ANNUAL REPORT 2014

The National Silk & Rayon Mills Ltd.

Manufacturer & Exporter of Quality Textile Products

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Mission Statement

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

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

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

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

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

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

Company Infromation

Board of Directors	Sh. Faisal Tauheed	(Chief Executive)
	Sh. Kashif Tauheed	
	Mrs. Samira Faisal	
	Mrs. Tahira Kashif	
	Mr. Yasir Munir	(Independent)
	Mrs. Amna Kamran	(Chairman)
	Mrs. Sadia Kamran	
Board Audit Committee	Mr. Yasir Munir	(Chairman)
	Mrs. Amna Kamran	
	Mrs. Sadia Kamran	
Board Human Resource and Remuneration Committee	Mrs. Sadia Kamran	(Chairman)
	Mrs. Amna Kamran	
	Mr. Yasir Munir	
Management Team	Sh. Faisal Tauheed Puri	(Chief Executive)
	Muhammad Islam Haider	(Chief Financial Officer)
	Imran Zafar	(Company Secretary)
	Qaiser Ali Faheem	(Internal Auditor)

Auditors

Amin Mudassar and Company
Chartered Accountants

Bankers

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

Registered Office

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

Factory

Dhuddiwala, Jaranwala Road, Faisalabad.

Share Registrar

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

Legal Advisor

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

Notice of 64th Annual General Meeting

Notice is hereby given that the Sixty fourth Annual General Meeting of the Shareholders of The National Silk & Rayon Mills Limited will be held at Hospitality Inn (Formerly Holiday Inn), 25-26, Egerton Road, Lahore on 31st day of October 2014 at 4.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' Report thereon.

2. To appoint auditors for the year ending June 30, 2015 and fix their remuneration. The present auditors M/s Amin Mudassar & Co., Chartered Accountants, retire and offer themselves for re-appointment.

3. To consider and approve increase in remuneration of the Chief Executive Sh. Faisal Tauheed from Rs.150,000/- to Rs.300,000/- and Director Sh. Kashif Tauheed from Rs.150,000/- to Rs.300,000/- per month w.e.f. 01-11-2014

By order of the Board

Place: Lahore
Dated: October 09, 2014

(IMRAN ZAFAR)
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 23, 2014 to October 31,2014 (both days inclusive). Transfers received in order at Share Registrar Office by the close of business October 22, 2014, will be treated in time for the entitlement to attend the meeting.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her.
3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting.
4. Members are requested to submit declaration for zakat on the required format and to advise change in address if any.
5. Members are requested to send copies of their computerized National Identity Cards to the company's independent Share Registrar M/s. Orient Software & Management Services (Pvt) Limited, 35-Z, Ameer Plaza, Opp: Mujahid Hospital, Madina Town, Faisalabad.

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

A. For Attending the Meeting

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

B. For appointing Proxies

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

Directors' Report

The directors of your company are pleased to present the 64th Annual Report along with the audited accounts of the Company for the year ended 30th June 2014:

Business Overview:

The fiscal year 2013-14 began with multiple challenges for textile industry. Power and gas shortages continue to plague the industry. Due to weakening Pak Rupee, high inflation, worsening energy crises and poor law & order situation the cost of production for local manufacturers increased.

By the blessing of Allah Al Mighty, company earned profit of Rs.21,632,410/- during the year ended 30th June 2014. Your company maintained the position among the market. The operating results are as under:-

Operating Results:	2014	2013
	--------Rupees--------	
Sales	588,619,243	522,512,061
Profit before taxation	21,632,410	15,585,123
Taxation	12,651,872	7,753,463
Profit after taxation	8,980,538	7,831,660

Dividend:

The directors have not recommended any dividend for the year ended June 30, 2014 to conserve cash for future growth and expansion.

Debt Obligation:

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

Contribution to National Exchequer:

Being a responsible citizen, your company made a contribution of Rs. 25 million to national exchequer in form of income tax, sales tax, custom duties and excise as compared to Rs.22 million during the last financial year.

Human Resources:

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

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

Health, Safety and Environment:

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

Business Risks, Challenges and Future Outlook

Looking forward, on the stagnant subjects such as weakening Pak Rupee, high inflation, worsening energy crises and poor law & order situation the Government will need to take immediate steps to resolve these persistent issues otherwise they will continue to hurt the business environment in Pakistan. Competition in Pakistan has been very aggressive and is expected to intensify its spending in Textile industry.

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

Corporate and Social Responsibility:

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

Statutory Auditors of the company:

The present auditors M/s. Amin Mudassar and Company Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. The Audit Committee of the Board has also recommended their re-appointment as Statutory auditors of the company for the year ending June 30, 2015.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

These financial statement, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

The company has maintained proper books of account.

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

The system of internal control is sound in design and has been effectively implemented. The system is being continuously monitored by internal audit and through other such monitoring procedure. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring in improvement in the system.

There are no significant doubts upon the Company's ability to continue as a going concern.

There has been no material departure from the best practices of the corporate governance, as listed in the listing regulations.

Key operating and financial data for the last six years in summarized form is annexed.

Information about taxes and levies is given in the notes to the financial statements.

The company operated an un-funded and unapproved gratuity scheme. The provision was made annually to cover the obligations under the scheme as at the end of the financial year. The company has adopted the revised IAS 19 and a result actuarial valuation has been carried out. The projected unit credit method has been used to determine the actuarial value as specified by the IAS 19.

There have been no material changes and commitments affecting the financial position which have occurred between the end of financial year and the date of annual report.

Audit Committee

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

Human Resource and Remuneration Committee:

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

Financial Statements

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

The financial statements of the company have been duly audited by the auditors of the company. Amin Mudassar and Company, Chartered Accountants. Auditors have issued clean audit report on financial statements for the year ended 30th June 2014 and clean review report on Statement of Code of Corporate Governance and their reports are attached with the financial statements. No material changes in contingencies and commitments, effecting the financial position of your company, have occurred between the end of the financial year to which this balance sheet relates and the date of the directors' report.

Related Party transaction and Transfer Pricing

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

Director Attendance

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

Name	Board	Audit Committee	HR & R Committee
Sh. Faisal Tauheed	10	0	0
Sh. Kashif Tauheed	10	0	0
Mrs. Samira Faisal	10	0	0
Mrs. Tahira Kashif	10	0	0
Sh. Yasir Munir	10	4	2
Mrs. Amna Kamran	5	4	2
Mrs. Sadia Kamran	5	4	2
Muhammad Islam Haider (CFO)	10	4	2
Mr. Imran Zafar (Company Secretary)	10	4	2

Directors' Training Programs during the year:

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

Corporate Social Responsibility:

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

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

Pattern of Shareholding:

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

Trading by Directors etc:

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

Name	Designation	No. of shares
Sh. Faisal Tauheed	Chief Executive	5,172,587
Sh. Kashif Tauheed	Director	3,799,865
Mrs. Samira Faisal	Director	2,193,500
Mrs. Tahira Kashif	Director	1,950,718
Mrs. Saima Shahid	Director	325,000
Mrs. Amna Kamran	Director	325,000
Mrs. Sadia Kamran	Director	180,427

Appreciation

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

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

LAHORE: **Sh. Faisal Tauheed Puri**

October 09, 2014 Chief Executive

Statement of Compliance

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

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of Listing Regulations of the Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category		Names
Independent Director	1.	Mr. Yasir Munir
Managing Director & CEO	2.	Sh. Faisal Tauheed
Executive Director	3.	Sh. Kashif Tauheed
-do-	4.	Mrs. Samira Faisal
-do-	5.	Mrs. Tahira Kashif
Non - Executive Director	6.	Mrs. Amna Kamran
-do-	7.	Mrs. Sadia Kamran

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI.

4. No Casual vacancy occurred in the Board during the period under review.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board arranged orientation course for its directors as and when needed to apprise them of their duties and responsibilities. At present, two directors participates the Directors training programme and obtained the certificate of Participation by Institute of Chartered Accountants of Pakistan.

10. No new appointments of CFO, Company Secretary and Head of Internal Audit, were made during the year. The board has, however, ratified their appointments including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises three (3) members, all whom are non-executive directors including its Chairman.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed a Human Resources and Remuneration Committee. It comprises three members, of whom two are non-executive directors and one is an independent director. The Chairman of the Committee is a non-executive director.

18. The board has set up an effective internal audit function which was duly reviewed and ratified by the Audit Committee and approved by the Board of Directors of the Company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board

Lahore: October 09, 2014

Sh. Faisal Tauheed Puri
Chief Executive Officer

AMIN, MUDASSAR & CO.
Chartered Accountants

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Review Report

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

We have reviewed the Statement of Compliance with the best practices (the statement) contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2014, prepared by the Board of Directors of **The National Silk & Rayon Mills Limited** ("The Company") to comply with the Listing Regulation No.35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

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

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

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

Based on our review, except for that the company did not meet the requirement of Code of Corporate Governance in respect of appointment of minimum number of non executive directors on the board of directors of the company, 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, 2014.

Lahore:	CHARTERED ACCOUNTANTS
October 09, 2014	**MUHAMMAD AMIN**

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

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AMIN, MUDASSAR & CO.
Chartered Accountants

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Auditors' Report

to the Members

We have audited the annexed balance sheet of **The National Silk & Rayon Mills Limited** as at **June 30, 2014** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion :

(i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the changes as stated in 2.1.2.1 to the financial statements with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2014 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

CHARTERED ACCOUNTANTS

Lahore: AUDIT ENGAGEMENT PARTNER:

October 09, 2014 **MUHAMMAD AMIN**

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

Ph # : +92-42-35717261-62 Fax # : +92-42-35717263
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Balance Sheet

AS AT JUNE 30, 2014

EQUITY AND LIABILITIES	Note	2014 Rupees	2013 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital	3	204,000,000	14,000,000
Issued, subscribed and paid-up capital	4	155,531,740	11,109,410
Unappropriated profit		25,021,743	18,969,456
		180,553,483	30,078,866
SURPLUS ON REVALUATION OF FIXED ASSETS	5	176,329,091	176,329,091
DEFERRED INCOME	6	11,060,840	-
NON CURRENT LIABILITIES			
Long term loans	7	-	145,421,707
Liabilities against assets subject to finance lease	8	30,790,807	-
Deferred liabilities	9	22,372,808	14,041,632
		53,163,615	159,463,339
CURRENT LIABILITIES			
Trade and other payables	10	93,418,825	61,293,332
Short term borrowings- Secured	11	59,825,764	25,103,248
Accrued interest and markup	12	930,526	948,214
Current portion of lease liabilities	13	8,556,313	-
Provision for taxation-income tax	14	-	-
		162,731,428	87,344,794
CONTINGENCIES AND COMMITMENTS	15		
		583,838,457	453,216,090

ASSETS	Note	2014 Rupees	2013 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	16	355,486,469	330,811,041
Long term deposits	17	10,969,141	969,141
		366,455,610	331,780,182
CURRENT ASSETS			
Stores, spares and loose tools	18	146,642	1,833,973
Stock in trade	19	47,968,942	20,043,146
Stock in transit		-	1,732,705
Trade debts	20	46,409,638	30,652,540
Loans and advances	21	48,596,180	24,367,047
Trade deposits , short term prepayments and current account balances with statutory authorities	22	20,722,871	19,443,754
Accrued interest		11,494	10,285
Due from Government	23	40,448,270	12,270,071
Cash and bank balances	24	13,078,810	11,082,387
		217,382,847	121,435,908
		583,838,457	453,216,090

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

CHIEF EXECUTIVE **DIRECTOR**

Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
Sales- net	**25**	588,619,243	522,512,061
Cost of sales	**26**	539,239,133	482,722,010
Gross profit		49,380,110	39,790,051
Distribution cost	**27**	479,948	166,874
Administrative expenses	**28**	23,378,403	21,238,273
Other operating expenses	**29**	1,621,866	1,361,974
		25,480,217	22,767,121
		23,899,893	17,022,930
Other income	**30**	2,443,999	3,501,864
		26,343,892	20,524,794
Finance cost	**31**	4,711,482	4,939,671
Profit before taxation		21,632,410	15,585,123
Taxation	**32**	12,651,872	7,753,463
Profit after taxation		8,980,538	7,831,660
		--------Rupees--------	
Earning per share- Basic and Diluted	**33**	3.88	7.05

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

CHIEF EXECUTIVE **DIRECTOR**

Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2014

	2014 Rupees	2013 Rupees
Profit after taxation	8,980,538	7,831,660
Items that will not be reclassified to profit or loss		
Loss on staff retirement benefit obligation - net of deferred tax	(1,447,303)	-
Items that will be reclassified to profit or loss	-	-
Other comprehensive income-net of taxation	(1,447,303)	-
Total comprehensive income for the year-net of tax	7,533,235	7,831,660

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

CHIEF EXECUTIVE **DIRECTOR**

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	(15,010,445)	27,119,343
Taxes paid		(7,323,901)	(4,211,625)
Finance cost paid		(4,729,170)	(4,943,150)
Profit on bank deposits		(475,924)	(976,420)
Gratuity paid		(2,120,685)	(829,750)
Net cash flows from operating activities		(29,660,125)	16,158,398
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(71,607,478)	(23,314,420)
Long term deposits		(10,000,000)	852,780
Profit on bank deposits		474,715	975,743
Sale proceeds of fixed assets		41,200,000	1,931,000
Net cash flows from investing activities		(39,932,763)	(19,554,897)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans		(145,421,707)	19,500,000
Share capital issued		144,422,330	-
Short term borrowings from directors and associates		30,600,000	-
Right shares issue cost		(370,007)	-
Dividend paid		(1,110,941)	-
Repayment of lease finance liabilities		39,347,120	(2,329,437)
Net cash flows from financing activities		67,466,795	17,170,563
Net (Decrease) in cash and cash equivalents		(2,126,093)	13,774,064
Cash and Cash Equivalents at the Beginning of the Year		(14,020,861)	(27,794,925)
Cash and Cash Equivalents at the End of the Year	B	(16,146,954)	(14,020,861)

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

CHIEF EXECUTIVE **DIRECTOR**

Notes to the Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
A - CASH GENERATED FROM OPERATIONS			
Profit before taxation		21,632,410	15,585,123
Adjustment of non cash and other items:			
Provision for gratuity		2,263,318	1,983,238
Depreciation		17,584,838	16,461,757
Profit on disposal of fixed assets		(475,924)	(976,420)
Deferred income recognised		(316,024)	-
Finance cost		4,711,482	4,939,671
		23,767,690	22,408,246
Cash flows before working capital changes		45,400,100	37,993,369
EFFECT ON CASH FLOWS OF WORKING CAPITAL CHANGES			
(Increase)/Decrease in current assets			
Stores, spares and loose tools		1,687,331	814,489
Stocks in trade		(27,925,796)	14,808,850
TStock in transit		1,732,705	(1,732,705)
Trade debts		(15,757,098)	(9,826,203)
Loan and advances		(24,229,133)	(14,197,922)
Trade deposit and short term prepayments		134,151	2,050,399
Due from Government		(28,178,199)	(7,491,013)
Increase/(Decrease) in current liabilities			
Trade and other payables		32,125,493	4,700,079
		(60,410,545)	(10,874,026)
		(15,010,445)	27,119,343
B - CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	13,078,810	11,082,387
Short term borrowings	11	(29,225,764)	(25,103,248)
		(16,146,954)	(14,020,861)

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, 2014

	SHARE CAPITAL	UN-APPROPRIATED PROFIT	TOTAL
	------------------ R	u p e e	s ------------------
Balance as at July 01, 2012	11,109,410	11,137,796	22,247,206
Profit for the year	-	7,831,660	7,831,660
Other comprehensive income	-	-	-
Total comprehensive profit	-	7,831,660	7,831,660
Balance as at June 30, 2013	11,109,410	18,969,456	30,078,866
Final dividend @ Rs.1/- per share for the year ended June 30, 2013	-	(1,110,941)	(1,110,941)
Issue of right shares during the year	144,422,330	-	144,422,330
Right shares issue cost	-	(370,007)	(370,007)
Total transactions with owners	144,422,330	(1,480,948)	142,941,382
Profit for the year	-	8,980,538	8,980,538
Other comprehensive income	-	(1,447,303)	(1,447,303)
Total comprehensive profit	-	7,533,235	7,533,235
Balance as at June 30, 2014	155,531,740	25,021,743	180,553,483

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

CHIEF EXECUTIVE **DIRECTOR**

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

1 STATUS AND NATURE OF BUSINESS

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

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

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

2.1.1 Initial application of standards, amendments or an interpretation to existing standards

2.1.2 Amendments to Published Standards effective in current year

- During the year 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 except for the revised IAS 19 'Employees Benefits', details of which are stated below:

2.1.2.1 Change in accounting policy

During the year, in accordance with IAS 19 - 'Employee Benefits' (revised), the Company has changed its accounting policy in respect of recognition of actuarial gains and losses, past service costs and expected return on plan assets, whereby with effect from current year, the Company has recognised actuarial gains and losses immediately in other comprehensive income; immediately recognised all past service costs in profit and loss account; and replaced interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. This change has removed the corridor method and eliminated the ability for the Company to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which was previously allowed under IAS 19.

The change has been accounted for in accordance with IAS 19 - 'Employee Benefits' (Revised) and IAS 8 - 'Accounting Policies, Change in Accounting Estimates and Errors'. In accordance with requirements of IAS 8, the Company has applied the change in accounting policy retrospectively and IAS 1 - 'Presentation of Financial Statements' (Revised).

The financial statements does not require any adjustment as there was no un-recognized actuarial gains/losses pertaining to Employee Benefits in prior years.

The adoption of the above amendments did not have any effect on these financial statements.

2.1.3 Standards, Amendments and Interpretations to Existing Standards not yet effective

The following new standards, amendments to existing standards and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2014 and the Company does not expect to have any material/significant changes in its accounting policy except for disclosures, where applicable:

- IFRIC 21- Levies 'an Interpretation on the Accounting for Levies Imposed by Governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event).The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The Amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Amendment to IAS 36 'Impairment of Assets' Recoverable Amount Disclosures for Non-Financial Assets'(effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36Impairment of Assets' address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' - Continuing Hedge Accounting after Derivative Novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 'Employee Benefits' Employee contributions – a Practical Approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- 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 amortization methods for intangible assets are 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.

  Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after1 January 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 'Agriculture'. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further, IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision-maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

2.2 SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Basis of Preparation

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

2.2.2 Significant Accounting Estimates and Judgments

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

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

2.2.3 Staff Retirement Benefits

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

	2014	**2013**
Principal Actuarial Assumptions		
Discount Rate	13.25% per annum	13% per annum
Expected rate of eligible salary increase in future years	12.25% per annum	12% per annum

2.2.4 Taxation

Current

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

Deferred

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

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

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

2.2.5 Foreign Currency Translations

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

2.2.6 Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to income in the period of incurrence.

2.2.7 Property, Plant and Equipment and Depreciation

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

Depreciation is charged to income applying reducing balance method to write-off the cost, capitalized exchange fluctuations and borrowing costs over estimated remaining useful life of assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets. Rates of depreciation are stated in (note 15).

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

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

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

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

2.2.8 Assets Subject to Finance Lease

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

Depreciation is charged at the rates stated in (note 15) applying reducing balance method to write-off the cost of the asset over its estimated remaining useful life.

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

2.2.9 Capital Work in Progress

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

2.2.10 Long Term Deposits and Loans

These are stated at cost.

2.2.11 Stores , Spares and Loose Tools

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

2.2.12 Stocks-in-Trade

These are valued as follows:

Raw materials:	
Dyes, Chemicals and Packing Material	At Weighted Average Cost.
Chemicals and Dyes in Process	At Weighted Average Cost.
Finished goods	At Lower of Cost and net Realizable Value.

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

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

2.2.13 Revenue Recognition:

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

2.2.14 Trade debts and other receivables

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

2.2.15 Cash and Cash Equivalents

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

2.2.16 Financial Instruments

Recognition and Measurements

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

Off-setting of Financial Assets and Financial Liabilities

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

2.2.17 Impairment

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

2.2.18 Trade and Other Payables

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

2.2.19 Provisions

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

2.2.20 Dividends

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

2.2.21 Transactions with related parties

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

2.2.22 Contingencies and Commitments

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

2.2.23 Functional and Presentation Currency

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

	Note	2014 Rupees	2013 Rupees
3 AUTHORIZED SHARE CAPITAL			
20,000,000 (2013:1,000,000) A - Class Ordinary shares of Rs. 10/- each.		200,000,000	10,000,000
400,000 (2013:400,000) B - Class Ordinary shares of Rs. 10/- each.		4,000,000	4,000,000
		204,000,000	14,000,000
4 ISSUED, SUBSCRIBED & PAID-UP CAPITAL			
Issued for Cash			
15,051,267 (2013:609,034) A - Class Ordinary Shares of Rs. 10. each	4.1	150,512,670	6,090,340
320,100 (2013:320,100) B - Class Ordinary Shares of Rs. 10. each		3,201,000	3,201,000
		153,713,670	9,291,340
Issued as Bonus Shares			
181,807 (2013:181,807) Ordinary Shares of Rs. 10. each		1,818,070	1,818,070
		155,531,740	11,109,410
4.1 Movement Account			
Opening balance		11,109,410	11,109,410
14,442,233 (2013: nil) A - Class Ordinary Shares of Rs. 10. each issued during the year		144,422,330	-
		155,531,740	11,109,410

5 SURPLUS ON REVALUATION OF FIXED ASSETS

	2014 Rupees	2013 Rupees
Balance as at 01 July	176,329,091	176,329,091
Add: Surplus arose on revaluation of fixed assets	-	-
	176,329,091	176,329,091

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

6 DEFERRED INCOME

	Note	2014 Rupees	2013 Rupees
Opening balance		-	-
Add: Income deferred during the year		11,376,864	-
		11,376,864	-
Less: Income recognised during the year		316,024	-
		11,060,840	-

6.1 Refer to note 8.

7 LONG TERM LOANS-Unsecured

	Note	2014 Rupees	2013 Rupees
From related parties:			
Directors and associates	**7.1**	-	145,421,707
		-	145,421,707

7.1 LOAN FROM DIRECTORS AND ASSOCIATES

Unsecured and interest free

	Note	2014 Rupees	2013 Rupees
Balance as at July 01,		145,421,707	125,921,707
Add: Received during the year		23,544,996	19,500,000
		168,966,703	145,421,707
Less: Adjusted against shares issued during the year		134,566,703	-
		34,400,000	145,421,707
Less: Transferred to short term borrowings	**11**	34,400,000	-
		-	145,421,707

7.2 These loans were obtained from the directors and their associates amounting Rs.133,166,703 (2013: Rs.109,621,707) and Rs.35,800,000 (2013:Rs.35,800,000) respectively. The sponsors, directors and their associates have already paid amounting Rs.134.567 million with the company has been adjusted against right shares subscription.

8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The reconciliation between gross minimum lease payments, future financial charges and present value of minimum lease payments is as follows:

	Not later than one year	Later than one year but not later than Five years	2014 Rupees	2013 Rupees
	----------	R u p	e e s	----------
Gross minimum lease payments	12,688,560	34,319,740	47,008,300	-
Less: Financial charges allocated to future years	4,132,247	3,528,933	7,661,180	-
Present value of minimum lease payments	8,556,313	30,790,807	39,347,120	-

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

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

9 DEFERRED LIABILITIES

	Note	2014 Rupees	2013 Rupees
Provision for staff gratuity	9.1	11,287,492	8,918,239
Deferred taxation	9.4	11,085,316	5,123,393
		22,372,808	14,041,632

9.1 Staff Gratuity - Defined benefits plan

	2014 Rupees	2013 Rupees
The amount recognized in the balance sheet on this account as per IAS 19 is:		
Present value of defined benefit obligation	11,287,492	8,918,239
Movement in present value of defined benefit obligation:		
Present value of defined benefit obligations as on July 01,	8,918,239	7,764,751
Charge to profit and loss account	2,263,318	1,983,238
Benefits paid during the year	(2,120,685)	(829,750)
Recognised in other comprehensive income	2,226,620	-
Present value of defined benefit obligations as on June 30,	11,287,492	8,918,239
Charge to profit and loss account for the year is as follows:		
Service cost	1,241,791	973,820
Interest cost	1,021,527	1,009,418
	2,263,318	1,983,238
Recognised in other comprehensive income for the year is as follows:		
Actuarial (gains) / losses on remeasurement - Gross	2,226,620	-
Related deferred tax	(779,317)	-
	1,447,303	-

9.2 Principal Actuarial Assumptions

	2014	2013
Discount Rate	13.25% per annum	13% per annum
Expected rate of eligible salary increase in future years	12.25% per annum	12% per annum
Expected mortality rate	SLIC (2001-05)	EFU (61-66)

9.3 Comparison for five years:

As at June 30,	2014	2013	2012	2011	2010
	---------------------- (R	u p	e	e s)----------------------	
Present value of defined benefit obligation	11,287,492	8,918,239	7,764,751	6,836,269	5,950,996

9.4 Deferred Taxation

	Note	2014 Rupees	2013 Rupees
This is composed of the following:			
Deferred tax liability on taxable temporary differences arising in respect of:			
Accelerated tax depreciation		22,729,935	27,624,018
Excess of accounting book value of leased assets over liabilities		62,809	-
		22,792,744	27,624,018
Deferred tax asset on deductable temporary differences arising in respect of:			
Deferred debits arising in respect of staff gratuity		(3,950,622)	(3,032,201)
Deferred debits arising on brought forward losses		(7,756,806)	(19,468,423)
		(11,707,428)	(22,500,625)
		11,085,316	5,123,393
Balance as at July 01,		5,123,393	-
Add: Charge during the year to:			
Profit and loss account		6,741,240	5,123,393
Other comprehensive income		(779,317)	-
		5,961,923	5,123,393
		11,085,316	5,123,393

10 TRADE AND OTHER PAYABLES

	Note	2014 Rupees	2013 Rupees
Sundry creditors		49,431,055	25,964,031
Accrued expenses		13,612,076	19,238,096
Advance from customers		14,327,934	5,195,176
Unclaimed dividend		508,826	462,347
Letter of credit payable		13,425,942	9,221,350
Income tax withheld		295,150	148,922
Sales tax withheld		704,817	197,570
Workers' (profit) participation fund	10.1	1,113,025	865,840
		93,418,825	61,293,332

10.1 Workers' (Profit) Participation Fund

	2014 Rupees	2013 Rupees
Balance as at July 01,	865,840	484,086
Interest charged for year	77,150	50,829
	942,990	534,915
Less: Payments during the Year	942,990	534,915
	-	-
Allocation for the year	1,113,025	865,840
	1,113,025	865,840

11 SHORT TERM BORROWINGS -Secured

	Note	2014 Rupees	2013 Rupees
From banking companies:			
Cash finance	11.1	29,225,764	25,103,248
Running finance	11.2	-	-
		29,225,764	25,103,248
From relates parties:			
Directors and their associates - unsecured and interest free	11.4	30,600,000	-
		59,825,764	25,103,248

11.1 This facility has been obtained from National Bank of Pakistan with sanctioned limit of Rs.30.00 Million (2013: Rs.30.00 million) for working capital. This is secured against hypothecation charge over Company's present and future current assets, mortgage / charge over fixed assets and personal guarantees of all directors. This carries markup @ 3 months KIBOR(Ask) rate+3.25% per annum (2013:@ 3 months KIBOR(Ask) rate+3.25% per annum) payable on quarterly basis.

11.2 This facility was obtained from The Bank of Punjab with sanctioned limit of Rs.8.00 Million (2013:Rs.8.00 million) for working capital. This is secured against hypothecation charge over Company's present and future current assets, mortgage charge over fixed assets and personal properties of two directors and personal guarantees of all directors. This carries markup @ 3 month KIBOR + 325 bps per annum (2013:@ 3 month KIBOR + 325 bps per annum) payable on quarterly basis.

11.3 The facilities for opening letters of credit and export bills negotiation as at June 30, 2014 amounted to Rs.130 Million (2013: Rs.110.00 Million) of which the amount under utilized at year end was Rs.18.65 Million (2013: under utilized Rs.46.74 Million).

	Note	2014 Rupees	2013 Rupees
11.4 SHORT TERM BORROWINGS			
Transferred from long term loan	**7.1**	34,400,000	-
Less: Repaid during the year		3,800,000	-
		30,600,000	-

11.5 This comprises of loan obtained from the directors and their associates amounting Rs. nil (2013: Rs.nil) and Rs.30,600,000 (2013: Rs.nil) respectively.

12 ACCRUED INTEREST AND MARK UP

	2014 Rupees	2013 Rupees
Mark up on short term finances- Secured	930,526	948,214
	930,526	948,214

13 CURRENT PORTION OF LEASE LIABILITIES

	2014 Rupees	2013 Rupees
Payable within next twelve months	8,556,313	-
	8,556,313	-

14 PROVISION FOR TAXATION

	2014 Rupees	2013 Rupees
Balance as at 1st July,	-	-
Less: Adjusted during the year	-	-
Add: Provision for the taxation-current	5,910,632	2,630,070
	5,910,632	2,630,070
Less: Tax deducted at source / advance tax	(5,910,632)	(2,630,070)
	-	-

14.1 Income tax assessments of the company have been finalized up to the Tax Year 2013. On the basis of return filed for the Tax Year 2013 the loss of Rs.69,722,285 was determined.

14.2 Provision for the current year represents tax on income chargeable under minimum tax on turnover due under section 113 of the Income Tax Ordinance, 2001.

14.3 No numeric tax rate reconciliation is presented in these financial statements as the company is not liable to pay normal tax due to available tax losses.

15 CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

- Counter guarantees by the bank in respect of guarantees issued in the normal course of business for sum of Rs.Nil (2013: Rs.Nil million).
- The Sui Northern Gas Pipelines Limited (SNGPL) has raised a demand amounting Rs.39.805 million (2013:Rs.39.805 million) . Which has been contested by the Company as unsubstantiated and unjustified. The Company has deposited Rs.6.858 million (2013: Rs.12.677 million) during the year with SNGPL under protest as referred to note No.21 to the financial statements. SNGPL had constituted a Review Committee to examine and resolve the matter and bring the facts on record. During the year, aforesaid Committee has decided the case against the Company. The Company had filed appeal to Oil & Gas Regulatory Authority (OGRA). The Joint Executive Director (OGRA) has decided the case in favour of the Company. However, SNGPL has filed appeal to OGRA for review against the decision of Joint Executive Director (OGRA). OGRA has decided the case against the company. The company has filed writ petition against the decision of the OGRA.The Company is hopeful that the decision of OGRA in respect of appeal filed by SNGPL would be in favour of the Company.

15.2 Commitments

Commitments in respect of letters of credit for capital expenditures were amounting Rs.Nil (2013: Rs.Nil)

Commitments in respect of letters of credit other than for capital expenditures were amounting Rs.38.105 million (2013: Rs.33.866 million).

16 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	OWNED												LEASED			CAPITAL WORK IN PROGRESS			GRAND TOTAL
	Land-Freehold			Building on Free hold Land															
	Cost	Revaluation Surplus	Sub Total	Factory	Residential	Sub Total	Plant and Machinery	Pipeline and Electric Fitting	Office Equipment	Furniture and Fixture	Vehicles	TOTAL	Plant and Machinery	Vehicles	TOTAL	Building	Plant and Machinery	TOTAL	
								A m o u n t		I n		R u p e e s							
Cost / Revaluation																			
Balance as at 01 July, 2012	220,909	176,329,091	176,550,000	17,961,368	104,888	18,066,256	235,822,087	10,151,830	1,991,914	753,590	7,129,693	450,465,370	7,500,000	-	7,500,000	-	-	-	457,965,370
Additions	-	-	-	-	-	-	18,266,401	1,090,100	-	-	1,904,290	21,260,791	-	-	-	2,053,629	-	2,053,629	23,314,420
Transfers	-	-	-	-	-	-	7,500,000	-	-	-	-	7,500,000	(7,500,000)	-	(7,500,000)	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	(2,083,050)	(2,083,050)	-	-	-	-	-	-	(2,083,050)
Balance as at 30 June 2013	220,909	176,329,091	176,550,000	17,961,368	104,888	18,066,256	261,588,488	11,241,930	1,991,914	753,590	6,950,933	477,143,111	-	-	-	2,053,629	-	2,053,629	479,196,740
Balance as at 01 July, 2013	220,909	176,329,091	176,550,000	17,961,368	104,888	18,066,256	261,588,488	11,241,930	1,991,914	753,590	6,950,933	477,143,111	-	-	-	2,053,629	-	2,053,629	479,196,740
Additions	-	-	-	-	-	-	22,772,968	-	-	-	3,662,130	26,435,098	40,200,000	-	40,200,000	4,972,380	-	4,972,380	71,607,478
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	(34,623,135)	-	-	-	(1,350,440)	(35,973,575)	-	-	-	-	-	-	(35,973,575)
Balance as at 30 June	220,909	176,329,091	176,550,000	17,961,368	104,888	18,066,256	249,738,321	11,241,930	1,991,914	753,590	9,262,623	467,604,634	40,200,000	-	40,200,000	7,026,009	-	7,026,009	514,830,643
Depreciation																			
Balance as at 01 July, 2012	-	-	-	14,567,448	96,890	14,664,338	105,868,200	6,210,055	1,390,474	656,693	2,432,652	131,222,412	1,830,000	-	1,830,000	-	-	-	133,052,412
Charge for the year	-	-	-	339,392	400	339,792	14,553,004	439,017	60,144	9,690	871,110	16,272,757	189,000	-	189,000	-	-	-	16,461,757
Transfers	-	-	-	-	-	-	2,019,000	-	-	-	-	2,019,000	(2,019,000)	-	(2,019,000)	-	-	-	-
On disposals/transfers	-	-	-	-	-	-	-	-	-	-	(1,128,470)	(1,128,470)	-	-	-	-	-	-	(1,128,470)
Balance as at 30 June 2013	-	-	-	14,906,840	97,290	15,004,130	122,440,204	6,649,072	1,450,618	666,383	2,175,292	148,385,699	-	-	-	-	-	-	148,385,699
Balance as at 01 July, 2013	-	-	-	14,906,840	97,290	15,004,130	122,440,204	6,649,072	1,450,618	666,383	2,175,292	148,385,699	-	-	-	-	-	-	148,385,699
Charge for the year	-	-	-	305,453	380	305,833	14,669,206	459,286	54,130	8,721	1,417,662	16,914,838	670,000	-	670,000	-	-	-	17,584,838
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	(5,999,999)	-	-	-	(626,364)	(6,626,363)	-	-	-	-	-	-	(6,626,363)
Balance as at 30 June	-	-	-	15,212,293	97,670	15,309,963	131,109,411	7,108,358	1,504,748	675,104	2,966,590	158,674,174	670,000	-	670,000	-	-	-	159,344,174
Carrying amount-2013	220,909	176,329,091	176,550,000	3,054,528	7,598	3,062,126	139,148,284	4,592,858	541,296	87,207	4,775,641	328,757,412	-	-	-	2,053,629	-	2,053,629	330,811,041
Carrying amount-	220,909	176,329,091	176,550,000	2,749,075	7,218	2,756,293	118,628,910	4,133,572	487,166	78,486	6,296,033	308,930,460	39,530,000	-	39,530,000	7,026,009	-	7,026,009	355,486,469
Rates of Depreciation (%p.a)				10%	5%		10%	10%	10%	10%	20%		10%	20%					

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

	Note	Rupees	2013 Rupees
Cost of sales	26	15,826,354	14,815,581
Administrative expenses	28	1,758,484	1,646,176
		17,584,838	16,461,757

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

Particulars	Cost Rupees	Accumulated Depreciation	Carrying Value
	………………R	U P E E	S………………
Freehold Land	220,909	-	220,909
As at June 30, 2014	220,909	-	220,909
As at June 30, 2013-Rupees	**220,909**	**-**	**220,909**

16.3 Disposal of property, plant and equipment:

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Profit	Mode of Disposal	Particulars
		………………R	U P E E	S………………			
Plant and Machinery							
6 SCHILFELY EMBROIDERY MACHINES	34,623,135	5,999,999	28,623,136	40,000,000	11,376,864	Negotiation	Orix Leasing Pakistan Limited
Vehicle							
Honda City Vehicle Registration No. LED-10-7318	1,350,440	626,364	724,076	1,200,000	475,924	Sale and lease back	Mr. Shahid Iqbal House # 441 A, Chak Araiyan, Wazir Abad.
	35,973,575	6,626,363	29,347,212	41,200,000	11,852,788		
2013: Rupees	**1,394,490**	**818,382**	**576,108**	**1,002,000**	**425,892**		

		Note	2014 Rupees	2013 Rupees
17	**LONG TERM DEPOSITS**			
	Security deposits		969,141	969,141
	Deposits against finance lease		10,000,000	-
			10,969,141	969,141
18	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		22,726	1,310,905
	Spares		123,916	523,068
			146,642	1,833,973
19	**STOCK IN TRADE**			
	Raw material		41,010,745	16,171,025
	Packing material		141,842	959,361
	Work in process - Cost of processing done on third party orders		3,154,555	1,048,323
	Finished goods - Cost of processing done on third party orders		3,661,800	1,864,437
			47,968,942	20,043,146

19.1 These stocks are hypothecated with banks as security against short term finances as indicated in note no.11.

		Note	2014 Rupees	2013 Rupees
20	**TRADE DEBTS**			
	Local - Unsecured and considered good by the management		46,409,638	30,652,540
			46,409,638	30,652,540
21	**LOANS AND ADVANCES**			
	Advances to: (Unsecured but considered good)			
	Suppliers of goods		20,138,387	2,808,399
	Employees against salaries		100,000	100,000
	Employees against expenses		179,814	138,938
	Others -SNGPL	**21.1**	28,177,979	21,319,710
			48,596,180	24,367,047

21.1 Referred to note no.15.1 to the financial statements.

		Note	2014 Rupees	2013 Rupees
22	**TRADE DEPOSITS , SHORT TERM PRE-PAYMENTS AND CURRENT ACCOUNT BALANCES WITH STATUTORY AUTHORITIES**			
	Trade deposits:			
	Security deposits		16,622,100	16,622,100
	Short term prepayments		297,263	561,282
	Immature letters of credit- secured	**22.1**	469,391	339,523
	Tax deducted at source		3,334,117	1,920,849
			20,722,871	19,443,754

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

		Note	2014 Rupees	2013 Rupees
23	**DUE FROM GOVERNMENT**			
	Sales tax refundable		40,448,270	12,270,071
			40,448,270	12,270,071
24	**CASH AND BANK BALANCES**			
	Cash in hand		166,605	150,191
	Cash with banks in:			
	Current accounts		12,607,205	10,627,196
	Deposit accounts	**24.1**	305,000	305,000
			12,912,205	10,932,196
			13,078,810	11,082,387

24.1 These are Term Deposit Receipts (TDR) held under lien by National Bank of Pakistan as margin against guarantees issued to Sui Northern Gas Pipe Lines Limited and carry mark up @7.60% per annum (2013:@6.09%% per annum).

		Note	2014 Rupees	2013 Rupees
25	**SALES -net**			
	Gross:			
	Exports		11,025,214	-
	Processing receipts		589,191,246	532,915,207
	Others		41,530	-
			589,232,776	532,915,207
	Less: sales tax		(11,638,747)	(10,403,146)
			577,594,029	522,512,061
			588,619,243	522,512,061

	Note	2014 Rupees	2013 Rupees
26 COST OF SALES			
Salaries, wages and benefits	**26.2**	41,309,090	37,434,787
Fuel and power		214,654,761	174,053,383
Raw material consumed	**26.1**	234,708,795	223,784,432
Packing material consumed		11,815,344	7,068,372
Stores and spares consumed		19,523,714	17,108,812
Oil and greases consumed		3,856,372	4,209,080
Repair and maintenance		1,448,298	1,550,430
Depreciation	**16.1**	15,826,354	14,815,581
		543,142,728	480,024,877
Work in process			
Opening stock		1,048,323	1,462,046
Closing stock		(3,154,555)	(1,048,323)
		(2,106,232)	413,723
		541,036,496	480,438,600
Finished goods			
Opening stock		1,864,437	4,147,847
Closing stock		(3,661,800)	(1,864,437)
		(1,797,363)	2,283,410
		539,239,133	482,722,010

26.1 Raw Material Consumed

	2014 Rupees	2013 Rupees
Balance as at July 01,	16,171,025	28,601,888
Purchases during the Year	259,548,515	211,353,569
Available for Consumption	275,719,540	239,955,457
Less: Balance as at June 30,	41,010,745	16,171,025
	234,708,795	223,784,432

26.2 Salaries, wages and benefits include Rs.1,913,635 (2013: Rs.1,664,943) in respect of staff gratuity.

27 DISTRIBUTION COSTS

	2014 Rupees	2013 Rupees
Salaries and benefits	142,070	138,970
Advertisement and sales promotion expenses	281,450	27,904
Ocean charges	37,369	-
Clearing and forwarding charges	19,059	-
	479,948	166,874

28 ADMINISTRATIVE EXPENSES

	Note	2014 Rupees	2013 Rupees
Directors' remuneration		6,000,000	6,000,000
Rent, rates and taxes		206,619	232,114
Staff salaries and benefits	**28.1**	5,109,030	5,236,930
Traveling and conveyance		445,028	136,060
Electricity		433,843	188,465
Water and sewerage expense		1,573,119	1,263,112
Communication expenses		892,414	653,944
Printing and stationery		672,344	442,764
Repair and maintenance		1,007,875	864,823
Vehicle running and maintenance		1,341,940	1,267,068
Fees and subscriptions		1,107,695	242,795
Legal and professional charges		91,000	210,000
Auditors' remuneration	**28.2**	465,000	430,000
Newspapers and periodicals		10,372	9,545
Entertainment		1,183,342	964,639
Insurance		642,404	847,676
Zakat deducted at source		7,625	7,625
Depreciation	**16.1**	1,758,484	1,646,176
Miscellaneous	**28.3**	430,269	594,537
		23,378,403	21,238,273

28.1 Staff salaries and benefits includes Rs.349,683 (2013: Rs.318,295) in respect of staff gratuity.

28.2 Auditors' remuneration

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

	2014 Rupees	2013 Rupees
Amin, Mudassar & Co.		
Statutory audit	400,000	370,000
Half yearly review	50,000	45,000
Out of pocket expenses	15,000	15,000
	465,000	430,000

28.3 This includes Rs.410,000 (2013: Rs.100,000) donation paid during the year. No director or his/her spouse had any interest in the donee.

29 OTHER OPERATING EXPENSES

		2014	2013
Workers' (Profit) Participation Fund		1,113,025	865,840
Exchange loss		508,841	496,134
		1,621,866	1,361,974

30 OTHER INCOME

		2014	2013
Income from financial assets:			
Profit on bank deposits		22,309	20,712
Income from non-financial assets:			
Sale of scrap		1,629,742	1,797,950
Profit on disposal of fixed assets		475,924	976,420
Write back of old balances		-	664,667
Deferred income recognised	6	316,024	-
Others		-	42,115
		2,443,999	3,501,864

31 FINANCE COST

		2014	2013
Markup on:			
Lease finance		404,500	210,844
Short term borrowings		3,626,472	4,351,447
Interest on workers' (profit) participation fund		77,150	50,829
Bank charges and commission		603,360	326,551
		4,711,482	4,939,671

32 TAXATION

		2014	2013
Current:			
For the year	32	5,910,632	2,630,070
Deferred	9.4	6,741,240	5,123,393
		12,651,872	7,753,463

33 EARNING PER SHARE

	No. of Shares 2014	2013
Weighted average number of shares	2,314,461	1,110,941
Profit for the year (Rs.)	8,980,538	7,831,660
Earning per share (Rs.)	3.88	7.05

34 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties have been disclosed in the relevant notes to the financial statements.

35 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits to the chief executive, working directors and executive of the company is as follows:

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2014	2013	2014	2013	2014	2013
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Basic salary	1,636,364	1,636,364	3,818,182	3,818,182	-	709,091
Re-imbursable expenses	163,636	163,636	381,818	381,818	-	70,909
	1,800,000	1,800,000	4,200,000	4,200,000	-	780,000
	1	1	3	3	0	1

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

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

36 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

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

36.1 Credit Risk

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

	2014 Rupees	2013 Rupees
Trade debts	46,409,638	30,652,540
Loans and advances	48,596,180	24,367,047
Interest accrued	11,494	10,285
Bank balances	12,912,205	10,932,196
	107,929,517	65,962,068

Geographically there is no concentration of credit risk.

Credit Quality of Financial Assets

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

The aging of trade debts at the reporting date was:	Gross 2014	Gross 2013
Past due less than one year	46,409,638	20,826,337
Past due over one year but less than three years	-	-
	46,409,638	20,826,337
Cash at banks		
A-1+	6,369,517	9,986,132
A1+	6,490,770	819,890
A-2	-	119,211
A-3	44,955	-
A3	6,963	6,963
	12,912,205	10,932,196

Credit Risk Management

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

36.2 Liquidity Risk

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

	2014			
	Carrying Amount	Contractual Cash Flows	Maturity up to one year	Maturity after one year
	R u p e e s			
Liabilities against assets subject to finance lease	39,347,120	47,008,300	12,688,560	34,319,740
Trade and other payables	93,418,825	93,418,825	93,418,825	-
Mark up accrued	930,526	930,526	930,526	-
Short term borrowings	59,825,764	59,825,764	59,825,764	-
	193,522,235	201,183,415	166,863,675	34,319,740

	2013			
	Carrying Amount	Contractual Cash Flows	Maturity upto one year	Maturity after one year
	R u p e e s			
Long term loans	145,421,707	145,421,707	-	145,421,707
Trade and other payables	61,293,332	61,293,332	61,293,332	-
Mark up accrued	948,214	948,214	948,214	-
Short term borrowings	25,103,248	25,103,248	25,103,248	-
	232,766,501	232,766,501	87,344,794	145,421,707

Liquidity Risk Management

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

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

36.3 Market Risk

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

36.3.1 Currency Risk

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

All foreign currency balances are denominated in USD. Average exchange rate used during the year is Rs.102.88/USD (2013: Rs.96.73/USD). Spot exchange rate applied for measuring financial assets and liabilities as at the reporting date is Rs.98.75/USD (2013: Rs.98.80/USD respectively.

A ten percent change in foreign currency would have no change on profit. This sensitivity analysis is based on assumption that all variables, with the exception of foreign exchange rates, remain unchanged.

Foreign Currency Risk Management

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

36.3.2 Interest Rate Risk

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

The company is exposed to interest rate risk in respect of its variable rate instruments. A 100 basis points increase in variable interest rates would have decreased profit by Rs.374,771 (2013: decreased profit by Rs.254,082). A 100 basis points decrease in variable interest rate would have had an equal but opposite impact on profit. This sensitivity analysis is based on assumption that all variables, with the exception of interest rates, remain unchanged.

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

36.4 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing majority of its operations through long-term and short-term financing in addition to its equity. The Company has a gearing ratio of 55% (2013: 567%) as of the balance sheet date.

36.5 Fair Value of Financial Assets and Liabilities

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

37 PROPOSED DIVIDEND

The Board of the Company have proposed a final dividend for the year ended June 30, 2014 of Rs. Nil (2013: Rs. 1.00) per share amounting to Rs. Nil (2013: Rs. 1,110,941).

38 PLANT CAPACITY AND ACTUAL PRODUCTION

	2014	2013
Cloth Processing		
Rated capacity (meters)	57,600,000	57,600,000
Actual processing (meters)	29,063,457	26,580,026
Percentage	**50.46%**	**46.15%**
Embroidery Processing		
Rated capacity (meters)	4,940,050	4,940,050
Actual processing (meters)	7,245,175	4,763,590
Percentage of utilization of rated capacity	**146.66%**	**96.43%**
No. of working days	313	313

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

39 OPERATING SEGMENT

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

39.2 All non-current assets of the company as at June 30, 2014 are located in Pakistan.

40 NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

	2014	2013
	(--------N u m b e r-------)	
Average number of employees during the year	319	311
Number of employees as at June 30,	314	327

41 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorized for issue by the board of directors of the company on October 09, 2014.

42 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison.

43 GENERAL

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

CHIEF EXECUTIVE **DIRECTOR**

Pattern of Shareholding

as at June 30, 2014

Number of shareholder			From	To	Shares held		
					Physical	CDC	Total
Physical	CDC	Total					
218	93	311	1	100	9,510	1,737	11,247
104	26	130	101	500	26,733	7,858	34,591
32	5	37	501	1,000	23,065	4,034	27,099
22	6	28	1,001	5,000	44,558	12,976	57,534
1		1	5,001	10,000	9,680	-	9,680
3	2	5	10,001	15,000	33,314	25,500	58,814
	1	1	30,001	35,000	-	35,000	35,000
2		2	40,001	45,000	82,204	-	82,204
	1	1	60,001	65,000	-	62,500	62,500
1		1	100,001	105,000	104,198	-	104,198
1		1	105,001	110,000	107,500	-	107,500
1		1	200,001	210,000	205,427	-	205,427
3		3	300,001	350,000	1,036,447	-	1,036,447
1		1	2,000,001	2,100,000	2,061,639	-	2,061,639
1		1	2,300,001	2,400,000	2,304,588	-	2,304,588
1		1	3,500,001	4,000,000	3,979,144	-	3,979,144
1		1	5,000,001	5,500,000	5,375,562	-	5,375,562
392	134	526			15,403,569	149,605	15,553,174

		Categories of Shareholders	Number	Number of Shareholders	Percentage share held
1.	**Directors, Chief Executives, their spouse and minor children**				
	i	Sh. Faisal Tauheed Puri	1	5,375,562	34.56
	ii	Sh. Kashif Tauheed Puri	1	4,002,644	25.74
	iii	Sh. Tauheed Ellahi Puri	1	107,500	0.69
	iv	Mst. Shahida Tauheed	1	115,098	0.74
	v	Mst. Saima Shahid	1	350,000	2.25
	vi	Mst. Amna Kamran	1	350,000	2.25
	vii	Mst. Sadia Kamran	1	205,427	1.32
	viii	Mst. Samira Faisal	1	2,304,588	14.82
	ix	Mst. Tahira Kashif	1	2,061,639	13.26
	x	Mr. Yasir Munir	1	2,500	0.02
	xi	Sh. Mustafa Tauheed	1	40,776	0.26
	xii	Sh. Mahad Kashif	1	41,428	0.27
Total			12	14,957,162	96
2.	**Executives**		**-**	**-**	-
3.	**Associated Companies, Undertaking & Related Parties**		**-**	**-**	-
4.	**Investment Corporation of Pakistan**		**1**	**900**	0.01
5.	**Mutual Funds**		**-**	**-**	-
6.	**Banks, NBFC's, DFI's, Takaful, Pension Funds**		**-**	**-**	-
8.	**Insurance Companies**		**1**	**20**	0.00
9.	**Joint Stock Companies, Corporate Bodies, Trust etc.**		**6**	**41,964**	0.27
10.	**General Public**		**502**	**489,537**	3.15
11.	**Others**		**4**	**63,591**	0.41
GRAND TOTAL			526	15,553,174	100

Shareholders more than 5% shareholding

		Number	Number of Shareholders	Percentage share held
i	Sh. Faisal Tauheed Puri	1	5,375,562	34.56
ii	Sh. Kashif Tauheed Puri	1	4,002,644	25.74
viii	Mst. Samira Faisal	1	2,304,588	14.82
ix	Mst. Tahira Kashif	1	2,061,639	13.26

Summary of Last Six Years Financial Results

Description	2014	2013	2012	2011	2010	2009
Trading Results						
Turnover	588,619,243	522,512,061	502,965,825	365,110,217	378,580,342	390,774,463
Gross Profit	49,380,110	39,790,051	31,584,767	21,335,044	21,725,148	18,803,528
Operating Profit (Loss)	26,343,892	20,524,794	14,073,103	6,548,925	6,239,964	3,104,406
Profit/(Loss) before taxation	21,632,410	15,585,123	9,197,648	1,699,799	1,827,188	(657,861)
Profit/(Loss) after taxation	8,980,538	7,831,660	4,167,990	(2,232,525)	864,642	(3,590,978)
Balance Sheet						
Shareholders equity	155,531,740	11,109,410	11,109,410	11,109,410	11,109,410	11,109,410
Unappropriated profit/(loss)	25,021,743	18,969,456	11,137,796	6,969,806	10,313,272	9,448,630
Tangible fixed assets	355,486,469	330,811,041	324,912,958	167,446,255	174,339,259	157,174,921
Significant Ratios:						
Gross Profit %	8.39	7.62	6.28	5.84	5.74	4.81
Current Ratio	1.34	1.39	1.06	1.04	1.01	1.21
Earning per share	3.88	7.05	3.75	(2.01)	0.78	3.23

FORM OF PROXY

Folio No.

I/WE ____________________

Of ____________________

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

(Name)

Of ____________________

(Another member of the) failing him ____________________

(Name)

Of ____________________

(Another member of the Company) to attend, act and vote for me and on my/our behalf at the 64th Annual General Meeting of the Company to be held on Friday, 31st day of October 2014 at 4.00 p.m. Hospitality Inn (formerly Holiday Inn), 25-26, Egerton Road, Lahore and at any adjournment thereof.

As witness my/our hand(s) this ____________________ day of ____________________ 2014

Signature on
Revenue Stamp
of Correct Value

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

Date: ____________________

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

ANNUAL REPORT
2014

The National Silk & Rayon Mills Ltd.

Manufacturer & Exporter of Quality Textile Products

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