRECTORS

During the current year, company has made full repayment of the interest free loan obtained from its directors after receiving No Objection Certificate from banks providing finance to the company.

| 15 | TRADE AND OTHER PAYABLES | Note | 2016 | Rupees | 2015 |
|----|-------------------------------------|------|--------------------|--------|--------------------|
| | Creditors | | 111,360,888 | | 96,020,390 |
| | Accrued liabilities | | 218,541,726 | | 117,226,958 |
| | Workers' profits participation fund | 15.1 | 9,087,835 | | 10,407,468 |
| | Workers welfare fund | | 3,817,910 | | 5,246,735 |
| | Unclaimed dividend | | 3,270,820 | | 2,468,637 |
| | Others | | 3,761,630 | | 2,440,712 |
| | | | <u>349,840,809</u> | | <u>233,810,900</u> |

15.1 Workers' profit participation fund

| | | |
|-------------------------------|------------------|-------------------|
| Opening balance | 10,407,468 | 2,964,094 |
| Add: | | |
| - Contribution for the year | 6,627,063 | 10,407,468 |
| - Interest accrued | 2,971,451 | 114,016 |
| | 9,598,514 | 10,521,484 |
| Less: Payment during the year | (10,918,147) | (3,078,110) |
| | <u>9,087,835</u> | <u>10,407,468</u> |

| 16 | SHORT TERM BORROWING - Secured | Note | | |
|----|-----------------------------------|------|----------------------|----------------------|
| | Bank Al-Habib Limited | | | |
| | - Cash finance | 16.1 | 265,623,966 | 562,928,501 |
| | - Running finance | 16.2 | 10,530,404 | 50,790,232 |
| | - Foreign currency export finance | 16.3 | 645,580,823 | 394,655,072 |
| | | | 921,735,193 | 1,008,373,805 |
| | Bank Al-Falah Limited | | | |
| | - Foreign currency export finance | | - | 119,122,212 |
| | Meezan Bank Limited | | | |
| | - Istisna Finance | 16.4 | 200,000,000 | - |
| | | | <u>1,121,735,193</u> | <u>1,127,496,017</u> |

16.1 This represents short term cash finance facilities Rs. 2.5 billion (2015: Rs. 2.5 billion) from Bank Al-Habib Limited to meet working capital requirement at a markup of 1 month average kibar +1% (2015: 1 month average kibar +1% per annum) which is secured by:

> Pledge over stocks under effective control of bank's approved muccadam (refer note 6.1)

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- 16.2 This represents short term running finance facilities Rs. 400 million (2015: Rs. 400 million) from Bank Al-Habib Limited to meet working capital requirement at a markup of 1 month average kibar +0.75% (2015: 1month average kibar +0.75% per annum) which is secured by:
- > Registered Hypothecation charge over Receivables
- 16.3 This represents short term foreign currency export finance Rs. 2 billion (2015: Rs. 2 billion) from Bank Al-Habib Limited to finance the usance period of export bills in order to meet urgent working capital requirements at a markup of 6 month average libor +1% with **floor** rate of 1.8% per annum (2015: 6 month average libor +2.5% with floor rate of 1.8% per annum) which is secured by:
- > Lien over Export LC/bills/Contract.
 - > Registered Hypothecation charge over Receivables
- 16.4 This represents short term istisna finance Rs. 300 million (2015: Rs. Nil) from Meezan Bank Limited to meet working capital requirements at a markup of 3 months kibar + 0.75% per annum. (2015: Nil) which is secured by:
- > Lien over Export LC/bills/Contract.

As at 30 June 2016, the Company has unavailed financing facilities of Rs. 4.079 billion (2015: Rs. 4.072 billion).

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

- 17.1.1 During the previous year the Company had filed a suit against Federation of Pakistan, for Sui Southern Gas Co. Limited related to Gas Infrastructure Development Charges. The Company had deferred the recognition of expense against such billing amounting to Rs. 152,253,092 in these financial statements which pertain to period from July 01, 2012 to June 30, 2015. The Company has obtained stay order from the Honourable High Court of Sindh. The case is pending for further adjudication in the High Court of Sindh, Karachi.

| 17.2 Commitments | Note | 2016 | Rupees | 2015 |
|---|------|------------|--------|-------------|
| In respect of: | | | | |
| Capital expenditure | | 20,158,800 | | 9,061,956 |
| Letter of credit to SSGC | | 54,963,500 | | 60,185,800 |
| Letter of guarantee | | 69,442,340 | | 60,942,340 |
| Letter of credit in respect of raw material | | - | | 200,031,044 |

18 SALES - NET

| | | |
|--------------------------|---------------|---------------|
| Local sales | 244,856,145 | 329,080,123 |
| Export sales - indirect | 3,223,418,721 | 2,912,211,408 |
| Export sales | 1,366,038,831 | 2,753,907,476 |
| Raw material and wastage | 16,107,936 | 109,509,396 |
| | 4,850,421,633 | 6,104,708,403 |
| Commission and brokerage | (35,513,815) | (72,123,808) |
| Discount and claims | (885,498) | (1,761,452) |
| | (36,399,313) | (73,885,260) |
| | 4,814,022,320 | 6,030,823,143 |

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| | | | | |
|------|------------------------------------|--------|----------------------|----------------------|
| 19 | COST OF SALES | | | |
| | Raw materials consumed | 19.1 | 3,032,464,543 | 4,296,566,221 |
| | Store and spares consumed | 19.2 | 195,003,062 | 192,804,290 |
| | Production expenses | 19.3 | 1,056,171,714 | 960,320,175 |
| | Work in process: | | | |
| | Opening | | 30,613,053 | 36,522,987 |
| | Closing | | (36,095,504) | (30,613,053) |
| | | | (5,482,451) | 5,909,934 |
| | Cost of goods manufactured | | 4,278,156,868 | 5,455,600,620 |
| | Trading cost | | 7,746,353 | 110,391,589 |
| | Opening stock of finished goods | | 331,112,293 | 271,529,125 |
| | Purchase of yarn | | 8,823,789 | - |
| | Cost of goods available for sale | | 4,625,839,303 | 5,837,521,334 |
| | Closing stock of finished goods | | (231,317,311) | (331,112,293) |
| | | | <u>4,394,521,992</u> | <u>5,506,409,041</u> |
| | | | | |
| 19.1 | Raw material consumed | Note | 2016 Rupees | 2015 |
| | Opening stock | | 441,389,837 | 1,126,853,690 |
| | Purchases | | <u>3,213,760,229</u> | <u>3,721,493,957</u> |
| | | | 3,655,150,066 | 4,848,347,647 |
| | Sale of raw material | | (7,746,353) | (110,391,589) |
| | Closing stock | | <u>(614,939,170)</u> | <u>(441,389,837)</u> |
| | | | <u>3,032,464,543</u> | <u>4,296,566,221</u> |
| 19.2 | Stores and spares consumed | | | |
| | Opening stock | | 42,403,916 | 45,785,782 |
| | Purchases | | <u>194,746,647</u> | <u>189,422,424</u> |
| | | | 237,150,563 | 235,208,206 |
| | Closing stock | | <u>(42,147,501)</u> | <u>(42,403,916)</u> |
| | | | <u>195,003,062</u> | <u>192,804,290</u> |
| 19.3 | Production expenses | | | |
| | Salaries, wages and other benefits | 19.3.1 | 383,341,057 | 367,521,998 |
| | Fuel and power | 19.3.2 | 421,588,541 | 346,433,245 |
| | Water charges | | 8,485,140 | 8,338,246 |
| | Vehicle running and maintenance | | 4,669,002 | 5,020,180 |
| | Repairs and maintenance | | 4,824,116 | 3,202,209 |
| | Insurance | | 23,677,979 | 22,272,245 |
| | Depreciation | 4.1.1 | 195,745,389 | 192,520,012 |
| | Other manufacturing expenses | | <u>13,840,490</u> | <u>15,012,040</u> |
| | | | <u>1,056,171,714</u> | <u>960,320,175</u> |

19.3.1 This includes amount of Rs. 13,289,394(2015: Rs. 11,562,022) in respect of staff retirement benefits.

19.3.2 This includes provisions of Rs. 91,342,171 and Rs. 31,076,959 against Gas infrastructure development surcharge (GIDS) and captive power tariff rate change respectively. The company is contesting this matter in the Honourable High Court of Sindh that has granted stay order against such demand (also refer 17.1.1).

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| 20 | ADMINISTRATIVE EXPENSES | Note | 2016 | Rupees | 2015 |
|------|--|-------|--------------------|--------|--------------------|
| | Directors' and Executives' remuneration | 27 | 23,830,886 | | 22,082,051 |
| | Meeting fees | | 80,000 | | 80,000 |
| | Salaries, allowances and other benefits | 20.1 | 23,795,296 | | 16,261,065 |
| | Travelling and conveyance | | 3,134,556 | | 2,076,754 |
| | Printing and stationery | | 1,323,879 | | 1,221,848 |
| | Utilities | | 1,314,199 | | 1,501,748 |
| | Advertisement | | 365,765 | | 192,150 |
| | Newspaper and periodicals | | 56,518 | | 47,023 |
| | Fees and subscription | | 2,136,879 | | 1,327,699 |
| | Vehicle running and maintenance | | 4,759,236 | | 4,487,765 |
| | Postage and telephone | | 1,391,819 | | 1,544,463 |
| | Legal and professional | | 2,821,326 | | 1,546,850 |
| | Auditors' remuneration | 20.2 | 1,160,000 | | 980,000 |
| | Entertainment expense | | 799,641 | | 802,830 |
| | Repairs and maintenance | | 518,410 | | 726,343 |
| | Insurance | | 2,760,175 | | 1,916,163 |
| | Charity and donations | 20.3 | 2,588,000 | | 46,000 |
| | Depreciation | 4.1.1 | 5,205,776 | | 4,936,410 |
| | Others | | 1,681,653 | | 870,078 |
| | | | <u>79,724,014</u> | | <u>62,492,240</u> |
| 20.1 | This includes amount of Rs. 1,852,453/- (2015 :Rs. 1,143,497/-) in respect of staff retirement | | | | |
| 20.2 | Auditors' remuneration | Note | 2016 | Rupees | 2015 |
| | Audit fee | | 880,000 | | 700,000 |
| | Half yearly review fee | | 250,000 | | 250,000 |
| | Other certifications' fee | | 30,000 | | 30,000 |
| | | | <u>1,160,500</u> | | <u>980,000</u> |
| 20.3 | None of the directors or their spouses had any interest in these donations. | | | | |
| 21 | DISTRIBUTION COST | | | | |
| | Freight and handling charges | | | | |
| | - Local | | 23,493,565 | | 20,814,691 |
| | - Export | | 35,570,818 | | 75,505,582 |
| | Packing charges | | 6,018,598 | | 6,165,240 |
| | | | <u>65,082,981</u> | | <u>102,485,513</u> |
| 22 | FINANCE COSTS | | | | |
| | Markup and interest charges on: | | | | |
| | - Long term finances | | 49,564,557 | | 74,240,850 |
| | - Short term borrowings | | 67,870,281 | | 96,510,198 |
| | - Workers' profit participation fund | | 2,971,451 | | 114,016 |
| | Bank charges | | 15,763,419 | | 27,978,474 |
| | | | <u>136,169,708</u> | | <u>198,843,538</u> |
| 23 | OTHER OPERATING EXPENSES | | | | |
| | Workers' welfare fund | | 3,817,910 | | 5,246,735 |
| | Workers' profit participation fund | | 6,627,063 | | 10,407,468 |
| | | | <u>10,444,973</u> | | <u>15,654,203</u> |

Premium Textile Mills Ltd.

| | | | 2016 | Rupees | 2015 |
|------|---|------|--------------|--------|--------------|
| 24 | OTHER (LOSS) / INCOME | Note | | | |
| | Exchange (loss) / gain on export | | | | |
| | - Realized | | (11,809,932) | | (13,942,022) |
| | - Unrealized | | 1,186,836 | | (3,155,432) |
| | | | (10,623,096) | | (17,097,454) |
| | Gain on disposal of fixed assets | | 1,089,734 | | 10,493,875 |
| | Exchange gain on import loan | | 87,373 | | - |
| | Interest income on TDR | | - | | 521,621 |
| | Reversal of Commission Expense | | 3,463,633 | | 4,096,698 |
| | Gas infrastructure development surcharge | | - | | 49,541,814 |
| | | | (5,982,356) | | 47,556,554 |
| 25 | TAXATION | | | | |
| | Current | | | | |
| | -for the year | 25.1 | 1,764,133 | | 48,407,271 |
| | -prior year | | (7,060,977) | | (18,619,227) |
| | | | (5,296,844) | | 29,788,044 |
| | Deferred | 25.2 | (10,870,458) | | - |
| | | | (16,167,302) | | 29,788,044 |
| 25.1 | Tax liability has been determined taking into an account tax credit obtained on investment in Balancing Modernization and Replacement (BMR) of plant and machinery amounting to Rs. 46,797,281 under section 65-B of Income Tax Ordinance, 2001. Furthermore, 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. | | | | |
| 25.2 | Deferred tax booked in the prior years has been reversed with the proportion of one third of total amount previously booked as a matter of prudence resulting in deferred tax income amounting to Rs. 10,870,458 since the Company's income is chargeable to tax under Final Tax Regime since last four years. No deferred tax liability had accordingly arisen during the period. The deferred tax liability carried from prior year of Rs. 32.611 million is now being reversed accordingly and during the current year one third amount was reversed. | | | | |
| 25.3 | 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 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. | | | | |
| 25.4 | 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, 2016 depending upon the dividend distributed out of profit for the year ended 30 June 2016. | | | | |
| 26 | EARNINGS PER SHARE - BASIC AND DILUTED | | 2016 | Rupees | 2015 |
| | Profit after taxation | | 138,263,598 | | 162,707,118 |
| | Weighted average number of ordinary shares | | 6,163,000 | | 6,163,000 |
| | Earnings per share - basic and diluted | | 22.43 | | 26.40 |

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27 CHIEF EXECUTIVE, DIRECTORS' & EXECUTIVE OFFICERS' REMUNERATION

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

| | CHIEF EXECUTIVE | | DIRECTORS | | EXECUTIVES | | TOTAL | |
|----------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | Rupees | | | | | | | |
| Remuneration | 2,000,000 | 2,000,000 | 2,600,000 | 2,600,000 | 11,289,260 | 10,121,367 | 15,889,260 | 14,721,367 |
| House rent | 796,400 | 796,400 | 1,036,400 | 1,036,400 | 4,458,700 | 3,987,347 | 6,291,500 | 5,820,147 |
| Conveyance allowance | 3,600 | 3,600 | 3,600 | 3,600 | 54,000 | 61,200 | 61,200 | 68,400 |
| Utilities | 200,000 | 200,000 | 260,000 | 260,000 | 1,128,926 | 1,012,137 | 1,588,926 | 1,472,137 |
| | <u>3,000,000</u> | <u>3,000,000</u> | <u>3,900,000</u> | <u>3,900,000</u> | <u>16,930,886</u> | <u>15,182,051</u> | <u>23,830,886</u> | <u>22,082,051</u> |
| | 1 | 1 | 1 | 1 | 16 | 15 | 18 | 17 |

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

28 CAPACITY AND PRODUCTION

| | Note | 2016 | 2015 |
|---|------|-------------------|-------------------|
| | | Rupees | |
| Number of spindles installed | | <u>77,628</u> | <u>61,260</u> |
| Number of spindles operated | | <u>58,562</u> | <u>59,659</u> |
| Installed capacity in Kgs. after conversion into 20 single count | | <u>26,507,906</u> | <u>20,861,356</u> |
| Actual production of yarn in Kgs. after conversion into 20 single count | | <u>19,997,216</u> | <u>20,316,155</u> |
| Number of shifts worked during the year | | <u>1,095</u> | <u>1,092</u> |

29 FINANCIAL INSTRUMENTS

29.1 Financial instruments by category

| | Note | 2016 | 2015 |
|---|------|----------------------|----------------------|
| | | Rupees | |
| FINANCIAL ASSETS | | | |
| Trade debts - considered good | 7 | 674,335,052 | 596,301,304 |
| Advances, deposits, prepayments and other receivables | 9 | 37,233,707 | 36,344,976 |
| Cash and bank balances | 10 | <u>14,464,392</u> | <u>9,465,038</u> |
| | | <u>726,033,151</u> | <u>642,111,318</u> |
| FINANCIAL LIABILITIES | | | |
| Loans from directors | 14 | - | 40,000,000 |
| Trade and other payables | 15 | 336,935,064 | 218,156,697 |
| Short term borrowings - secured | 16 | 1,121,735,193 | 1,127,496,017 |
| Accrued markup | | <u>22,020,683</u> | <u>31,032,934</u> |
| | | <u>1,480,690,940</u> | <u>1,416,685,648</u> |

29.2 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.

29.3 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.

29.4 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:

| | 2016 | | 2015 | |
|-------------|--------------------|------------------|--------------------|------------------|
| | Rupees | US Dollars | Rupees | US Dollars |
| Trade debts | <u>237,372,565</u> | <u>2,264,271</u> | <u>289,980,153</u> | <u>2,851,329</u> |

The following significant exchange rates applied during the year:

| | Average rates | | Reporting date rate | |
|------------|---------------|--------|---------------------|--------|
| | 2016 | 2015 | 2016 | 2015 |
| US Dollars | 104.37 | 100.23 | Rupees 104.83 | 101.70 |

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 2015

| | Profit and loss Rupees |
|---------------------------|-----------------------------------|
| As at 30 June 2016 | |
| Effect of US Dollars | 23,737,257 |
| As at 30 June 2015 | |
| Effect of US Dollars | 28,998,015 |

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.

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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:

| | Effective interest rate (%) | | | |
|----------------------|------------------------------------|-----------------|----------------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | | | Rupees | |
| Long term finance | 2.75% to 8.95% | 8.95% to 11.17% | 927,624,000 | 700,000,000 |
| Short term borrowing | 1.8% to 7.8% | 8.93% to 11.36% | 1,121,735,193 | 1,127,496,017 |

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 2016 | |
| Cash flow sensitivity - Variable rate instruments | 19,793,592 |
| As at 30 June 2015 | |
| Cash flow sensitivity - Variable rate instruments | 18,274,960 |

29.5 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:

| | 2016 | | 2015 | |
|---|----------------------|-------------------------|----------------------|-------------------------|
| | Balance Sheet | Maximum exposure | Balance Sheet | Maximum exposure |
| | Rupees | | | |
| Trade debts | 674,335,052 | 674,335,052 | 596,301,304 | 596,301,304 |
| Advances, deposits, prepayments and other receivables | 37,233,707 | 37,233,707 | - | - |
| Cash and bank balances | 14,464,392 | 14,464,392 | 9,465,038 | 9,465,038 |
| | 726,033,151 | 726,033,151 | 605,766,342 | 605,766,342 |

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

| | 2016 | 2015 |
|------------|--------------------|--------------------|
| | Rupees | |
| Local | 436,962,487 | 306,321,150 |
| China | - | 240,122,121 |
| Turkey | 225,959,422 | 39,486,086 |
| Bangladesh | - | 10,371,947 |
| Korea | 9,011,839 | - |
| Egypt | 2,401,304 | - |
| | 674,335,052 | 596,301,304 |

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Impairment losses

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

| | 2016 | | 2015 | |
|----------------------------|--------------------|------------|--------------------|------------|
| | Gross | Impairment | Gross | Impairment |
| Not past due | 601,521,899 | - | 501,423,197 | - |
| Past due 1 to 60 days | 60,563,020 | - | 93,276,347 | - |
| Past due 61 days to 1 year | 12,250,133 | - | 1,601,760 | - |
| | 674,335,052 | - | 596,301,304 | - |

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

| | 2016 | 2015 |
|--------|-------------------|------------------|
| | Rupees | |
| A 1+ | 13,393,469 | 8,316,603 |
| A - 1+ | 211,997 | 62,118 |
| A - 1 | - | 97,020 |
| A-3 | | |
| | 13,605,467 | 8,475,741 |

29.6 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):

| | 2016 | | | | |
|---|----------------------|------------------------|-----------------------|----------------------|----------------------|
| | 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 | - | - | - | - | - |
| Trade and other payables | 349,840,809 | 349,840,809 | 349,840,809 | - | - |
| Short term borrowing | 1,121,735,193 | 1,134,867,355 | 1,134,867,355 | - | - |
| Long term Loan | 927,624,000 | 1,080,353,575 | 107,203,666 | 770,581,572 | 202,568,338 |
| | 2,399,200,002 | 2,565,061,739 | 1,591,911,830 | 770,581,572 | 202,568,338 |
| | 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 | 1,142,066,677 | 1,142,066,677 | - | - |
| Long term loan | 700,000,000 | 1,499,699,728 | 167,999,998 | 1,113,809,319 | 217,890,411 |
| | 2,101,306,917 | 2,915,577,305 | 1,583,877,575 | 1,113,809,319 | 217,890,411 |

29.7 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.

Premium Textile Mills Ltd.

30 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.:

| | 2016 | 2015 |
|---|-------------|-------------|
| | Rupees | |
| Sale of goods to associated company - Premium Knits | 126,337,001 | 206,301,920 |
| Amount outstanding from Premium Knits | 354,874 | 1,014,515 |
| Directors remuneration | 6,900,000 | 6,900,000 |
| Loan from directors | - | 40,000,000 |
| Workers' profit participation fund | 6,627,063 | 10,407,468 |
| Workers' Welfare fund | 3,817,910 | 5,246,735 |

31 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation. Reclassification made in the financial statements is as follows :

| Reclassification from component | Reclassification to component | Rupees |
|---|---------------------------------|------------|
| ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | TAX REFUNDS DUE FROM GOVERNMENT | |
| Sales tax refundable | Sales tax refundable | 21,863,733 |

32 NON - ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on 29th Sept, 2016 has proposed a final cash dividend of Rs. 10.00 per share (2015: Rs 6/- per share) for approval of the members at the Annual General Meeting to be held on 26th Oct, 2016.

The financial statements for the year ended June 30, 2016 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, 2017.

33 NUMBER OF EMPLOYEES

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

| | 2016 | 2015 |
|---|----------|------|
| | (Number) | |
| Total number of employees as at June 30 | 790 | 780 |
| Average number of employees during the year | 800 | 790 |

34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 29th Sept, 2016 by the Board of Directors of the Company.

35 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR

PROXY FORM

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

Please quote Reg. Folio Number

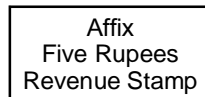
I/We _____
of _____
being a member of Premium Textile Mills Limited and holder of _____
Ordinary Shares hereby appoint _____
of _____

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 26th, 2016 at 03:00 p.m. at 1st Floor, Haji Adam Chambers, Altaf Hussain Road, New Challi, Karachi.

Signed this _____ day of _____ 2016 in the presence of _____

(Witness Signature)



(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.