Shadman
Cotton Mills Limited

36th ANNUAL REPORT 2015

CONTENTS

VISION STATEMENT

To be a dynamic, profitable and growth oriented Organization through dedication, integrity and professionalism.

MISSION STATEMENT

Our mission is to achieve higher levels of sustainable growth and profitability by:

a) Striving for excellence and sustaining position as a preferred supplier of yarn with a customer focused strategy.
b) Providing diversified and value added textile products.
c) Building a long term relationship with our customers, suppliers and other stake holders.
d) Enhancing the profitability by employing latest technologies for achieving higher levels of efficiency, quality and productivity.
e) Continuously responding to the changing needs of all our customers.
f) Nurturing a work culture that generates creativity, enthusiasm, participation and professionalism.
g) Developing, motivation and retaining people to achieve high team performance.
h) Being a good corporate citizen by fulfilling our social responsibilities.

COMPANY INFORMATION

BOARD OF DIRECTORS	:	MR. SHAHID MAZHAR (chief executive / chairman) MR. AHMED BIN SHAHID MRS. GHAZALA SHAHID MRS. NAUREEN REHAN MR. MUHAMMAD AKHTAR MR. ABDUL RAZZAQ MR. FIDA HUSSAIN
AUDITORS	:	RAHMAN SARFARAZ RAHIM IQBAL RAFIQ CHARTERED ACCOUNTANTS
LEGAL ADVISOR	:	MR. FAZAL MAHMOOD (ADVOCATE)
AUDIT COMMITTEE	:	MRS. NAUREEN REHAN (Chairman) MRS. GHAZALA SHAHID (Member) MR. MUHAMMAD AKHTAR (Member)
H.R. ADD REMUNERATION COMMITTEE	:	MR. AHMED BIN SHAHID (Chairman) MR. SHAHID MAZHAR (Member) MR. MUHAMMAD AKHTAR (Member)
CHIEF FINANCIAL OFFICER/ COMPANY SECRETARY	:	MR. NASIR ALI KHAN BHATTI FCA
BANKERS	:	ALLIED BANK LIMITED SONERI BANK LIMITED THE BANK OF PUNJAB HABIB BANK LIMITED MEEZAN BANK LTD
REGISTERED OFFICE	:	2-E, BLOCK-G, MUSHTAQ AHMED GURMANI ROAD, GULBERG-II, LAHORE- PAKISTAN TEL: 042-35959121-25 FAX: 042-35959120
HEAD OFFICE	:	2-E, BLOCK-G, MUSHTAQ AHMED GURMANI ROAD, GULBERG-II, LAHORE- PAKISTAN TEL: 042-35959121-25 FAX: 042-35959120
SHARE REGISTRAR	:	M/S TECHNOLOGY TRADE (PVT) LTD. 241-C, BLOCK-2, P.E.C.H.S., KARACHI.
MILLS	:	KOT SHAH MOHAMMAD, WARBURTON ROAD, FEROZ WATOAN, TEHSIL &DISTRICT : NANKANA SAHIB.
URL	:	www.shadman.com.pk

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 36th Annual General Meeting of the Company will be held at 2-E, Block-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore, on Monday the 30th November 2015 at 10:00 a.m. to transact the following business.

ORDINARY BUSINESS

1. To receive, consider, and adopt the audited financial statements for the year ended 30th June, 2015 together with the Directors' and Auditors' reports thereon.

2. To appoint Auditors of the Company and fix their remuneration for the next term.

3. To transact any other ordinary business as may be placed before the meeting with the permission of the Chair.

Lahore:-
Dated: 08th November, 2015

BY ORDER OF THE BOARD
Nasir Ali Khan Bhatti
Company Secretary

Notes:

1) The share transfer books of the Company will remain closed from November 24, 2015 to November 30, 2015 (Both days inclusive). Transfers received at Technology Trade (Pvt.) Limited, 241-C, P.E.C.H.S., Karachi, the Registrar and Share Transfer Office of the Company, at the close of the Business on November 23, 2015 will be treated in time for the entitlement to attend the Annual General Meeting.

2) A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. A proxy must be a member of the Company.

3) The instrument appointing a proxy, in order to be valid must be received at the Registered Office of the Company, 2-E, Block-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore, not less than forty-eight (48) hours before the time fixed for the meeting.

4) An individual beneficial owner of CDC, entitled to attend and vote at this meeting, must bring his/her participant ID number and account/sub account number along-with Original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting to prove his/her identity.

5) Members are requested to immediately inform of any change in their addresses to our Share Registrar Technology Trade (PVT) Limited, 241-C, P.E.C.H.S. Karachi.

6) The financial statement of the company for the year ended 30th June 2015 has been published on the website and may be downloaded from the following link: http://www.shadman.com

7) Pursuant to SRO No. 787(1)/2014 issued by SECP Islamabad dated September 08, 2014. The members willing to get soft copy of annual report along with notice of Annual General Meeting instead of hard copy are requested to send their email addresses to the Company secretary at the following postal and email address.

Shadman Cotton Mills Limited, 2-E, Block-G, Mushtaq Ahmed Gurmani Road,Gulberg-II, Lahore.
Tel: 042-35959121-25 (5 Lines) Fax: 042-35959120E-Mail: cfo@shadman.com.pk

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED JUNE 30, 2015

The Director s of your Company are pleased to present the 36th Annual report of the Company together with Audited Financial Statements and Auditors report thereon for the year ended June 30, 201 5

SUMMARY OF FINANCIAL RESULTS.

Following is the brief highlights of the financial results of the Company for the year ended June 30, 201 5.

	2015	2014
	Rupees in Million	
Sales:	1171.42	2704.99
Gross profit/(Loss)	(128.58)	0.31
Operating Profit/(loss)	(183.87)	(70.89)
Profit/(Loss) before Tax:	23.90	(37.29)
Profit/(Loss) after Tax:	12.84	(67.88)

BREAK-UP VALUE AND EARNING PER SHARE

The break-up value of the shares as on June 30, 2015 was Rs. 37.39 as compared to Rs. 36.07 as at June 30, 2014. The earning per share for the year ended June 30, 2015 is Rs.0.73 as compared to Rs. (3.85) of previous year as per computation given below:

	2015	2014
	Rupees	
Profit /(loss) after taxation	12,844,016	(67,877,044)
No. of ordinary shares	17,636,719	17,636,719
Earnings per share	0.73	(3.85)

OVERVIEW

Despite of the recession in textile spinning industry, your Company by the grace of Almighty Allah, successfully honored the restructuring agreement with Allied Bank Limited and paid off their all outstanding financial obligations in full.

Point being emphysised by the Auditor's in their report referring note 26.1.1 regarding reversal of markup on Bank of Punjab loans, it is stated that the financial obligation of your Company to BOP has been confined to the amount involved in litigation and any over provision of markup has been reversed in these accounts.

During the year, the Company recorded a turnoverof Rs. 1.17 Billion in 2014-2015 as compared to Rs.2.70 Billion last year. The main reasons attributed to the decline in results as follows:

i. Company suffered drastic reduction in exports from Rs. 1,671 million in 2013-14 to Rs. 74 million during the year 2014-15. On country level, this general reduction in exports of yarn (particularly to China) pressurized the prices of local yarn and most of the textile spinning sector was confined to losses during the year 2014-2015.

ii. The massive reduction in yarn prices resulted in gross losses and the Company has to close down some of its production facilities. The burden of fixed cost was allocated to remaining production facilities and this further inflated the cost of production and losses.

iii. Load management of gas for industry, inconsistent and costly electric power supply is also contributory factor for bad patch in textile spinning industry.

iv. The losses in spinning sector during year 2014-15 were also aggravated by high cost of cotton and low yarn prices.

v. The whole textile spinning sector is plunged in vicious circle of losses and striving hard to come out of it but in vein.

FUTURE OUT LOOK

The textile industry is yet to confront a more miserable situation. Resultantly, the textile mills are curtailing their production capacities. We hope that our Government will take vigorous steps to revive textile industry as following: -

I Continuous supply of energy.
ii Withdrawal of various surcharges on Electricity supplied to textile industry.
iii Withdrawal of GIDC and proposed increase in Gas tariff.
iv Timely payment of pending Sales and Income tax refunds.
v Rationalising of currency exchange rate.
vi Zero rating of export oriented textile industry.

However, the management is striving hard to achieve the better results by improving performance of mills in terms of production, yield, and quality. To rationalize the cost of production, a comprehensive drill of cost reduction and cost control is being exercised during the coming year and efforts are being made to utilize the idle installed capacity.These concrete measures would help to improve the performance of your Company.

DIVIDEND:

Due to Accumulated losses of the Company, directors do not recommended any dividend for the year ended 30th June 2015.

CODE OF CORPORATE GOVERNANCE:

The Board of Directors hereby declares that for the period ended June 30, 2015.

- The financial statements, together with the notes thereon have been drawn up in conformity with the Companies ordinance 1984. These Statements present fairly the Company's state of affairs, results of its operation, cash flow, comprehensive income and changes in equity.
- The Company entered in arm length transaction with thirds parties. These transactions are in compliance with the directives issued by the Security & Exchange Commission of Pakistan (SECP) in this regard.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The international Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal Control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The key operating and financial data for the last six years in summarized from is annexed.
- Information about taxes and levies is given in the notes to the accounts.
- All the directors of the company are registered as tax-payer and none of all company's directors is in default of payment of any dues to a banking company, DFI, NBFI or Stock Exchange.
- None of the Directors of the Company is serving on the Board of 7 or morelisted companies. The company operates an unfunded gratuity covering all its employees who have completed their qualifying period. Provision is made annually to cover current obligation under the scheme.

BOARD MEETINGS:

During the year, four meetings of the Board of Directors were held and attendance of these meetings is as under:-

Sr. No.	Name of Director	No. of Meeting Attended
1.	Mr. Shahid Mazhar	4
2.	Mrs. GhazalaShahid	4
3.	Mr. Ahmed Bin Shahid	4
4.	Mrs. NoureenRehan	4
5.	Mr. FidaHussain	2
6.	Mr. Muhammad Akhtar	4
7.	Mr. Abdul Razzaq	2

Leave of absence was granted to Directors who could not attend the meeting.

AUDIT COMMITTEE:

During the year six meeting of the Audit Committee were held and attendance of these meetings is as under:-

	Name	No. of Meeting Attended
(i)	Mrs. NaureenRehan (Chairperson)	6
(ii)	Mrs. GhazalaShahid (Member)	6
(iii)	Mr. Muhammad Akhtar (Member)	6

The chairperson is non-executive whereas other two members are the executives. The Management is in the process of implementing true spirit of the code of corporate Governance, which will be implemented very soon.

HUMAN RESOURCE AND REMUNERATION COMMITTEE:

In compliance with the Code of Corporate Governance, the Board of Directors has constituted a Human Resource Committee. It comprises three non-executive directors. The attendance of meeting held during the year is as under:-

	Name	No. of Meeting Attended
(i)	Mr. Ahmed Bin Shahid (Chairman)	2
(ii)	Mr. Shahid Mazhar (Member)	2
(iii)	Mr. Muhammad Akhtar (Member)"	2

AUDITORS:

The present Auditors M/s RahmanSarfaraz Rahim IqbalRafiq, Chartered Accountants, retire and being eligible offer themselves for re-appointment. The audit committee of the board has recommended the re-appointment of M/s Rahman Sarfaraz Rahim IqbalRafiq, Chartered Accountants as external auditors of the Company for the year 2015-16.

BOARD ANNUAL EVALUTION:

In compliance with the Code of Corporate Governance 2012, the Board has put in place a mechanism for the annual evaluation of Board 's performance.

CORPORATE SOCIAL RESPONSIBILITIES (CSR):

Corporate Social Responsibility (CSR) is about business giving back to society. As a routine, we strive to safeguard the health and well -being of our employees, neighbors and customers. As well as the communities in which we live, work and operate.

SAFETY, HEALTH & ENVIRONMENT:

We maintain a culture of encouraging best health and safety practices amongst our workers by imparting awareness. We are pleased to inform you that there has been no incident of safety and health during the year. The Company actively strives to provide a safe and healthy workplace for its employees toward communities and environment in which it operates. There have been moreplantations by increasing the area of green field to improve the environment

WORK – LIFE BALANCE:

In order to promote a health work – life balance we strictly follow a 9.00 am to 5.00 pm. working routine.This ensures that our employees have plenty of after work for extra – curricular activities with their families and friends.

BUSINESS ETHICS AND ANTI – CORRUPTION MEASURES:

The Management is committed to conduct all business activities with int egrity, honestly, honestly and in full compliances with the current laws and regulations. A code of conduct has been developed and approved by the Board, which is signed by all employees.

ENERGY CONSERVATION :

The Company has taken many measures at mill premises to conserve the energy by fixing energy conserving devices.

PATTERN OF SHARE HOLDING :

The pattern of Shareholding of the Company as at June 30, 2015 is annexed.

ACKNOWLEDGEMENT:

The Directors of the Company would like to take the opportunity to thank the Shareholders, valued clients and bankers for the co -operation extended by them during the course of business activities. The Directors are also pleased to record their appreciation for the continued diligence and devotion of the staff members and workers of the Company.

On behalf of the Board of Directors

CHIEF EXECUTIVE

Lahore: November 10, 2015

Key Operating & Financial Data
For the Period from July 2009 to June 2015

PARTICULARS	July-June 2014-2015	July-June 2013-2014	July-June 2012-2013	July-June 2011-2012	July-June 2010-2011	July-June 2009-2010
Net Sales Revenue	1,171,423,810	2,704,995,003	5,689,892,326	4,281,832,449	5,445,986,182	4,292,240,669
Cost of Goods Sold	1,300,007,886	2,704,680,340	5,450,046,960	4,277,593,476	5,177,423,804	3,812,795,807
Gross Profit / (Loss)	(128,584,076)	314,663	239,845,366	4,238,973	268,562,378	479,444,862
Operating Profit/(Loss)	(183,878,445)	(70,890,818)	128,877,280	(97,094,112)	160,945,883	361,795,767
Profit/ (Loss) Before Tax	23,909,561	(37,296,905)	39,460,341	(269,152,707)	(32,322,315)	135,119,724
Profit/ (Loss) After Tax	12,844,016	(67,877,044)	(2,791,508)	(311,287,553)	(76,839,955)	93,878,058
Paid Up Capital	176,367,190	176,367,190	176,367,190	176,367,190	176,367,190	176,367,190
Current Assets	382,389,837	508,873,781	678,436,921	923,325,881	1,297,374,834	1,012,624,675
Current Liabilities	970,478,947	1,102,189,730	1,125,964,430	1,689,819,267	1,810,107,510	1,477,676,850

Production in '000' kgs	7,145	9,833	19,850	18,687	21,090	25,574

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE YEAR ENDED JUNE 30, 2015

This statement is being presented to comply with the Code of corporate Governance contained in the Regulation of listing Regulations of Karachi and Lahore Stock Exchanges. For the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Board comprises seven directors, including the CEO. The Company encourages representation of independent non-executive directors on its Board including those representing minority interests. At present, the Board includes one non-executive director and does not have independent director as required by clause of code. Subsequently, management is taking measure to appoint independent directors as required by the code. Present categorization is as under:-

Category	Name
Executive Directors	Mr. Shahid Mazhar (Chaiman/Chief Executive) Mr. Ahmed Bin Shahid Mrs. GhazalaShahid Mr. FidaHussain Mr. Muhammad Akhtar Mr. Abdul Razzaq
Non-Executive Directors	Mrs. NoureenRehan

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a stock exchange, has been declared as a defaulter by the Stock Exchange.
4. No casual vacancy occurred on the board during the financial year 2014-2015.
5. The Company has prepared a statement of Ethics and Business Practices which has been signed by all the Directors and senior employees of the Company.
6. The company has prepared a "Code of Conduct" and has been disseminated throughout the company along with its supporting policies and procedures.
7. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. All the powers of the Board have been duly exercised and decisions on material transaction, including appointment and determination of terms and conditions of employment of the CEO have been taken by Board.
9. The meeting of the Board were presided by the Chairman. The Board met at least once in every quarter. Written notices of Board Meetings, along with agenda and work papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The Board arranges orientation courses for its directors as and when needed to apprise them of their duties and responsibilities.
11. Appropriate arrangement to carry out Director training program has not been carried out as *specified in* clause (xi) of CCG. Subsequent to the year company is taking measure to get its director register with Director training program in accordance with the requirement of the code.
12. New appointment of CFO, Company Secretary has been made during the year.

13. The Director's report for this period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

14. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

15. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

16. The Company has complied with all the corporate and financial reporting requirements of the Code.

17. The Board has formed an Audit Committee. It comprises three members, including One non-executive Directors who is the Chairman of the Committee, where as the code requires that the company should have an Audit Committee comprising of at least three non-executive directors and at least one of them should be independent director. The company is currently in process of revising as per the requirement of code and will take necessary measures in subsequent periods.

18. The Board has formed a Human Resource and Remuneration Committee.It comprises three members; Currently the committee does not contain three non-executive Directors as required by the code. The Company is in process of reconstituting the Committee to include one independent director and remaining non-executive Directors.

19. The meeting of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

20. The Board has setup an effective internal audit function, which are not considered suitably qualified and experienced for the purpose. However, internal audit function are conversant with the policies and procedures of the company and are involved in internal audit function on full time basis.

21. The statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programmed of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants(IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

22. The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing Regulations and the Auditors have confirmed that they have observed IFAC guidelines in this regard.

23. The "close period" prior to the announcement of interim / final results and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to Directors, employees and stock exchange.

24. The Company has complied with all the major corporate and financial reporting requirements to the code. There is no related party's transaction which requires approval by the Board.

25. No such material / price sensitive information existed which should be disseminated among all market participants at once through stock exchange.

26. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

Karachi.
Date: 10th November, 2015

CHIEF EXECUTIVE

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2015 (FORM-34)

No. of Shareholders	Shareholdings		Total Shares Held
664	Shareholding From 1	To 100	16,399
233	Shareholding From 101	To 500	53,086
163	Shareholding From 501	To 1000	116,066
127	Shareholding From 1001	To 5000	256,263
11	Shareholding From 5001	To 10000	67,189
4	Shareholding From 10001	To 15000	52,193
1	Shareholding From 15001	To 20000	15,750
5	Shareholding From 20001	To 25000	104,099
1	Shareholding From 25001	To 30000	29,121
1	Shareholding From 30001	To 35000	32,077
1	Shareholding From 35001	To 40000	38,892
2	Shareholding From 50001	To 55000	102,484
1	Shareholding From 70001	To 75000	74,016
2	Shareholding From 105001	To 110000	213,308
1	Shareholding From 185001	To 190000	185,872
1	Shareholding From 315001	To 320000	318,931
1	Shareholding From 400001	To 405000	401,566
1	Shareholding From 495001	To 500000	500,000
1	Shareholding From 510001	To 515000	514,503
1	Shareholding From 515001	To 520000	519,793
1	Shareholding From 865001	To 870000	869,500
1	Shareholding From 1105001	To 1110000	1,105,528
2	Shareholding From 1495001	To 1500000	3,000,000
1	Shareholding From 9050001	To 9055000	9,050,083
1,227			17,636,719

Categories of Shareholders		Shares Held	Percentage %
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.			
	Sub-Totals :	0	0.00
INSURANCE COMPANIES			
	Sub-Totals :	0	0.00
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN			
Shahid Mazhar		500,000	
Muhammad Akhtar		500	
MUHAMMAD AFNAN SHAHID(MINOR)THROUGH SHAHID MAZHAR		1,500,000	
GHAZALA SHAHID		401,566	
AHMED BIN SHAHID		1,500,000	
SHAHID MAZHAR		9,050,083	
NAUREEN REHAN		519,793	
ABDUL RAZZAQ		500	
FIDA HUSSAIN		500	
	Sub-Totals	13,472,942	75.03
MODARABAS AND MUTUAL FUNDS.			
	Sub-Totals :	0	0.00
NIT AND ICP			
M/S. NATIONAL BANK OF PAKISTAN,		2,500	
M/S. INVESTMENT CORPORATION		479	
IDBL (ICP UNIT)		600	
	Sub-Totals :	3,579	0.02
FOREIGN INVESTORS			
MOHAMED HAFEEDH FAIROOZUDDIN WADHWA SAND		7,523	
M/S. COLOMBY TRADING LTD.		100	
	Sub-Totals :	7,623	0.04
OTHERS			
Y.S. SECURITIES & SERVICES (PVT) LTD.		78	
FIRST CAPITAL EQUITIES LIMITED		345	
ELIXIR SECURITIES PAKISTAN (PVT.) LTD.		300	
NH HOLDINGS (PVT) LTD		1,077	
NH SECURITIES (PVT) LIMITED.		120	
MAPLE LEAF CAPITAL LIMITED		1	
CAPITAL VISION SECURITIES (PVT) LTD.		1,361	
AWJ SECURITIES (PRIVATE) LIMITED.		3,386	
MUHAMMAD AHMED NADEEM SECURITIES (SMC-PV		27	
128 SECURITIES (PVT) LTD.		66	
FIKREE'S (SMC-PVT) LTD.		500	
	Sub-Totals :	7,261	0.04
Individual			
Local - Individuals		4,145,314	
	Sub-Totals :	4,145,314	24.86
	G-Totals :	17,636,719	100.00

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 **Shadman Cotton Mills Limited** for the year ended **June 30, 2015** to comply with the requirements of Listing Regulation of the Karachi and Lahore Stock Exchange(s) where the Company is listed.

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

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

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

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

Further, we highlight below instance(s) of non-compliance with the requirement(s) of the Code as reflected in the note/paragraph reference where these is/are stated in the Statement of Compliance:

i. As disclosed in point 1 of the statement, the composition of board is not in compliance with clause (i) of the code.

ii. As disclosed in point 11 of the statement, none of the directors have obtained certification under directors training program as required under clause (xi) of the code.

iii. As disclosed in point 17 of the statement, the composition of Audit Committee is not in compliance with clause (xxiv) of the code.

iv. As disclosed in point 18 of the statement, Human Resource and Remuneration Committee does not contain majority of non-executive directors as required under clause (xxv) of the code

v. As disclosed in point 20 of the statement, head of Internal Audit does not meet qualification criteria as required under clause (xiv) of the code.

Karachi.
Date: 10th November, 2015

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Shadman Cotton Mills Limited** ("the Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

1. As disclosed in note 26.1.1 of the financial statements, the company reversed accrued markup on loan of Bank of Punjab amounting to Rs. 179.89 million to income resulting in a balance accrued mark-up of Rs. 103.52 million as at June 30, 2015. As against this, the bank claimed mark up till December 31, 2011 amounting to Rs. 118.67 million besides cost of funds till the suit is decided by Court. The estimate of cost of funds on principal amount from the date of suit till 30th June 2015 is Rs 110.46 million as disclosed in contingency note 26. We report that the above reversal and the contingency for mark up and cost of funds not accounted for is made by the management on the basis of legal opinion of its legal counsel without any agreement with the bank while decision in the suit is still pending in High Court and as such we have not been able to satisfy ourselves with the said treatment made by management. Had the above treatment not been made, the profit for the year of Rs. 12.84 million would have been converted into loss for the year of Rs. 167.05 million, accrued mark up and accumulated loss would have been higher by Rs.179.89 respectively and earnings per share of Rs. 0.73 would have been converted into loss per share of Rs. 9.47 amongst material effects.

(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, except for the effects of matter stated in paragraph 1 the balance sheet, profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2015, and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without further qualifying our opinio n, we draw attention to note 1.2 in the financial statements which indicates, that the company's current liabilities excee ded its current assets by Rs. 588.09 million, its accumulated loss amounted to Rs. 204.05 million and litigation with Bank Of Punjab pending since 2011 in respect of loan liabilities and mark up amounting to Rs 577.39 million in aggregate, with adverse key financial ratios indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

Karachi:
Dated : 10-11-2015

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Name of Engagement partner: **Muhammad Waseem**

BALANCE SHEET
AS AT JUNE 30, 2015

ASSETS	Note	2015 Rupees	2014 Rupees	2013 Rupees
NON-CURRENT ASSETS				
Property, plant and equipment	4	1,326,203,585	1,380,998,221	1,408,043,568
Capital work in progress	5	-	3,353,359	-
Long term deposits		27,247,915	15,572,915	15,572,915
		1,353,451,500	1,399,924,495	1,423,616,483
CURRENT ASSETS				
Stores, spares and loose tools	6	69,958,862	80,516,944	78,999,842
Stock in trade	7	180,463,893	233,301,350	216,347,983
Trade debts	8	66,615,697	90,869,831	150,199,642
Loans and advances	9	32,741,713	26,752,575	14,785,171
Other receivables	10	12,326,880	12,326,880	116,356,426
Other financial assets	11	101,000	1,031,250	924,250
Tax due from Government	12	19,796,173	57,940,551	71,971,234
Cash and bank balances	13	385,619	6,134,400	28,852,373
		382,389,837	508,873,781	678,436,921
TOTAL ASSETS		1,735,841,337	1,908,798,276	2,102,053,404
EQUITY AND LIABILITIES				
Capital and Reserves				
Authorized Capital				
18,000,000 (30 June 2014: 18,000,000) Ordinary shares of Rs.10 each		180,000,000	180,000,000	180,000,000
Issued, subscribed and paid up capital	14	176,367,190	176,367,190	176,367,190
Capital reserve	15	53,218,752	53,218,752	53,218,752
Accumulated loss		(204,051,569)	(247,505,964)	(214,086,154)
Share Holders' Equity		25,534,373	(17,920,022)	15,499,788
Surplus on revaluation of property, plant and equipment	16	633,941,332	654,224,618	635,097,915
Deferred income	17	1,348,405	4,045,217	6,742,029
NON-CURRENT LIABILITIES				
Long term financings	18	-	49,390,822	110,591,797
Liabilities against assets subject to finance lease	19	-	7,672,001	36,309,032
Deferred liabilities	20	104,538,280	109,195,910	171,848,413
		104,538,280	166,258,733	318,749,242
CURRENT LIABILITIES				
Trade and other payables	21	306,041,549	269,094,197	320,476,401
Accrued interest / mark-up on loans	22	107,423,040	275,823,399	236,307,617
Loan from directors	23	46,991,840	19,390,000	2,700,000
Short term borrowings	24	364,528,770	364,745,189	392,852,743
Current portion of:				
Long term financings and overdue bank liabilities	25	129,349,832	116,242,362	122,284,822
Liabilities against assets subject to finance lease	19	7,672,001	28,637,031	19,306,905
Provision for taxation		8,471,915	28,257,552	32,035,942
		970,478,947	1,102,189,730	1,125,964,430
Contingencies and Commitments	26			
TOTAL EQUITY AND LIABILITIES		1,735,841,337	1,908,798,276	2,102,053,404

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

CHIEF EXECUTIVE **DIRECTOR**

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

	Note	2015 Rupees	2014 Rupees
Sales - Net	27	1,171,423,810	2,704,995,003
Cost of sales	28	(1,300,007,886)	(2,704,680,340)
Gross (loss) / profit		(128,584,076)	314,663
Distribution cost	29	(8,048,933)	(19,928,811)
Administrative expenses	30	(47,245,436)	(51,276,670)
Other operating expenses	31	(1,916,648)	(2,626,021)
Finance cost	32	(62,278,667)	(78,817,110)
		(119,489,684)	(152,648,613)
		(248,073,760)	(152,333,950)
Other income	33	271,983,321	115,037,045
Profit / (Loss) before taxation		23,909,561	(37,296,905)
Taxation	34	(11,065,545)	(30,580,139)
Profit / (Loss) for the year		**12,844,016**	**(67,877,044)**
Earnings/(Loss) per shares - Basic and diluted	35	**0.73**	**(3.85)**

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

CHIEF EXECUTIVE **DIRECTOR**

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

	2015 Rupees	2014 Rupees
Profit/(Loss) for the year	12,844,016	(67,877,044)
Items that will be subseuently reclassified to profit and loss account:	-	-
Item that will not be reclassified to profit and loss account:		
Remeasurement on staff retirement benefits	(594,678)	1,504,380
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation for the year-net of deferred taxation.	31,205,056	32,952,854
Total other comprehensive income-net of tax	30,610,378	34,457,234
Total comprehensive income/(loss) for the year	**43,454,394**	**(33,419,810)**

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015

	Share Capital	RESERVES		Sub total	Total equity
		Capital Reserve	Accumulated Profit/(loss)		
			PKR		
Balance as at July 01, 2012	**176,367,190**	**53,218,752**	**(364,421,443)**	**(311,202,691)**	**(134,835,501)**
Effect due to correction of error (Note 36)	-	-	23,921,692	23,921,692	23,921,692
Total comprehensive loss for the year - 2013	-	-	(6,841,766)	(6,841,766)	(6,841,766)
Transfer from surplus on revaluation of property, plant and equipment - disposed off	-	-	109,584,642	109,584,642	109,584,642
Transfer from surplus on revaluation of property, plant and equipment - incremental depreciation	-	-	23,670,721	23,670,721	23,670,721
Restated balance as at June 30, 2013	**176,367,190**	**53,218,752**	**(214,086,154)**	**(160,867,402)**	**15,499,788**
Total Comprehensive income for the year 2014	-	-	(33,419,810)	(33,419,810)	(33,419,810)
Balance as at June 30, 2014	**176,367,190**	**53,218,752**	**(247,505,964)**	**(194,287,212)**	**(17,920,022)**
Total Comprehensive income / (loss) for the year	-	-	43,454,394	43,454,394	43,454,394
Balance as at June 30, 2015	**176,367,190**	**53,218,752**	**(204,051,569)**	**(150,832,817)**	**25,534,373**

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

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rupees	2014 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	**23,909,561**	**(37,296,905)**
Adjustments for:		
Depreciation of property, plant and equipment	62,891,393	66,535,483
Provision for gratuity	3,957,676	4,079,034
Gain on disposal of property, plant and equipment	(1,753,469)	(358,448)
Amortization of deferred income	(2,696,812)	(2,696,812)
Bank liabilities waived off	(30,000,632)	(48,888,064)
Accrued markup waived off	(46,433,941)	
Accrued markup reversed	(179,892,966)	(57,270,090)
Credit balance written off	(9,522,979)	67,819
Gain on disposal of shares	(282,583)	-
Gain/(Loss) on measurement of investment at fair value	10,500	(107,000)
Reversal of Provision against doubtful debts	(500,151)	-
Foreign Exchange Gain	(576,877)	-
Exchange loss	-	316,763
Bad debts written off	64,990	103,330
Loss on disposal of property, plant and aquipment	-	-
Finance cost	62,278,667	78,817,110
Cash flow before working capital changes	(118,547,623)	3,302,220
(Increase)/decrease in current assets		
Store, spares and loose tools	10,558,082	(1,517,102)
Stock in trade	52,837,457	(16,953,367)
Trade debts	25,266,172	58,909,718
Loans and advances	(5,989,138)	(11,967,404)
Sales Tax refundable	17,389,142	(14,349,715)
Other receivables	-	104,029,546
	100,061,715	118,151,676
Increase/(decrease) in current liabilities:		
Trade and other payables	46,470,331	(49,550,341)
Cash generated from operation	**27,984,423**	**71,903,555**
Finance cost paid	(4,352,118)	(21,028,577)
Gratuity paid	(3,887,700)	(16,088,815)
Worker's profit participation fund paid	-	(1,899,682)
Taxes paid	(4,496,460)	(3,036,918)
	(12,736,278)	(42,053,992)
Net cash generated from operating activities	**15,248,145**	**29,849,563**

	Note	2015 Rupees	2014 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant & equipment		6,770,500	998,058
Capital expenditure		(9,760,429)	(43,483,104)
Proceeds from disposal of Investments		1,202,333	-
Loan written off		-	48,888,064
Long term deposit		(11,675,000)	
Net cash generated/ (used in) investing activities		**(13,462,596)**	**6,403,018**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds of long term financing		(23,333,520)	(11,556,095)
Loan from directors		27,601,840	-
Short term borrowings		(216,419)	(28,107,554)
(Repayment) of liabilities against assets subject to finance lease		(11,586,231)	(19,306,905)
Net cash (used) in financing activities		**(7,534,330)**	**(58,970,554)**
Net (decrease) in cash and cash equivalents		(5,748,781)	(22,717,973)
Cash and cash equivalents at the beginning of year		6,134,400	28,852,373
Cash and cash equivalents at the end of year	**26**	**385,619**	**6,134,400**

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

CHIEF EXECUTIVE **DIRECTOR**

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

1. THE COMPANY AND ITS OPERATION

1.1 The Company was incorporated in Pakistan as a public limited company on November 24, 1979 under the Companies Act, 1913 (Now Companies Ordinance, 1984) and is quoted on Karachi and Lahore Stock Exchanges. The main business of company is manufacturing and sale of yarn. The registered office of the company is located at 2/E, Block G, Mushtaq Ahmed Gurmani Road, Gulberg II, Lahore (Formerly 58 Alhamra Housing society Block 7/8 Tipu Sultan Road, Shaheed-E-Millat Road Karachi).

1.2 During the year ended June 30, 2015 the company's current liabilities exceed its current assets by Rs. 588.09 million and its accumulated loss amounted to Rs. 204.52 million. These conditions and litigation with Bank of Punjab (Refer note 18) pending since 2011 in respect of loan liabilities and markup amounting to Rs. 577.39 million in aggregate with adverse key financial ratios indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

During the year ended June 30, 2015 the company incurred gross loss amounted to Rs.128.584 million which is mainly due to reduction in export sales as company was unable to get export order at favorable prices and power outages occurred during the year which resulted decline in production by more than 30 percent, due to which it was unable to absorb fixed cost. The electricity problem is yet to be addressed by Government. Despite of this difficulty, the Company fully settled the liability of Allied Bank Limited as per commitment and settlement in installment of the Liability of Habib Bank Limited is also in negotiation. Subsequent to balance sheet date the management has also undertaken adequate steps towards the reduction of fixed cost and expenses which are at various stages of implementation. Such steps include, but not limited to, right sizing of the man power, resource conservation, close monitoring of other fixed cost etc. The management is certain to generate sufficient savings as consequences of adapting all such measures. Subsequent to balance sheet date measures assured by the government for revival of spinning industry and also expected to provide some relief. The management expects that the current crises facing the spinning industry shall not lost long and the litigation with bank of Punjab may also take a few years to conclude as such it will be able to settle the liabilities of Bank of Punjab by negotiation from the stream of cash flows that will then be having from its sales. The current ratio is adverse since the said suite liabilities are classified as current liabilities.

Under the circumstances, the management further injected director loan amounting to Rs. 27.602 million to meet working capital needs of the company. The management intends to provide funds from the sponsoring directors as and when required for meeting working capital requirements.

On the basis of above facts these financial statements have been prepared on going concern basis.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting Convention

These financial statements have been prepared on historical cost convention except for certain financial instruments at fair value and employees retirement benefits at present value. In these financial statements, except for cash flow statements, all transactions have been accounted for on accrual basis.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the company's functional and presentation currency. All financial information in Pakistan Rupees has been rounded to the nearest Rupee.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumption are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the 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. Revision to accounting are recognized in the period in which the estimates are 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.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note to these financial statements.

2.5 Standards, amendments or interpretations which became effective during the year

During the period, certain amendments to standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the financial statements of the Company.

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

There are new and amended standards and interpretations that are mandatory for accounting periods beginning July 01, 2014 but are considered not to be relevant or do not have any significant effect on the financial statements and are therefore not detailed in these financial statements.

- 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 the Company's financial statements.

- IFRS 10 'Consolidated Financial Statements'-(effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Company's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Company's financial statements.

  IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on the Company's financial statements.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on the Company's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on the Company's financial statements.

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after I January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes.Therefore, an entity can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on the Company's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on the Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in 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 the Company's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost/revalued amount less accumulated depreciation except freehold land and leasehold land, which are stated at cost/revalued amount less impairment losses, if any. Cost comprises of acquisition and other directly attributable costs.

Depreciation is provided on a reducing balance method and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 4. Depreciation on addition in property, plant and equipment is charged when asset is available for use until it disposed off.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized, if any. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit and loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in the profit and loss account.

The Company reviews the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge.

3.2 Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

Finance cost under lease agreements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

3.3 De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

3.4 Capital work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less accumulated impairment losses, if any. Capital work-in-progress is recognized as an operating fixed asset when it is made available for intended use.

3.5 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is initially measured at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investments in subsidiaries and equity method accounted for associates, which are tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

3.6 Investment at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

3.7 Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

3.8 Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. These are sub-categorized as under:

a) **Quoted**

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

b) **Unquoted**

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'.

3.9 Inventories

Inventories, except for stock in transit and waste stock / rags, are stated at lower of cost and net realizable value. Cost is determined as follows:

a) Stores, spares and loose tools

Useable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

b) Stock in trade

Cost of raw material, work-in-process and finished goods is determined as follows:

(i)	For raw materials	Annual average basis
(ii)	For work-in-process and finished goods:	Average manufacturing cost including a portion of production overheads.
(iii)	Materials in transit	Valued at cost comprising invoice value plus other charges paid

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

3.10 Trade debts and other receivables

Trade debts are initially recognized at fair value and subsequently measured at cost less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy of financial reorganization, and default or delinquency in making payments are considered indicators that the trade debt is doubtful and the provision is recognized in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

3.12 Borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included in current liabilities to the extent of the amount remaining unpaid.

3.13 Staff Retirement Benefit

The company operates an unfunded gratuity scheme for its permanent employees as per terms of employment who have completed minimum qualifying period of service as define under the scheme.

The Company's obligation is determined through actuarial valuations carried out under the 'Projected Unit Credit Method'. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income. Any change in past service cost is immediately recognized in profit or loss account.

The Company determines the net interest expense (income) on the net defined benefit liability(asset) for the period by applying the discount rate used to measure the defined benefit obligationat the beginningof the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service costs are recognized in profit and loss account. The latest actuarial valuation was conducted at the balance sheet date by a qualified professional firm of actuaries.

3.14 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

3.15 Taxation

Current year

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailinglaw for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

3.16 Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

3.17 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which they are approved by the shareholders and therefore, they are accounted for as non-adjusting post balance sheet event.

3.18 Provisions

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

3.19 Revenue recognition

Revenue from sale of goods is recognized when goods are dispatched to customers and invoices raised.

Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of the lease arrangements.

Dividend income and entitlement of bonus shares are recognized when right to receive such dividend and bonus shares is established.

3.20 Financial Instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long-term financing, liabilities against assets subject to finance lease, short-term borrowings, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instruments at fair value through profit or loss" which are initially measured at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

3.21 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

3.22 Foreign currency transactions and translation

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the profit and loss account.

3.23 Impairment

a) Financial Assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non Financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

3.24 Off-setting of financial assets and liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

3.25 Derivative financial instruments

Derivative that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

3.26 Earnings per share - basic and diluted

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.27 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liabilityin the Company's financial statements in the period in which the dividendsare declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3.28 Related party transactions

Transactions with related parties are priced at comparable uncontrolled market price. All transactions involving related parties arising in the normal course business are conducted at arm's length using valuation modes, as admissible. Parties are said to be related when they meet the definition as provided in the Companies Ordinance 1984.

	Note	2015	2014
		Rupees	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets		**1,326,203,585**	1,380,998,221

4.1 OPERATING FIXED ASSETS

	Freehold land	Factory building	Non-Factory building	Plant and machinery	Office equipment	Furniture and fixtures	Vehicles	Leased Plant and Machinery	Total
					Rupees				
As at July 01, 2013									
Cost	143,500,000	477,667,348	97,422,754	1,570,563,598	5,718,480	3,643,736	39,865,868	55,615,937	2,393,997,721
Accumulated depreciation	-	(103,292,348)	(32,222,754)	(820,563,597)	(3,117,453)	(2,433,656)	(22,930,139)	(1,394,206)	(985,954,153)
	143,500,000	**374,375,000**	**65,200,000**	**750,000,001**	**2,601,027**	**1,210,080**	**16,935,729**	**54,221,731**	**1,408,043,568**
Year ended June 30, 2014									
Opening net book value	143,500,000	374,375,000	65,200,000	750,000,001	2,601,027	1,210,080	16,935,729	54,221,731	1,408,043,568
Additions during the year	24,717,500	-	-	12,410,077	360,861	146,300	2,495,007	-	40,129,745
Disposals / transfers									
Cost	-	-	-	-	-	-	(1,356,638)	-	(1,356,638)
Accumulated depreciation	-	-	-	-	-	-	717,028	-	717,028
	-	-	-	-	-	-	(2,073,666)	-	(639,610)
Depreciation for the year	-	(18,718,750)	(3,259,999)	(37,670,529)	(284,489)	(130,985)	(3,759,643)	(2,711,087)	(66,535,482)
Closing net book value	168,217,500	355,656,250	61,940,001	724,739,549	2,677,399 #	1,225,395	13,597,427	51,510,644	1,380,998,221
As at July 01, 2014									
Cost	168,217,500	477,667,348	97,422,754	1,582,973,675	6,079,341	3,790,036	41,004,237	55,615,937	2,432,770,828
Accumulated depreciation	-	(122,011,098)	(35,482,753)	(858,234,126)	(3,401,942)	(2,564,641)	(25,972,754)	(4,105,293)	(1,051,772,607)
	168,217,500	**355,656,250**	**61,940,001**	**724,739,549**	**2,677,399**	**1,225,395**	**15,031,483**	**51,510,644**	**1,380,998,221**
Year ended June 30, 2015									
Opening net book value	168,217,500	355,656,250	61,940,001	724,739,549	2,677,399	1,225,395	15,031,483	51,510,644	1,380,998,221
Additions during the year	-	-	-	10,998,056	-	-	2,115,732	-	13,113,788
Disposals / transfers									
Cost				(3,014,750)			(6,308,023)		(9,322,773)
Accumulated depreciation				2,652,862			1,652,880		4,305,742
	-	-	-	(361,888)	-	-	(4,655,143)		(5,017,031)
Depreciation for the year	-	(17,782,812)	(3,097,000)	(36,504,574)	(267,740)	(122,540)	(2,541,195)	(2,575,532)	(62,891,393)
Closing net book value	168,217,500	337,873,438	58,843,001	698,871,143	2,409,659	1,102,855	9,950,877	48,935,112	1,326,203,585
As at June 30, 2015									
Cost	168,217,500	477,667,348	97,422,754	1,590,956,981	6,079,341	3,790,036	36,811,946	55,615,937	2,436,561,843
Accumulated depreciation	-	(139,793,910)	(38,579,753)	(892,085,838)	(3,669,682)	(2,687,181)	(26,861,069)	(6,680,825)	(1,110,358,258)
	168,217,500	**337,873,438**	**58,843,001**	**698,871,143**	**2,409,659**	**1,102,855**	**9,950,877**	**48,935,112**	**1,326,203,585**
Annual rates of depreciation	**0%**	**5%**	**5%**	**5%**	**10%**	**10%**	**20%**	**5%**	

	Note	2015	2014
		Rupees	

4.1.1 Depreciation is allocated as under

	Note	2015	2014
Cost of sales	28.1	59,959,918	62,260,366
Administrative expenses	30	2,931,475	4,175,117
Rental Income		-	100,000
		62,891,393	66,535,483

4.1.2 Had there been no revaluation the related figures of land, building, plant and machinery, and Vehicle at June 30, 2015 would have been as follows:

DESCRIPTION	JUNE 30, 2015			JUNE 30, 2014		
	Cost	Accumulated Depreciation	Book Value	Cost	Accumulated Depreciation	Book Value
Free hold land	51,545,829	-	51,545,829	51,545,829	-	51,545,829
Factory building	110,523,931	77,218,427	33,305,504	110,523,931	75,465,506	35,058,425
Non-factory building	64,902,215	32,094,687	32,807,528	64,902,215	30,367,975	34,534,240
Plant and machinery	1,318,532,276	822,585,118	495,947,158	1,310,548,970	795,308,323	515,240,647
Vehicle	27,862,225	20,107,889	7,754,336	32,054,516	19,768,709	12,285,807
	1,573,366,476	952,006,121	621,360,355	1,569,575,461	920,910,513	648,664,948

4.1.3 Particulars of disposals of operating fixed assets

S. No.	Particulars	Cost	Accumulated Depreciation	Written down value	Sales Proceeds	Gain / (Loss)	Mode of Disposal	Buyer's Name
		Rupees						
1	Vehicle LEC-8991	3,125,000	748,611	2,376,389	2,900,000	523,611	Negotiation	Mr. Rana Salman Asif
2	Vehicle LEE-6722	1,212,523	904,269	308,254	850,000	541,746	Negotiation	Mr. Muhammad Rafique
3	Vehicle	1,970,500	-	1,970,500	2,020,500	50,000	Negotiation	Mr. Fahad Mehboob
4	Card DK-740	1,014,750	917,344	97,406	500,000	402,594	Negotiation	Texila Cotton Mills Limited
5	Card DK-373	2,000,000	1,735,518	264,482	500,000	235,518	Negotiation	Elahi Cotton Mills Limited
June 30, 2015		9,322,773	4,305,742	5,017,031	6,770,500	1,753,469		
June 30, 2014		1,356,638	717,028	639,610	998,058	358,448		

	Note	2015	2014
		Rupees	

5 CAPITAL WORK IN PROGRESS

Plant and machinery			
Opening balance		**3,353,359**	-
Add: Additions during the year		**-**	3,353,359
		3,353,359	3,353,359
Less: Transferred to Property, plant and equipment		**(3,353,359)**	-
		-	3,353,359

6 STORES, SPARE PARTS AND LOOSE TOOLS

Stores		**43,370,219**	49,484,932
Spare parts		**20,518,939**	25,999,794
Loose tools		**6,069,704**	5,032,218
		69,958,862	80,516,944

7 STOCK IN TRADE

Raw material		**33,374,879**	67,771,819
Work in process		**14,770,678**	19,769,786
Finished goods	7.1	**126,508,948**	140,115,713
Waste		**5,809,388**	5,644,032
		180,463,893	233,301,350

7.1 The finished goods amounting to Rs.143,134,208 (June 30, 2014:Rs. 29,389,814) stated at their net realizable value aggregating to Rs. 111,284,159 (June 30, 2014: Rs. 27,319,965). The amount charged to profit and loss in respect of stocks written down to their net realizable value is Rs. 31,850,048 (June 30, 2014: Rs. 2,069,849).

7.2 The carrying value of stock pledged is Rs.147.621 million (2014: Rs.147.621 million) valued at market rate at the time of pledge.

	Note	2015	2014
		Rupees	
8 TRADE DEBTS			
Foreign			
Secured - Considered good		**9,514,987**	20,757,860
Local			
Unsecured - considered good		**57,100,710**	70,111,971
Unsecured - considered doubtful	8.1	**11,126,394**	11,626,545
		68,227,104	81,738,516
		77,742,091	102,496,376
Provision for doubtful debts	8.2	**(11,126,394)**	(11,626,545)
		66,615,697	90,869,831

8.1 It includes balance due to associated undertaking - A-Square (Private) Limited of Rs. 255,229/- (2014: Rs. Nil)

Age analysis of balance due from related party is as follow:

	2015	2014
Not past due	-	-
0 - 30 days past due	**255,229**	-
	255,229	-

8.2 Particulars of Provision for doubtful receivables

	2015	2014
Provision for bad debts at the beginning of year	**11,626,545**	9,420,617
Bad debts provision provided during the year	-	2,205,928
Bad debts provision written off	-	-
Bad debts recovered during the year	**(500,151)**	-
Less: Transferred to Nadeem Textile Mills Ltd.	-	-
Provision for bad debts at the end of year	**11,126,394**	11,626,545

9 LOAN AND ADVANCES

	2015	2014
Due from employees	**855,612**	482,893
Advance to Suppliers	**28,386,101**	21,917,175
Letters of credit margin	-	499,106
Bank Guarantee margin	**3,500,000**	3,853,401
	32,741,713	26,752,575

	Note	2015	2014
		Rupees	

10 OTHER RECEIVABLES

	2015	2014
Insurance claim receivables	10,147,408	10,147,408
Others	2,179,472	2,179,472
	12,326,880	12,326,880

11 OTHER FINANCIAL ASSETS

Investment at fair value through profit and loss

2015	2014	Name of Securities	2015		2014	
No. of Shares			Cost	Fair Value	Cost	Fair Value
			Rupees		Rupees	
-	25,000	Pakistan Reinsurance Limited	-	-	397,500	647,750
50,000	50,000	NIB Bank Limited	75,000	101,000	75,500	111,500
-	50,000	JS Bank Limited	-	-	121,000	272,000
50,000	125,000		75,000	101,000	594,000	1,031,250

12 TAX REFUND DUE FROM THE GOVERNMENT

	2015	2014
Sales Tax	14,747,750	32,136,892
Advance income tax	4,496,901	25,252,137
Special excise duty	551,522	551,522
	19,796,173	57,940,551

13 CASH AND BANK BALANCES

	2015	2014
Cash at bank		
In current account	345,559	6,061,327
In saving account	-	23,578
	345,559	6,084,905
Cash in hand	40,060	49,495
	385,619	6,134,400

14 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2015	2014			2015	2014
Number of Shares			Note	Rupees	
11,627,344	11,627,344	Ordinary shares of Rs.10 each allotted for consideration paid in cash		**116,273,440**	116,273,440
6,009,375	6,009,375	Ordinary shares of Rs. 10 each allotted as bonus shares		**60,093,750**	60,093,750
17,636,719	17,636,719			**176,367,190**	176,367,190

15 CAPITAL RESERVE

	2015	2014
Share premium	**53,218,752**	53,218,752

16 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

The land, building and plant & machinery of the company was revalued by M/s Sadruddin & Associates, Karachi, an approved valuer on March 01, 2009 on the basis of depreciated replacement value. The resulting revaluation surplus of Rs.707,335,349 has been credited to surplus on revaluation account.

The land, building and plant & machinery of the company was revalued by M/s K.G Traders (Pvt) Limited, Karachi, an approved valuer. The resulting revaluation surplus of Rs.334.65 million has been credited to surplus on revaluation account.

	2015	2014
Opening balance - gross	**732,523,648**	765,476,502
Add: Surplus arise during the year	-	-
	732,523,648	765,476,502
Transfer to unappropriated profit in respect of:		
Disposal of property, plant and equipment	-	-
Incremental depreciation on revalued assets	**(31,205,056)**	(32,952,854)
	(31,205,056)	(32,952,854)
Closing balance - gross	**701,318,592**	732,523,648
Related deferred tax		
Deferred tax at the beginning of the year	**78,299,030**	130,378,587
Provided during the year	-	-
Effect of tax rate change	**(936,152)**	(3,834,664)
Effect of change in local sales percentage	-	(42,632,250)
Deferred tax on incremental depreciation	**(9,985,618)**	(5,612,643)
Deferred tax on disposal	-	-
Related deferred tax liability	**67,377,260**	78,299,030
Closing balance - net of tax	**633,941,332**	654,224,618

	Note	2015	2014
		Rupees	
17 DEFERRED INCOME			
Deferred gain on sale and lease back		**4,045,217**	6,742,029
Less: Amortized during the year		**(2,696,812)**	(2,696,812)
		1,348,405	4,045,217

17.1 This represents excess of sale proceeds over carrying amount in sale and lease back of asset. This amount is being amortized over the lease term (3 years) in equal proportion.

	Note	2015	2014
18 LONG TERM FINANCING			
From Banks - Secured			
Allied Bank Limited - Demand Finance 2	**18.1**	-	53,334,152
The Bank of Punjab - Demand finance -1 -LTF	**18.2**	**17,863,256**	17,863,256
The Bank of Punjab - Demand finance -2	**18.3**	**80,000,000**	80,000,000
Habib Bank Limited - Term finance	**18.4**	**8,105,608**	8,105,608
		105,968,864	159,303,016
Less: Current maturity shown under current liabilities		-	(3,943,330)
Total Current Maturity		-	(3,943,330)
Less: Overdue installments		**(105,968,864)**	(105,968,864)
		-	49,390,822

18.1 Allied Bank Limited - Demand Finance

This represents running finance of Rs. 100 million converted to demand finance II as a result of restructuring agreement with the bank. Out of the total 100 million amount, Rs.70 million was payable in 30 equal monthly installments of Rs. 2.333 million and upon repayment of all installment, the balance principal amount of Rs. 30 million was to be written off with accrued markup of Rs. 42.515 million. The Company made all repayments accordingly and as such the amount of Rs. 30 million against principal and Rs. 42.515 against markup was written off / waived by the bank during the year (Refer note 33.1.1).

18.2 The Bank of Punjab - Demand Finance - 1 - LTF

This represents demand finance facility of Rs.45 Million and is secured against first Pari Passu charge of Rs.70 Million over the fixed assets of the company. The loan was obtained for five years repayable in half yearly installments, and the same was swapped under the LTF scheme launched by the SBP and carries mark-up 7% P.A. payable quarterly.

18.3 The Bank of Punjab - Demand Finance - 2

This represents demand finance facility of Rs.100 Million was obtained and is secured against first Pari Passu charge over the fixed assets of the company. The loan was obtained for five years repayable in 10 half yearly installments with no grace period, it carries mark-up 6 Months KIBOR plus 2% payable semi annually.

18.4 Habib Bank Limited Term Finance

This represents term loan obtained for Rs. 20.84 Million against first equitable and hypothecation charge over all the fixed assets i.e. plant, machinery, equipment of what so ever nature ranking pari passu with the charge of ABL and BOP.

19 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2015	2014
	Rupees	
Opening Balance	42,639,200	55,615,937
Add: Acquired during the year	-	-
	42,639,200	55,615,937
Less: Repaid during the year	(11,586,231)	(12,976,737)
	31,052,969	42,639,200
Current portion		
Current maturity	(7,672,001)	(28,637,031)
Over due installments	(23,380,968)	(6,330,168)
	(31,052,969)	(34,967,199)
Long Term Portion	-	7,672,001

19.1 Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows.

	2015	2014
Gross minimum lease payments		
Not later than one year	33,172,834	39,224,321
Later than one year but not later than five years	-	8,885,709
	33,172,834	48,110,030
Finance charges allocated to future period		
Not later than one year	2,119,865	4,257,122
Later than one year but not later than five years	-	1,213,708
	2,119,865	5,470,830
Present value of minimum lease payments		
Not later than one year	31,052,969	34,967,199
Later than one year but not later than five years	-	7,672,001
	31,052,969	42,639,200
Less: Current maturity shown under current liabilities	(31,052,969)	(34,967,199)
	-	7,672,001

19.2 This represents ijarah finance obtained under the sale and lease back arrangement for plant and machinery. The total minimum lease payment are payable in (8) eight equal quarterly installments with one year grace period with effect from 30th November 2013. This is secured by charge on leased assets. The internal rate of return is 3 month kibor +1.75% (June 30, 2014: 3 months kibor+1.75%) p.a and used for discounting factor. Current portion includes over due installments of Rs. 23,380,968 (June 30, 2014 Rs. 6,330,168). Taxes, repair & Insurance cost are to be borne by lessee.

20 DEFERRED LIABILITIES

	Note	2015	2014
Deferred tax	20.1	72,976,746	78,299,030
Infrastructure fee payable (ETO)	20.2	18,316,926	18,316,926
Gratuity	20.3	13,244,608	12,579,954
		104,538,280	109,195,910

20.1 DEFERRED TAX

The deferred taxation liability / (asset) comprises of following temporary differences:

	Note	2015	2014
		Rupees	
Taxable temporary differences (deferred tax liability)			
Accelerated tax depreciation allowance		**99,130,366**	49,143,977
Related deferred tax liability on revaluation		**67,377,260**	78,299,030
		166,507,626	127,443,007
Deductible temporary differences (deferred tax asset)			
Tax losses		**(81,260,483)**	(106,443,724)
Provision for bad debts		**(3,560,446)**	(1,478,191)
Lease rentals		**(4,471,676)**	(1,127,909)
Deferred debit arising in respect of provision for gratuity		**(4,238,275)**	(1,599,407)
		(93,530,880)	(110,649,231)
		72,976,746	16,793,776

20.2 This represents amount payable to Excise and Taxation Department, Government of Sindh in respect of infrastructure fee levied through fifth version of law (i-e Sindh Finance (Amendment) Ordinance 2006). The Supreme Court in its judgment dated 17th May 2011 has decided the fifth version of law (i-e Sindh Finance (Amendment) Ordinance 2006) is valid and hence the levy imposed and collected from the effective date of the fifth version i-e 28th December 2006 is valid and all imposition and collection before 28th December 2006 are declared to be invalid. The company has now filed petition in Sindh High Court, challenging fifth version of law i-e Sindh Finance (Amendment) Ordinance 2006 regarding levy of infrastructure fee from the 28th December 2006. During the pendency of decision on fifth version of law, Sindh High Court has directed on 31st May 2011 to pay 50% of liability to Excise and Taxation Department, Government of Sindh, and provide bank guarantee of the remaining amount as calculated in accordance with the decision of Supreme Court of Pakistan. Subsequent imports of the company be released against 50% payment of infrastructure fee to Excise and Taxation Department, Government of Sindh and furnishing bank guarantee of balance 50% amount. The company has provided bank guarantee of PKR. 18.317 million (June 30, 2014: PKR. 18.317 million) in respect of infrastructure fee. The company has accrued unpaid infrastructure fee.

20.3 Movement in the net liability recognized in the balance sheet

	2015	2014
Net defined benefit Liability as at Beginning of the year	**12,579,954**	26,094,115
Expense Chargeable to P & L during the year	**3,957,676**	4,079,034
Amount chargeable to OCI during the year	**594,678**	(1,504,380)
Benefit paid during the year	**(3,887,700)**	(16,088,815)
Net defined benefit Liability as at End of the year	**13,244,608**	12,579,954

20.3.1 Amount Chargeable to Balance Sheet

	2015	2014
Present Value of Defined Benefit Obligations as at End of the year	**7,760,854**	12,579,954
Benefits payable	**5,483,754**	-
	13,244,608	12,579,954

20.3.2 Reconciliation of Present Value of Defined Benefit Obligations	Note	2015	2014
		Rupees	
Present Value of Defined Benefit Obligations as at Beginning of the year		12,579,954	26,094,115
Service Cost		2,548,392	2,952,662
Interest on Defined Benefit Obligation		1,409,284	1,126,372
Benefits paid during the year		(3,887,700)	(16,088,815)
Benefits payable		(5,483,754)	-
Actuarial (gains)/Losses		594,678	(1,504,380)
Present Value of Defined Benefit Obligations as at End of the year		7,760,854	12,579,954

20.3.3 Amount chargeable to Profit or Loss during the year

Service Cost	2,548,392	2,952,662
Net Interest on Net Defined Benefit Liability/(Asset)	1,409,284	1,126,372
	3,957,676	4,079,034
Expense for the year is allocated as below:		
Cost of Sales	2,054,676	2,781,090
Administrative Expenses	1,903,000	1,297,944
	3,957,676	4,079,034

20.3.4 Amount Chargeable to Other Comprehensive Income during the year

Actuarial (Gains)/Losses due to changes in Demographic Assumptions	-	-
Actuarial (Gains)/Losses due to changes in Financial Assumptions	-	-
Actuarial (Gains)/Losses due to experience adjustments	594,678	(1,504,380)
	594,678	(1,504,380)

20.3.5 Principal actuarial assumption

Following are a few important actuarial assumptions used in the valuation.

Discount rate (%)	9.75	13.25
Expected rate of increase in salary (%)	8.75	12.25
Average Expected Remaining Working Lifetime of Members	9 Years	10 Years
Average Duration of Liability	10 Years	10 Years

20.3.6 Year End Sensitivity Analysis on Present Value of defined benefit obligation as at 30 June 2015

Discount Rate + 1%	6,880,993
Discount Rate - 1%	8,838,260
Salary Increase + 1%	8,838,260
Salary Increase - 1%	6,866,255

20.3.7 General description

The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method.

21 TRADE AND OTHER PAYABLES

Creditors	96,830,814	122,428,816
Accrued liabilities	85,107,353	50,434,414
Advance from customers	62,324,764	29,596,491
Other liabilities	61,778,618	66,634,476
	306,041,549	269,094,197

22 ACCRUED INTEREST / MARK-UP ON LOANS

	Note	2015	2014
		Rupees	
Banking companies			
Long term finance		39,813,820	85,278,244
Short term borrowings		63,701,065	188,720,671
		103,514,885	273,998,915
Non banking companies			
Finance lease		3,908,155	1,824,484
		107,423,040	275,823,399

Bank Name	Facility	End Date	Amount (Rupees)
The Bank of Punjab	Demand Finance - I	April 2014	38,528,399
The Bank of Punjab	Demand Finance - II	June 2015	25,704,099
The Bank of Punjab	LTF - EOP	September 2012	1,285,421
The Bank of Punjab	Cash Finance - Pledge	June 2011	24,866,402
The Bank of Punjab	Running Finance	June 2011	13,130,564
			103,514,885

23 LOAN FROM DIRECTORS

Loan from directors is interest free and unsecured .

24 SHORT TERM BORROWINGS

	Note	2015	2014
From banking companies-Secured			
Short Term Loan	24.1	360,728,274	414,062,426
Bank overdraft		3,800,496	4,016,915
Less: Transferred to long term loans		-	(53,334,152)
		364,528,770	364,745,189

25 LONG TERM FINANCINGS AND OVERDUE BANK LIABILITIES

	Note	2015	2014
Current portion of long term financing	18	-	3,943,330
Overdue installments	18	105,968,864	105,968,864
Overdue installment against finance lease	19	23,380,968	6,330,168
		129,349,832	116,242,362

26 CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

26.1.1 The Company is contesting recovery suite filed by Bank of Punjab in year 2011 in the Lahore High Court amounting to Rs. 577.391 million on account of principal and mark-up claimed in the suit along with cost, cost of funds and all other claims arising therein till realization. The Company filed counter suit of Rs. 744.348 million against The Bank of Punjab, before the Lahore High Court vide COS No. 26/2012, wherein along other payers claiming Rs. 744.348 Million on account of acts and omission committed by the Bank against the company. The company deferred recognition the receivable / income till the ultimate outcome of the suit.

During the year the company reversed mark-up recorded in earlier years that included mark-up charged after the expiry date of finance agreement and mark-up booked against usance LC amounting to Rs. 179.893 million based on legal opinion of its legal counsel engaged in defending the suit. The markup liability reflected in financial statement amounts to Rs.103.515 million whereas as per the recovery suit it was Rs. 118.67 million till 31.12.2011 plus cost of funds claimed for later period till the suit is decided. The cost of fund from 31-12-2011 till the date of balance sheet is estimated at Rs.110.46 million subject to court order using 1 year Kibor (6.88%) on principal loan liability which has been recorded as contingency in this note on the basis of legal opinion deferred recognition of aggregate amount of Rs. 125.62 million on account of markup short booked and cost of funds to-date.

26.1.2 Guarantee

	Note	2015	2014
		Rupees	
Bank guarantee issued to Sui Gas Northern Department		**27,767,900**	27,767,900

26.1.3 A Suite No. 1638 of 2010 has been filed in the High Court of Sindh by the Company against the Show Cause notice issued by the SECP on related party transactions and has obtained stay order from the High Court of Sindh, Karachi restraining SECP from taking any adverse action.

26.2 Commitments

		2015	2014
Letter of credit - for raw material		-	3,526,494

27 SALES - NET

	Note	2015	2014
Local	27.1	**1,070,689,790**	1,031,704,303
Export - Direct		**73,728,904**	1,671,032,940
Waste	27.1	**11,537,043**	33,399,403
Raw material	27.1	**19,227,137**	18,078,278
		1,175,182,874	2,754,214,924
Less:			
Ocean freight		**(324,223)**	(11,097,129)
Commission on export		**(2,305,864)**	(14,915,135)
Export development surcharge		**(201,484)**	(4,140,209)
Export trailer charges		**(492,500)**	(12,023,200)
Miscellaneous export expenses		**(434,993)**	(7,044,248)
		(3,759,064)	(49,219,921)
		1,171,423,810	2,704,995,003

27.1 Sales tax on local sales is Rs. 25,618,815 (2014: Rs. 21,603,801)

28 COST OF SALES

	Note	2015 Rupees	2014 Rupees
Cost of goods manufactured	28.1	**1,286,566,477**	2,714,267,031
Finished goods			
Opening		**145,759,745**	136,173,054
Closing		**(132,318,336)**	(145,759,745)
		13,441,409	(9,586,691)
		1,300,007,886	2,704,680,340

28.1 COST OF GOODS MANUFACTURED

	Note	2015	2014
Raw material consumed	28.1.1	**786,278,124**	1,942,579,513
Cost of raw material sold		**16,484,338**	17,226,470
Stores consumed	28.1.2	**41,158,637**	72,793,814
Packing material consumed	28.1.3	**18,537,828**	47,559,733
Salaries, wages and other benefits	28.1.4	**139,095,298**	204,499,978
Repair and maintenance		**5,487,947**	7,105,818
Insurance		**2,532,424**	2,489,233
Fuel and power		**201,016,650**	334,269,923
Depreciation	4.1.1	**59,959,918**	62,260,366
Others		**11,016,205**	15,553,971
		1,281,567,369	2,706,338,819
Work in process			
Opening		**19,769,786**	27,697,998
Closing		**(14,770,678)**	(19,769,786)
		4,999,108	7,928,212
Cost of goods manufactured		**1,286,566,477**	2,714,267,031

28.1.1 RAW MATERIAL CONSUMED

		2015	2014
Opening stock		**67,771,819**	65,162,959
Purchases		**768,365,522**	1,962,414,843
		836,137,341	2,027,577,802
Raw material sold		**(16,484,338)**	(17,226,470)
Less: Closing stock		**(33,374,879)**	(67,771,819)
		786,278,124	1,942,579,513

28.1.2 STORES CONSUMED

		2015	2014
Opening stock		**77,436,368**	75,461,016
Purchases		**39,750,372**	90,620,179
		117,186,740	166,081,195
Capitalized during the year		**(7,644,698)**	(12,410,077)
Capital Work in progress		**-**	(3,353,359)
Less: Closing stock		**(68,383,405)**	(77,436,368)
		41,158,637	72,881,391

	Note	2015	2014
		Rupees	

28.1.3 PACKING MATERIAL CONSUMED

Opening stock		3,080,575	3,538,826
Purchases		17,032,710	47,013,905
		20,113,285	50,552,731
Less: Closing stock		(1,575,457)	(3,080,575)
		18,537,828	47,472,156

28.1.4 This includes Rs. 2,054,676 (2014: Rs. 2,781,090) in respect of staff retirement benefits.

29 DISTRIBUTION COST

Local freight and handling		2,372,000	3,850,003
Commission-local		5,173,346	6,765,968
Export bank charges		301,671	3,791,378
Forwarding charges		198,885	4,368,628
Others		3,031	1,152,834
		8,048,933	19,928,811

30 ADMINISTRATIVE EXPENSES

Directors' remuneration		6,720,000	4,008,001
Staff salaries and other benefits	30.1	19,697,324	20,989,399
Travelling and conveyance		3,459,600	6,826,460
Legal and professional		4,952,028	3,514,964
Fees & Subscription		731,839	618,628
Rent rates and taxes		100,304	208,086
Electricity, gas and water		1,635,203	1,517,517
Repair and maintenance		1,662,927	1,780,241
Postage, telephone telegraph and facsimile		1,345,534	1,725,521
Printing and stationery		412,887	360,660
Motor vehicle expenses		788,063	1,255,680
Advertisement expenses		89,275	172,790
Entertainment expenses		1,182,487	905,762
Auditors Remuneration	30.2	725,000	721,000
Miscellaneous expenses		809,910	2,490,485
Newspaper and periodicals		1,580	6,359
Depreciation	4.1.1	2,931,475	4,175,117
		47,245,436	51,276,670

30.1 This includes Rs. 1,903,000 (2014 : Rs. 1,297,944) in respect of staff retirement benefits.

30.2 AUDITORS REMUNERATION

	Note	2015 Rupees	2014 Rupees
Audit fee		**574,000**	574,000
Half yearly review		**85,000**	85,000
Review of Code of Corporate Governance		**36,000**	36,000
Out of Pocket Expenses		**30,000**	26,000
		725,000	721,000

31 OTHER OPERATING EXPENSES

Bad debts		**64,990**	2,205,928
Debt balance written off		-	103,330
Foreign exchange loss		-	316,763
Workers' profit participation fund		**1,288,061**	-
Workers' welfare fund		**563,597**	-
		1,916,648	2,626,021

32 FINANCE COST

Long term finance		**11,662,316**	13,227,018
Short term finance		**44,184,795**	50,336,889
Finance lease obligation		**3,350,965**	5,827,928
L/C discount charges		**2,109,110**	7,301,633
Interest on WPPF		-	265,227
Bank charges and commission		**971,481**	1,858,415
		62,278,667	78,817,110

33 OTHER INCOME

From financial assets			
Exchange gain on import		**106,651**	-
Foreign Exchange Gain		**576,877**	-
Profit on PLS Account		**226,760**	244,703
Reversal of Provision against doubtful debts		**500,151**	-
Gain on sale of Shares		**282,583**	-
(Loss) / Gain on measurement of investment at fair value		**(10,500)**	107,000
From other than financial assets			
Credit balance written off		**9,522,979**	67,819
Mark-up waived off	33.1	**46,433,941**	-
Mark-up reversed	26.1.3	**179,892,966**	57,270,090
Bank liability waived off	33.2	**30,000,632**	48,888,064
Rental Income - generator	33.3	-	5,404,109
Amortization of deferred income		**2,696,812**	2,696,812
Gain on sale of property, plant and equipment		**1,753,469**	358,448
		271,983,321	115,037,045

33.1 Mark-up waived off

Allied Bank Limited	33.1.1	**42,515,593**	-
Habib Bank Limited	33.1.2	**3,918,348**	-
		46,433,941	

33.1.1 As disclosed in note 18.1 of the financial statements accrued markup on demand finance has been reversed during the year as a result of successful completion of terms and conditions of restructuring agreement.

33.1.2 During the year company has reversed accrued markup payable to Habib Bank Ltd as decreed by the learned Banking Court No.II Lahore vide judgment dated 03-06-2015.

33.2 As disclosed in note 18.1, Company has written off balancing outstanding principal amount of Rs. 30.001 million as a result of successful completion of terms and condition of restructuring agreement.

33.3 **Rental income- generator**	Note	2015	2014
		Rupees	
Direct cost of rental income -generator		-	5,966,000
Salaries wages and other benefit		-	78,000
Repair and maintenance		-	378,000
Insurance		-	5,891
Depreciation		-	100,000
		-	561,891
		-	5,404,109

33.3.1 Depreciation is allocated to generator income only for the month the generator is being given on rent.

34 TAXATION

	2015	2014
Current tax - current year	**5,466,059**	28,257,552
Current tax - prior year	-	(618,627)
Deferred Tax	**5,599,486**	2,941,214
	11,065,545	30,580,139

35 EARNINGS/(LOSS) PER SHARES - BASIC AND DILUTED

35.1 Basic Earnings/(Loss) Per Share

	2015	2014
Profit/(Loss) after taxation	**12,844,017**	(67,877,044)
Weighted average number of ordinary shares	**17,636,719**	17,636,719
Earnings/(Loss) per share	**0.73**	(3.85)

35.2 There is no dilutive effect on Earnings/(loss) per share.

36 CORRECTION OF ERROR

In respect of lease amounting to Rs. 55.615 million, the company has erroneously charged interest on compound basis from 1st January 2010 to 30th June 2012 that resulted in access accrual of interest by Rs. 23.921 million. During the year, the company has corrected the amount retrospectively so as to record total finance lease obligation including mark-up at the correct amount Rs. 34.961 million as at balance sheet date.

37 PLANT CAPACITY AND ACTUAL PRODUCTION

	Note	2015	2014
		Rupees	
Total number of spindles installed		**56,184**	56,184
Average number of spindles worked		**32,240**	44,701
Number of shifts worked per day		**1 to 3**	1 to 3
Installed capacity of conversion into 20/1 count (kg)		**16,724,311**	16,724,311
Actual production after conversion into 20/1 count (kg)		**7,147,485**	9,833,367

37.1 Severe energy crisis in the form of unscheduled and unprecedented gas and electricity load shedding catastrophically impaired the production of the company resulting in a major production short fall as compared to the last year. Gas supply were available only for eight hours per day. Mills were remained closed for 139 days. These all factors caused production short fall during the year.

38 CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE REMUNERATION

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVE		TOTAL	TOTAL
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Managerial remuneration	1,500,000	900,000	1,860,000	1,104,000	7,617,000	7,563,067	10,977,000	9,567,067
Remuneration allowances	1,500,000	900,000	1,860,000	1,104,000	2,538,746	3,780,966	5,898,746	5,784,966
Retirement benefits	-	-	-	-	634,750	630,256	634,750	630,256
	3,000,000	1,800,000	3,720,000	2,208,000	10,790,496	11,974,289	17,510,496	15,982,289
Number of persons	1	1	2	2	8	13	11	16

The chief executive and one director is provided with cars maintained by the company and telephone at their residence. The directors have waived their meeting fees.

39 RELATED PARTY TRANSACTIONS

Related parties comprises of associated undertakings, directors of the company, major shareholders and their close family members and key management personnel. The company continues to have a policy whereby all transactions with related parties are entered into at arms length transactions. Remuneration paid to key management personnel is disclosed in note 36. Amounts due from and due to related parties are shown in note 8 and 18. Other significant transactions with related parties is as follows:

Relationship	Transaction	2015 Rupees	2014 Rupees
Associated Undertaking	Sale of yarn	**25,598,736**	-
Key management personnel	Receipt/(payment) of loan from directors	**24,810,000**	16,690,000

40 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE

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

40.1 Credit risk
40.2 Liquidity risk
40.3 Market 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. The Board is also responsible for developing and monitoring the Company's risk management policies.

40.1 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. Cash is held only with banks with high quality credit worthiness.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	Note	2015	2014
		Rupees	
Long term deposits		**27,247,915**	15,572,915
Trade debts		**66,615,697**	90,869,831
Loans and advances		**855,612**	482,893
Other financial assets		**101,000**	1,031,250
Other receivables		**12,326,880**	12,326,880
Cash at bank		**345,559**	6,134,400
		107,492,663	126,418,169

The maximum exposure to credit risk for trade debts at the balance sheet date by geographical region is as follows:-

	2015	2014
Domestic	**57,100,710**	70,111,971
Export	**9,514,987**	20,757,860
	66,615,697	90,869,831

The majority of export debtors of the company are situated in Asia.

The maximum exposure to credit risk for trade debts at the balance sheet date by type of the customers is as follows:

	2015	2014
Yarn	**56,097,772**	44,436,505
Waste	**10,490,466**	10,299,304
Others	**27,459**	36,134,022
	66,615,697	90,869,831

The aging of trade debtors at the close of the balance sheet date is as follows:-

	2015	2014
Not past due	-	1,272,664
0 - 30 days past due	**2,986,825**	41,419,371
31 - 90 days past due	**3,269,623**	2,260,946
90 - 1 year past due	**13,574,089**	4,475,232
Over one year	**57,911,554**	53,068,163
	77,742,091	102,496,376
Impairment	**11,126,394**	11,626,545
	66,615,697	90,869,831

Based on the past experience, sales volume, consideration of financial position, past track records and recoveries, economic conditions of particularly the textile sectors and generally the industry, the company believes that it is prudent to provide trade.

40.2 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.

Following are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows.

Contractual maturities of financial liabilities as at June 30, 2015:

	June 30, 2015					
	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	Two to five years	More than five years
Non derivative financial liabilities:-	Rupees					
Long term financing	105,968,864	105,968,864	105,968,864	-	-	-
Long term loans from directors	46,991,840	46,991,840	46,991,840	-	-	-
Finance lease	7,672,001	7,672,001	7,672,001	-	-	-
Trade and other payables	306,041,549	306,041,549	306,041,549	-	-	-
Accrued mark up and interest	107,423,040	107,423,040	107,423,040	-	-	-
Short term borrowings	364,528,770	364,528,770	364,528,770	-	-	-
	938,626,064	**938,626,064**	**938,626,064**	-	-	-

Contractual maturities of financial liabilities as at June 30, 2014:

	June 30, 2014					
	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	Two to five years	More than five years
Non derivative financial liabilities:-	Rupees					
Long term financing	159,303,016	218,964,778	13,999,998	9,333,332	195,631,448	-
Long term loans from directors	19,390,000	19,390,000		-	19,390,000	-
Finance lease	42,639,200	48,110,030	23,696,703	15,527,618	8,885,709	-
Trade and other payables	269,094,197	269,094,197	269,094,197	-	-	-
Accrued mark up & interest	275,823,399	275,823,399	275,823,399	-	-	-
Short term borrowings	364,745,189	406,885,144	203,442,572	203,442,572	-	-
	1,130,995,001	**1,238,267,548**	**786,056,869**	**228,303,522**	**223,907,157**	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark up rates effective as at June 30. The rates of mark up have been disclosed in relevant notes to these financial statements.

40.3 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.

40.3.1 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

Currency risk is the risk that the fair value or the future cash flows of the financial instrument will fluctuate because of the changes in the foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with the respect to United states Dollar (USD). Currently, The company's foreign exchange risk exposure is restricted to bank balances, The account receivables/payables from/to the foreign entities. The company's exposure to currency risk was as follows:

	US Dollar	Euro	Others	PKR
Trade debts 2015	96,354	-	-	9,779,961
Trade debts 2014	210,206	-	-	20,757,860

The following significant exchange rates applied during the year

	Average rates		Reporting date rates	
	2015	2014	2015	2014
US Dollar	101.31	98.75	101.50	98.60

Sensitivity Analysis

A 10 percent strengthening / weakening of the PKR against USD at 30 June would have decreased / increased post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

	2015	2014
	Rupees	
USD 10%	977,996	2,075,786

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

40.3.2 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks . At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	2015	2014
	Rupees	
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	17,863,256	17,863,256
Variable rate instruments		
Financial assets	-	23,578
Financial liabilities	479,886,851	544,807,234

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

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) equity and 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		Equity	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
	Rupees			
Cash sensitivity analysis				
Variable rate instruments 2015	4,798,869	(4,798,869)	3,215,242	(3,215,242)
Cash sensitivity analysis				
Variable rate instruments 2014	696,571	(696,571)	-	-

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

40.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

40.5 Capital risk management

The company's prime object when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as total borrowings divided by total capital employed. Borrowings represent long term financing, long term financing from directors and others and short term borrowings. Total capital employed includes total equity as shown in the balance sheet plus borrowings.

		2015	2014
		Rupees	
41	**OFF BALANCE SHEET ITEMS**		
	Bank guarantee issued for ETO	**27,767,900**	27,767,000
	Bank guarantees issued in ordinary course of business	**18,316,900**	18,316,900
	Letter of credit for raw material	-	3,526,494

The effective rate of interest / mark up for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

		2015	2014
42	**NUMBER OF EMPLOYEES**		
	Total number of employees as at June 30,	**571**	739
	Average number of employees during	**626**	1410

43 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets / cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

44 CORRESPONDING FIGURES

Corresponding figures have been arranged and reclassified wherever necessary for the purpose of comparison and better presentation.

45 EVENTS AFTER BALANCE SHEET DATE

There is no event causing any adjustment in or disclosure in financial statements.

46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on November 10, 2015 by the Board of Directors of the Company.

47 GENERAL

The figure have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE **DIRECTOR**

SHADMAN COTTON MILLS LIMITED

FORM OF PROXY

I / We ______________________________

Son / Daughter / Wife of ______________________________

being a member of SHADMAN COTTON MILLS LIMITED and holder of ______________

Ordinary Shares as per registered Folio No. ______________ and / or CDC Participant ID No ______________ and Sub Account No. ______________

hereby appoint Mr. ______________ of ______________

or failing him Mr. ______________ of ______________

as my / our proxy to vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on Thursday, November 30, 2015 at 03:30 P.M. and any adjournment thereof.

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

1. Witness:
   Signature ______________
   Name ______________
   Address ______________
   ____
   ____
   CNIC / Passport # ______________

Signature on
Appropriate
Revenue Stamp

____

Signature should agree with Specimen signature registered with the Company.

NOTE:

If a member is unable to attend the meeting, they complete and sign this and send it to the Share Registrar office Technology Trade (Pvt) Limited, Dagia House, 241-C, Block-2, P.E.C.H.S., Off: Shahra-e-Quaideen, Karachi, at least 48 hours before the time of holding the meeting.

1. The proxy form shall be witnessed by a person whose name, address and CNIC/Passport number should be stated on the form.
2. Attested copy of CNIC or passport of the beneficial owner along with the proxy Form should also be submitted.
3. The proxy nominee shall produce his/her original CNIC or original Passport the time of the meeting.
4. In case of a Corporate entity, the Board of Directors Resolutions/Power of Attorney with specimen signature should be submitted (unless it has been provided earlier) along with Proxy form to he Company