



ZAHIDJEE TEXTILE MILLS LIMITED

Mission, Vision, Values

- ▶ To add value to shareholders and the economy by engaging profitably in textile products.
- ▶ To be and remain quality leader and competitive in the international market.
- ▶ To conduct business as a socially responsible corporate citizen.

Company Information

Board of Director

Mr. Muhammad Zahid
Chairman / Chief Executive

Mst. Huma Zahid
Mst. Shaista Balquees
Mst. Fauzia Shahani
Mr. Muhammad Amjad
Mr. Muhammad Nawaz
Mr. Muhammad Jamshaid

Audit Committee

Mrs. Huma Zahid
(Chairman)
Mr. Muhammad Amjad
Mst. Shaista Bilquees

Company Secretary/ Chief Financial Officer

Mr. Shahab-Ud-Din Khan

Share Registrar

Consulting One (Private) Limited
478-D, Peoples Colony No. 1,
Faisalabad.
Tel: +92-41-8541165 / 8541965
Fax: +92-41-8542765

Bankers of the Company

National Bank of Pakistan
United Bank Limited
The Bank of Punjab
Meezan Bank Limited
Faysal Bank Limited
Allied Bank Limited
Bank Al-Falah Limited
Summit Bank Limited

Auditors

Avais Hyder Liaquat Nauman
Chartered Accountants

HR & Remuneration Committee

Mr. Muhammad Amjad
(Chairman)
Mr. Muhammad Nawaz
Mst. Fauzia Shahai

Registered Office

20, Bilal Road, Civil Lines,
Faisalabad
Tel: + 92-41-2649340 / 2409223-24
Fax: + 92-41-2615421

Mills

- 28-KM, Sheikhpura Road,
Faisalabad.
- 32-KM, Tandlianwala Road,
Faisalabad.
- M-3, Industries City,
Sahianwala, Faisalabad.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting (AGM) of the shareholders of ZAHIDJEE TEXTILE MILLS LIMITED ("the Company") will be held at 11:00 AM on Friday, the 31st October, 2014 at Mills located 28 Km, Sheikhpora Road, Faisalabad to transact the following business:

ORDINARY BUSINESS:

1. To confirm minutes of the last meeting of shareholders.
2. To consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2014 together with the Directors and Auditors reports thereon;
3. To appoint auditors for the year 2014-2015 and to fix their remuneration. The retiring auditor M/S Avasi Hyder Liaquat Nauman, Chartered Accountants being eligible offer themselves for reappointment.
4. To transact any other ordinary business with the permission of the chair.

By order of the Board

Faisalabad
Dated: October 03, 2014

SHAHAB UD DIN KHAN
Company Secretary

NOTES

- i. The share transfer books of the Company shall remain closed from October 24, 2014 to October 31, 2014 (both days inclusive). Transfers received in order at Company's registrar, M/S Consulting One (Private) Limited, 478-D, Peoples Colony No.1, Faisalabad up to close of business on October 23, 2014 will be considered in time.
- ii. A Member entitled to attend and vote at the General Meeting of members is entitled to appoint a proxy to attend and vote on his / her behalf.
- iii. The instrument appointing proxy and the power of attorney or other authority, under which it is signed or a notarially certified copy of the power of attorney must be deposited at the office of the share registrar of the company not less than 48 hours before the time of meeting.
- iv. The CDC account holder will further have to follow the under mentioned guidelines:

A For attending meetings:

- i. In case of individuals, the account holders or sub-account holders and / or the persons whose shares are in group accounts and their registration details are uploaded as per CDC regulations shall authenticate their identity by showing their original Computerized National Identity Cards (CNICs) or original passports at the time of attending meeting.
- ii. In case of corporate entities, the Board of Directors resolution / power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of meeting.

B For appointing proxies:

- i. In case of individual, the account holders or sub-account holders and /or the persons whose share in group accounts and their registration detail are uploaded as per CDC regulations shall submit the proxy forms accordingly.
- ii. The proxy shall witnessed by two persons whose name, addresses and CNIC numbers shall be mentioned on the form.
- iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form,
- iv. The proxy shall produce their original CNIC or original passport at the time of the meeting.
- v. In case of corporate entities, the Board of Directors resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Members are requested to notify any change in their addresses immediately to the share registrar.

DIRECTORS' REPORT TO THE MEMBERS

With grace of almighty Allah I have privilege to place before you, on behalf of the Board of Directors, the audited Financial Statements of the company for the year ended June 30, 2014 which depict the following healthy signs despite the fact that neither national nor global scenario was conducive for the smooth sale and growth of business base.

Operating Results

Operating results for the year under review are as under:

	2014 Rupees	2013 Rupees
Profit before taxation	443,795,068	365,027,817
Provision for taxation	91,051,435	28,602,652
Profit for the year	<u>352,743,633</u>	<u>338,425,165</u>
Earnings per share – Basic and diluted	4.25	5.03

Your company's sales recorded a rise from Rs. 4,612 million last year to Rs. 5,985 million in the year under review. Company earned net profit for the year Rs. 352.74 million as compared to net profit of Rs. 338.43 million last year. Production and quality was improved by installing compact and improving machinery. The Company successfully managed to increase its sale volume both in terms of quantity and value but this magnificent marketing effort could not win desired results which is apparent from the decrease in the % age of gross profit. The decline is mainly attributable to the continuous power shutdown, increase in fuel prices and drastic drop in sale prices which could not cope with increased cotton prices.

The situation was further aggravated in the case of yarn blends where the use of polyester played a vital role in the debacle of business activity. The polyester staple prices are mainly dependent on the prevailing rate of USD which during the year touched the unprecedented height. All these factors collectively bogged the company into initial quagmire.

However the company by its splendid management, controlled administrative and other expenses thus saved the complete fiasco. The new spinning unit has made appreciable progress and commercial production is expected in October 2014.

Dividend

Keeping in view the expansion plan, which is in process, the Directors have decided not to pay dividend this year.

Board of Directors

No casual vacancy occurred during the year. The number of directors remained the same as per the last annual general meeting of the Company.

Board meetings

During the year under review Eight Board meetings were held. Attendance by each director is appended below:-

Leave of absence was granted to the directors who could not attend the meetings.

S.NO.	NAME OF DIRECTOR	NO. OF MEETINGS ATTENDED
1	Mr. Muhammad Zahid	8
2	Mst. Huma Zahid	7
3	Mst. Shaista Balquees	5
4	Mst. Fouzia Shahani	4
5	Mr. Muhammad Amjad	8
6	Mr. Muhammad Nawaz	6
7	Mr. Muhammad Jamshaid	8

Audit committee

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

			NO. OF MEETINGS ATTENDED
Mrs. Huma Zahid	Chairman	Non-Executive Director	5
Mr. Muhammad Amjad	Member	Non-Executive Director	5
Mst. Shaista Balquees	Member	Non-Executive Director	5

The meetings of the Audit committee were held at least once every quarter prior to approval of interim and final results of the Company. The meeting was also attended by the CFO, Head of Internal Audit and External Auditors as and when it was required.

HR & Remuneration Committee

In compliance with the COCG 2012, the Board of Directors of your Company has established a HR&R committee. Composition of HR & R committee is as follows.

			NO. OF MEETINGS ATTENDED
Mr. Muhammad Amjad	Chairman	Non-Executive Director	2
Mr. Muhammad Nawaz	Member	Non-Executive Director	2
Mst. Fouzia Shahani	Member	Non-Executive Director	2

Corporate social responsibility

Your company understands its corporate responsibility towards the society and fulfils its obligations by providing support to under privileged members of the society. Special persons are regularly employed in the company.

Your company is providing healthy, safe and learning work environment to its employees and sends them to attend training courses, seminars, workshops and conferences.

The company has installed an environment friendly gas based power plant with a view to reduce power cost and pollution.

Code of Corporate Governance

The Directors of the Company are pleased to confirm that the company has made compliance of the provisions set out by the Securities and Exchange Commission of Pakistan through the listing regulations of the Stock Exchanges as prescribed in the Code of Corporate Governance and there is no material departure from the best practices as detailed in the listing regulations:

- 1 The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- 2 Proper books of accounts of the company have been maintained.
- 3 Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 4 International Accounting/Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of financial statements and there is no departure there from.
- 5 The system of internal control is sound and has been effectively implemented and monitored.
- 6 There is no significant doubt upon the company's ability to continue as a going concern.
- 7 Financial Highlights for the last six years are annexed.

Pattern of share holding

The pattern of shareholding as on June 30, 2014 is annexed.

Auditors

The external Auditors, M/s Avais Hyder Liaquat Nauman, Chartered Accountants, retire and offer themselves for their reappointment. The Audit Committee has also recommended the reappointment of M/S Avais Hyder Liaquat Nauman, Chartered Accountants, as external auditors for the year 2014 - 2015.

Future Outlook

With the on going capacity expansion and our various efforts to expand our market share we expect our company to progress in coming year

On the hole the future of the company looks encouraging. The company is well placed to achieve further success and build shareholder value in the years ahead.

Acknowledgments

The Directors of your Company would like to place on record their deep appreciation for the support of the customers, banks, financial institutions, regulators and shareholders during the year and hope that this cooperation and support will also continue in the future.

The Directors of your Company would also like to express their appreciation for the services, devotion, loyalty and efforts being continuously rendered by the executives, staff members and workers of the Company and hope that they will continue with these efforts in future also.

For and on behalf of
the Board

FINANCIAL HIGHLIGHTS

	2014	2013	2012	2011	2010	2009
	(Rupees in Thousand)					
Net Assets Employed						
Fixed assets	3,864,008	1,945,242	1,834,405	1,030,361	1,104,596	1,176,571
Intangible assets	4,795	5,782	4,552	-	-	-
Investment in associate	-	-	-	-	20,400	113,460
Long term deposits	4,344	4,255	3,282	3,282	3,282	3,282
Current assets	1,925,251	2,321,387	1,359,089	1,538,835	1,370,026	1,426,672
Current liabilities	(1,745,107)	(1,916,868)	(1,172,185)	(1,347,127)	(1,500,751)	(1,741,750)
	180,145	404,519	186,905	191,708	(130,725)	(315,078)
Long term liabilities	(665,297)	(112,734)	(131,026)	(106,117)	(320,024)	(379,845)
Net Assets	3,387,994	2,247,064	1,898,117	1,119,234	677,529	598,389
Represented By						
Paid up capital	1,274,866	408,611	340,509	340,509	340,509	340,509
Reserves	1,374,957	1,085,367	786,903	723,033	266,783	190,227
Revaluation surplus	738,171	753,087	770,706	55,691	70,236	67,652
	3,387,994	2,247,064	1,898,117	1,119,234	677,529	598,389
Operating Results						
Sales	5,985,119	4,611,797	3,792,121	5,241,845	3,162,511	2,109,300
Gross profit	763,233	685,014	390,888	894,683	519,122	263,516
Operating profit	844,790	699,092	413,298	979,955	519,645	265,133
Profit / (loss) before taxation	443,795	365,028	62,879	437,172	71,482	(116,196)
Financial Ratios						
Gross profit %	12.75	14.85	10.31	17.07	16.41	12.49
Operating profit %	14.11	15.16	10.90	18.69	16.43	12.57
Profit(loss) before taxation %	7.41	7.92	1.66	8.34	2.26	(5.51)
Earning / (Loss) per share (Rs.)	4.25	5.03	0.30	10.14	1.58	(3.41)
Current ratio	1.10	1.21	1.16	1.14	0.91	0.82
Fixed assets turnover (times)	1.55	2.37	2.07	5.09	2.86	1.79
Debt equity ratio	0.16:1	00:1	00:1	05:95	31:69	37:63
Book value per share (Rs.)	20.79	43.87	33.11	31.23	17.83	15.59
Plant capacity and production						
Spinning						
Spindles installed/worked (Nos)	42,192	42,192	42,192	42,192	42,192	42,192
Actual production converted into						
20's count (Kgs. In million)	15.71	13.78	11.50	15.22	14.74	13.73
Weaving						
Number of looms installed/worked(Nos)	280	280	280	280	280	280
Actual production converted into						
60 picks (Square Meters)	36,275,978	31,920,341	28,748,245	29,349,365	29,228,474	29,973,024

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2014 prepared by the Board of Directors of Zahidjee Textile Mills Limited (the company) to comply with the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges (the stock exchanges) where the company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code and report if it does not. 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 effectiveness of such internal controls, the company's corporate governance procedures and risks.

The Code also requires the company to place before the Board of Directors for their consideration and approval of 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.

As per clause (xi) of the Code, it is mandatory for all the directors of the company (excluding the director who is exempt under the Code) to have certification under any director's training program by institutions (local or foreign) that met the criteria specified by SECP. A minimum of one director is required to acquire the said certification every year from June 30, 2012 to June 30, 2016. No director of the company has acquired the said certification to date.

Based on our review, with the exception of the matter described in the preceding paragraph, 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.

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Dated: October 03, 2014
FAISALABAD

Statement of compliance with the best practices of code of corporate governance for the year ended June 30, 2014

This statement is being presented to comply with Code of Corporate Governance (CCG) contained in the listing regulations of Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices for good Corporate Governance.

The Board had applied the principles contained in the Code in the following manner:

- 1 The Company encourages representation of independent non-executive directors and directors representing minority interest on the Board of the Company. However, at present, the Board includes:

Category	Names
Executive Directors	Muhammad Zahid
Non-Executive Directors	Muhammad Amjad
	Muhammad Nawaz
	Muhammad Jamshaid
	Mst. Huma Zahid
	Mst. Shaista Balquees
	Fouzia shahani

The condition of class I (b) of the CCG in relation to independent director will be applicable after next election of Directors in March 31, 2015.

- 2 The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
- 3 All the directors of the Company are registered tax payers and none of them has defaulted in payment of any loan to any banking company, development financial institution or a non-banking financial institution.
- 4 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.
- 5 The Board has developed mission, vision and values statement, overall corporate strategy and significant policies of the Company. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 6 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 and other Executive Directors have been taken by the Board.
- 7 The meetings of the Board were presided over by the Chairman. 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. The Company secretary and CEO attended the meeting of the Board of Directors.
- 8 The Directors are aware of their duties and responsibilities under the relevant laws and regulations and they are regularly appraised with the amendments in the corporate and other laws if any. Three out of seven directors are exempt from the directors' training program and remaining directors will acquire the required training in due course.
- 9 The appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as recommended by the CEO, was approved by the Board.
- 10 The directors' reports for this has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
- 11 The financial statements of the Company were duly endorsed by CEO and CFO before approval by the Board.

- 12 The CEO, Directors and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- 13 The Company has complied with all the corporate and financial reporting requirements of the Code.
- 14 The Board has formed an Audit Committee. It comprises of three members of whom, all members are non executive directors.
- 15 The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
- 16 The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, all of whom are non-executive directors.
- 17 The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
- 18 The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses or minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- 19 The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations of Karachi and Lahore Stock Exchanges and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20 The related party transactions have been placed before the Audit Committee and approved by the Board of Directors. The transactions were made on terms equivalent to those that prevail in arm's length transactions.
- 21 The 'closed period', prior to the announcement of interim and final results, and business decisions, which may materially affect the market prices of Company's shares was determined and intimated to directors, employees and the stock exchanges.
- 22 Material / Price sensitive information has been disseminated among all market participants at once through the stock exchanges.
- 23 We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of
Board of Directors

Faisalabad
Dated: October 3, 2014

MUHAMMAD ZAHID
Chief Executive Officer

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Zahidjee Textile Mills Limited (the company) 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 account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - i. 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 account and are further in accordance with accounting policies consistently applied;
 - ii. ii. the expenditure incurred during the year was for the purpose of the company's business; and
 - iii. 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, its comprehensive income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner: - Hamid Masood

Dated: October 03, 2014
Place: Faisalabad

ZAHIDJEE TEXTILE MILLS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
NON - CURRENT ASSETS			
Property, plant and equipment	3	3,864,008,401	1,945,242,447
Intangible assets	4	4,794,609	5,781,669
Long term security deposits		4,344,062	4,264,785
		3,873,147,072	1,955,278,901
CURRENT ASSETS			
Stores, spares and loose tools	6	146,615,728	117,870,495
Stock in trade	6	888,846,636	1,054,012,187
Trade debts	7	587,836,930	440,858,825
Loans, advances and deposit	8	137,232,379	126,704,235
Prepayments		579,529	255,388
Other receivables	9	20,602,816	19,714,330
Short term investment	10	66,115,670	34,914,460
Tax refunds due from Government	11	73,921,940	51,928,726
Cash and bank balances	12	4,499,708	475,128,266
		1,925,251,336	2,321,386,912
CURRENT LIABILITIES			
Trade and other payables	13	371,298,659	363,933,949
Interest / mark up payable	14	42,521,835	32,176,249
Short term borrowings	15	1,198,797,196	1,486,384,632
Current portion of long term finance	16	75,000,000	-
Provision for taxation - income tax	29	67,488,883	34,372,727
		1,745,106,573	1,916,867,557
		4,063,291,835	2,359,798,266
NON - CURRENT LIABILITIES			
Long term finance	16	517,719,644	-
Deferred liability			
Deferred taxation	17	147,577,726	112,734,263
		665,297,370	112,734,263
CONTINGENCIES AND COMMITMENTS			
Net worth	18	-	-
		3,387,994,465	2,247,063,993
Represented by :			
Share capital	19	1,274,865,800	408,610,840
Capital reserve			
Merger reserve		366,258,513	366,258,513
Revenue reserves		1,008,698,666	719,108,034
		2,649,822,979	1,493,977,387
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
	20	738,171,486	753,086,606
		3,387,994,465	2,247,063,993

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ZAHIDJEE TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
Sales	21	5,985,118,939	4,811,796,810
Cost of goods sold	22	5,221,886,109	3,926,783,141
Gross profit		<u>763,232,830</u>	<u>685,013,669</u>
Trading (loss) / profit	23	(33,708)	2,628,024
Other income	24	81,591,008	11,450,234
		<u>844,790,130</u>	<u>699,091,927</u>
Distribution cost	25	119,907,694	100,258,159
Administrative expenses	26	89,123,163	74,394,988
Other operating expenses	27	27,430,587	40,345,588
Finance cost	28	164,533,618	119,065,375
		<u>400,995,062</u>	<u>334,064,110</u>
Profit before taxation		<u>443,795,068</u>	<u>365,027,817</u>
Provision for taxation	29	91,051,435	26,602,652
Profit for the year		<u>352,743,633</u>	<u>338,425,165</u>
Earnings per share - Basic and diluted	30	<u>4.25</u>	<u>5.03</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

**ZAHIDJEE TEXTILE MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014**

	2014 Rupees	2013 Rupees
Profit for the year	352,743,633	338,425,165
Other comprehensive income for the year		
Items that will not be subsequently reclassified to profit or loss :		
Incremental depreciation on revalued assets for the year	18,569,159	19,805,480
Other Item:		
Surplus realised on disposal of property, plant and equipment	-	8,535,169
	18,569,159	28,140,649
Total comprehensive income for the year	<u>371,312,792</u>	<u>366,565,814</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ZAHIDJEE TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

2014
Rupees

2013
Rupees

a) CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	443,795,068	365,027,817
Adjustment for:		
Depreciation of property, plant and equipment	69,759,068	69,430,280
Amortisation of intangible assets	1,387,060	1,020,294
Provision for doubtful debts	19,621,234	18,000,000
Balances written off	-	3,243,275
Net (gain) / loss on disposal of operating assets	(771,206)	15,758,363
Dividend income	(4,045,708)	(4,045,708)
Reversal of impairment loss on short term investment	(30,201,210)	-
Finance cost	164,533,618	119,065,375
Operating cash flows before working capital changes	664,077,924	587,499,696

Changes in working capital

(Increase) / decrease in current assets

Stores, spares and loose tools	(28,745,233)	25,852,921
Stock in trade	165,165,551	(520,933,019)
Trade debts	(166,599,339)	(22,183,472)
Loans, advances and deposit	22,357,241	19,443,269
Prepayments	(324,141)	57,779
Other receivables	(888,486)	(1,743,044)
Tax refunds due from Government	(19,538,314)	(13,193,088)

Increase in current liabilities

Trade and other payables	9,673,495	95,605,563
	(18,899,226)	(417,093,091)

Cash generated from operating activities	645,178,698	170,406,605
Finance cost paid	(154,188,032)	(110,398,509)
Income tax paid	(67,086,478)	(43,196,886)
Net cash generated from operating activities	423,904,188	16,811,210

	2014 Rupees	2013 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in:		
Property, plant and equipment	(1,989,653,776)	(203,922,703)
Intangible assets	(400,000)	(2,250,000)
Proceeds from disposal of operating assets	1,899,960	7,896,596
Long term security deposits paid	(89,277)	(973,067)
Dividend received	4,045,708	4,045,708
Net cash (used in) investing activities	<u>(1,984,197,385)</u>	<u>(195,203,466)</u>
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	784,532,800	-
Long term finance obtained	592,719,644	-
Repayment of long term finance	-	(99,982,390)
(Decrease) / increase in short term borrowings - net	(287,587,436)	745,529,577
Dividend paid	(369)	(6,708)
Net cash generated from financing activities	<u>1,089,664,639</u>	<u>645,540,481</u>
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(470,628,558)	467,148,225
Cash and cash equivalents at the beginning of the year	475,128,266	7,980,041
Cash and cash equivalents at the end of the year	<u>4,499,708</u>	<u>475,128,266</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ZAHIDJEE TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	CAPITAL RESERVE	REVENUE RESERVES			Total
		Merger reserve	General reserve	Unappropriated profit	Sub total	
R u p e e s						
Balance as at July 01, 2012	340,509,040	366,258,513	300,000,000	120,644,020	420,644,020	1,127,411,573
Transaction with owners						
Bonus shares issued (one share for each five shares held)	68,101,800	-	-	(68,101,800)	(68,101,800)	-
Total comprehensive income for the year						
Profit for the year	-	-	-	338,425,165	338,425,165	338,425,165
Other comprehensive income						
Items that will not be subsequently reclassified to profit or loss :						
Incremental depreciation on revalued assets for the year	-	-	-	19,605,480	19,605,480	19,605,480
Other item:						
Surplus realised on disposal of property, plant and equipment	-	-	-	8,535,169	8,535,169	8,535,169
	-	-	-	28,140,649	28,140,649	28,140,649
Balance as at June 30, 2013	408,610,840	366,258,513	300,000,000	419,108,034	719,108,034	1,493,977,387
Transaction with owners						
Bonus shares issued (one share for each five shares held)	81,722,160	-	-	(81,722,160)	(81,722,160)	-
Ordinary shares issued during the year (Eight shares for each five shares held)	784,532,800	-	-	-	-	784,532,800
Total comprehensive income for the year						
Profit for the year	-	-	-	352,743,633	352,743,633	352,743,633
Other comprehensive income						
Items that will not be subsequently reclassified to profit or loss :						
Incremental depreciation on revalued assets for the year	-	-	-	18,569,159	18,569,159	18,569,159
Balance as at June 30, 2014	1,274,865,800	366,258,513	300,000,000	708,698,666	1,008,698,666	2,649,822,979

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ZAHIDJEE TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. GENERAL INFORMATION

- 1.1 Zahidjee Textile Mills Limited (the Company) is incorporated in Pakistan on July 17, 1990 as a public limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at 20 Bilal Road, Civil Lines, Faisalabad in the province of Punjab. The Company is currently listed on Karachi and Lahore stock exchanges. The principal business of the Company is export of all kinds of value added fabrics and textile made-ups. The Company is also engaged in the business of manufacturing and sale of yarn. The weaving unit is located at Salyana, District Faisalabad and spinning units are located at Tehsil Jaranwala, District Faisalabad, in the province of Punjab.
- 1.2 The Company's project of balancing, modernization, replacement (BMR) and expansion of spinning comprising 25,000 spindles is under implementation.
- 1.3 Pursuant to scheme of arrangement approved by the Honorable Lahore High Court, Lahore, assets, liabilities and reserves of Zahidjee Fabrics Limited were merged with the assets, liabilities and reserves of Zahidjee Textile Mills Limited with effect from July 01, 2006.
- 1.4 The financial statements are presented in Pakistani Rupee, which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan, and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards (IASs) / International Financial Reporting Standards (IFRSs) as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the Commission differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2013 and therefore, have been applied in preparing these financial statements:

- IFRS 7 (Amendments) "Financial Instruments Disclosures" on offsetting financial assets and financial liabilities. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The Company does not have any offsetting arrangements in place, therefore, the amendments do not have material impact on the disclosures.
- IFRS 13 "Fair Value Measurement" establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value for financial reporting purposes, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of IFRS 13 may result in changes in how entities determine fair values for financial reporting purposes. IFRS 13 requires extensive disclosures about fair value measurements. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 "Financial Instruments". Disclosures are extended by IFRS 13 to cover all assets and liabilities within its scope. The standard does not have any material impact on the Company's financial statements.

2.2.2 Standards, amendments to standards and interpretations becoming effective in current year but not relevant

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2013 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

2.2.3 Standards, amendments to standards and interpretations becoming effective in future periods

The following standards, amendments to standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates:

- IFRS 9 "Financial Instruments" (2014): A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 "Financial Instruments: Recognition and Measurement". The standard contains requirements in the areas of classification and measurement, impairment, hedge accounting, de-recognition.

Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. It introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It also introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The standard is effective for accounting period beginning on or after January 01, 2018.

IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before February 01, 2015. The management of the Company is reviewing the changes to evaluate the impact of application of standard on the company's financial statements.

- IFRS 15 "Revenue from Contracts with Customers": IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard is effective for accounting periods beginning on or after January 01, 2017. The Management is in the process of evaluating the impact of application of the standard on the Company's financial statements.

- Amendment to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": In this amendment it is clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendment is effective for accounting periods beginning on or after January 01, 2016. The application of amendment is not expected to have any material impact on the Company's financial statements.
- IAS 32 (Amendment) "Financial Instruments: Presentation". This amendment updates the application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment is effective for accounting periods of the Company beginning on or after July 01, 2014. The application of the amendment is not expected to have any material impact on the Company's financial statements.

Amendments to IAS 36 "Impairment of Assets": These amendments address the disclosures and clarify the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are effective for accounting periods beginning on or after January 01, 2014. The application of amendments is not expected to have any material impact on the Company's financial statements.

- Amendments to IAS 39 "Financial Instruments Recognition and Measurement": These amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments are effective for accounting periods beginning on or after January 01, 2014. The application of amendments is not expected to have any material impact on the Company's financial statements.

The IASB has issued Annual Improvements to IFRS's 2010-2012 Cycle

Amendments to the following standards were made which are effective for the accounting periods beginning on or after July 01, 2014:

IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 8 — Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24 — Clarify how payments to entities providing management services are to be disclosed.

These amendments are not expected to have any material impact on the Company's financial statements.

- The IASB has issued Annual Improvements to IFRS's 2011-2013 Cycle

Amendments to the following standards were made which are effective for the accounting periods beginning on or after July 01, 2014:

IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52.

IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

These amendments are not expected to have any material impact on the Company's financial statements.

- IFRIC 21 Levies

This Interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides guidance on recognition of a liability to pay levies. The interpretation is effective for accounting periods beginning on or after January 01, 2014. The application is not expected to have material impact on the Company's financial statements.

2.2.4 Standards, amendments to standards and interpretations becoming effective in future period but not relevant.

There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

2.3 Basis of preparation

The financial statements have been prepared under the historical cost convention except: -

- Certain property, plant and equipment carried at valuation.
- Short term investments measured at fair value.

2.4 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost / valuation less accumulated depreciation and impairment in value, if any. Freehold land and capital work in progress are stated at valuation, cost less accumulated impairment in value, if any.

Depreciation is charged to income applying the reducing balance method at the rates specified in property, plant and equipment note 3.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition or capitalisation and upto the month preceding the disposal respectively.

When parts of an item of property, plant and equipment have different useful lives, they are recognised as a separate item of property, plant and equipment.

Normal repair and maintenance costs are charged to income during the period in which they are incurred. Major renewals and improvements are capitalised.

Gains or losses on disposal of assets, if any, are recognised as and when incurred.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

Surplus arising on revaluation of an item of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment, except to the extent of reversal of deficit previously charged to income, in which case that portion of the surplus is recognised in income. Deficit on revaluation of an item of property, plant and equipment is charged to surplus on revaluation of that asset to the extent of surplus and any excess deficit is charged to income. On subsequent sale or retirement of revalued item of property, plant and equipment, the attributable balance of surplus is transferred to unappropriated profit through statement of comprehensive income. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit through statement of comprehensive income.

2.5 Intangible assets

These are stated at cost less accumulated amortisation and impairment in value, if any. Intangible assets are amortised over a period of five years using straight line method.

Amortization on additions during the year is charged from the month in which an asset is acquired or capitalised.

All costs / expenditure connected with software implementation are collected in computer softwares under implementation. These are carried at cost less impairment in value, if any and are transferred to specific assets as and when assets are available for intended use.

2.6 Investments

Investments are initially recognised / derecognised on trade date at cost being the fair value of consideration given including cash transaction. Trade date is the date that the Company commits to purchase or sell the investment. After initial recognition these are recognised and accounted for as follows:

Available for sale Investments

Investment securities intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently re-measured at fair value. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value are recognised in equity, through statement of comprehensive income, under fair value reserve until sold or otherwise disposed off at which time, the cumulative gain or loss previously recognised in equity is included in profit and loss account.

Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Gain / loss on sale of investments is taken to income in the period in which it arises.

2.7 Impairment

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indications exist, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account, unless the relevant assets are carried at revalued amounts, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Where impairment loss subsequently reverses, the carrying amounts of the assets are increased to the revised recoverable amounts but limited to the carrying amounts that would have been determined had no impairment loss been recognised for the assets in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant assets are carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.8 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.9 Stores, spares and loose tools

These are valued at moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice value plus other charges incurred thereon.

2.10 Stock in trade

Stock in trade except wastes are valued at the lower of cost and net realisable value. Cost is determined as follows:

Raw material	Weighted average cost except items in transit which are valued at cost accumulated upto the balance sheet date.
Work in process	Average manufacturing cost.
Finished goods	Average manufacturing cost.

Wastes are valued at net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sales. Average manufacturing cost represents cost of direct materials, labour and appropriate manufacturing overheads.

2.11 Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified. Other receivables are carried at nominal amount which is the fair value of the consideration to be received in future.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amounts of cash and are subject to insignificant risk of change in value.

2.13 Trade and other payables

Liabilities for trade and other payables are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether billed to the Company or not.

2.14 Provisions

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

2.15 Provision for taxation

Current taxation

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available under the law.

Deferred taxation

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the income statement, except in case of items charged or credited to equity in which case it is included in equity.

2.16 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

2.17 Foreign currency translation

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in net profit or loss for the period.

2.18 Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

Other particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

2.19 Offsetting of financial asset and financial liability

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to offset the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.20 Derivative financial Instruments

The Company uses derivative financial instruments such as interest rate swaps and cross currency swaps to hedge its risk associated with interest and exchange rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is recognised on time proportionate basis.

Dividend income from investments is recognised when the Company's right to receive payment has been established except dividend from associate accounted for using equity method which is recognised as a reduction of the carrying value of investment when the Company's right to receive payment has been established.

2.22 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

2.23 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IASs / IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory and taxation. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

3. Property, plant and equipment

Operating assets
Capital work in progress
Advances against purchase of land
Advances to contractors

Note	2014 Rupees	2013 Rupees
3.1	1,846,040,695	1,803,479,859
3.5	1,901,798,133	129,762,588
	33,248,000	12,000,000
	82,921,573	-
	<u>3,864,008,401</u>	<u>1,945,242,447</u>

3.1 Operating assets

	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Office equipment	Electric appliances	Furniture and fittings	Vehicles	Total
At July 01, 2012										
Cost \ valuation	525,487,750	399,140,481	831,625,854	63,844,793	5,176,046	9,819,827	1,554,800	4,238,623	37,010,428	1,877,998,602
Accumulated depreciation	-	-	-	(40,722,342)	(2,742,605)	(4,668,329)	(969,395)	(1,938,025)	(22,895,067)	(73,935,763)
Net book value	525,487,750	399,140,481	831,625,854	23,122,451	2,433,441	5,151,498	585,405	2,300,598	14,115,361	1,803,962,839
Year ended June 30, 2013										
Opening net book value	525,487,750	399,140,481	831,625,854	23,122,451	2,433,441	5,151,498	585,405	2,300,598	14,115,361	1,803,962,839
Additions	-	-	80,177,885	539,820	286,284	922,918	517,100	297,932	9,860,320	92,602,259

Disposals:

Cost \ valuation	-	-	(23,085,000)	-	-	-	-	-	(2,168,615)	(25,253,615)
Accumulated depreciation	-	-	133,594	-	-	-	-	-	1,465,062	1,598,656
Depreciation charge	-	(19,957,024)	(42,449,895)	(2,325,741)	(249,752)	(571,753)	(67,154)	(255,133)	(703,553)	(23,654,959)
Closing net book value	525,487,750	379,183,457	846,402,438	21,336,530	2,469,973	5,502,663	1,035,351	2,343,397	16,718,300	1,803,479,859
At July 01, 2013										
Cost \ valuation	525,487,750	399,140,481	888,718,739	64,384,613	5,462,330	10,742,745	2,071,900	4,536,555	44,702,133	1,945,242,246
Accumulated depreciation	-	(19,957,024)	(42,316,301)	(43,048,083)	(2,992,357)	(5,240,082)	(1,036,549)	(2,193,156)	(24,983,833)	(141,767,387)
Net book value	525,487,750	379,183,457	846,402,438	21,336,530	2,469,973	5,502,663	1,035,351	2,343,397	19,718,300	1,803,479,859
Year ended June 30, 2014										
Opening net book value	525,487,750	379,183,457	846,402,438	21,336,530	2,469,973	5,502,663	1,035,351	2,343,397	19,718,300	1,803,479,859
Additions	70,996,614	-	34,943,384	-	44,079	529,307	631,550	462,300	5,841,425	113,448,659

Disposals:

Cost	-	-	-	-	(194,510)	-	-	-	(3,690,238)	(3,884,748)
Accumulated depreciation	-	-	-	-	72,397	-	-	-	2,843,597	2,715,994
Depreciation charge	-	(18,959,173)	(43,023,494)	(2,133,653)	(82,113)	(579,338)	(141,397)	(257,901)	(1,046,841)	(1,128,754)
Closing net book value	596,484,364	360,224,284	838,322,328	19,202,877	2,191,389	5,452,632	1,525,504	2,547,796	19,089,521	1,846,040,695
At June 30, 2014										
Cost \ valuation	596,484,364	399,140,481	923,662,123	64,384,613	5,351,899	11,272,052	2,703,450	4,998,855	46,853,320	2,054,951,157
Accumulated depreciation	-	(38,916,197)	(85,339,795)	(45,181,736)	(3,160,510)	(5,818,420)	(1,177,946)	(2,451,058)	(26,763,799)	(208,810,462)
Net book value	596,484,364	360,224,284	838,322,328	19,202,877	2,191,389	5,452,632	1,525,504	2,547,796	20,089,521	1,846,040,695
Annual rate of depreciation (%)	-	5	5	10	10	10	10	10	20	20

3.2 Depreciation for the year has been allocated as under:

	Note	2014 Rupees	2013 Rupees
Cost of goods sold	22.1	64,441,860	65,049,565
Administrative expenses	26	5,317,209	4,380,715
		<u>69,759,069</u>	<u>69,430,280</u>

3.3 Had there been no revaluation, the carrying values of freehold land, building on freehold land and plant and machinery at June 30, 2014 and 2013 would have been as follows:

	Carrying value	
	2014 Rupees	2013 Rupees
Freehold land	144,296,863	73,300,249
Building on freehold land	315,209,398	331,799,366
Plant and machinery	530,523,198	522,403,355
	<u>990,029,459</u>	<u>927,502,970</u>

3.4 Detail of disposal of operating assets

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
Rupees					
Factory equipment (By negotiation)	154,510	72,397	82,113	100,000	Data Engineering Works, Maqbool Road, Faisalabad.
Vehicles: (By negotiation)	1,399,663	757,741	641,922	600,000	Mr. Muhammad Qasim P-20 Race Course Road, Civil Lines, Faisalabad.
(Insurance claim)	1,032,275	941,015	91,260	750,000	UBL Insurers Limited. Liaquat Road, Faisalabad.
	70,500	9,400	61,100	60,000	
	70,690	8,247	62,443	60,000	
	70,690	15,532	55,158	54,000	EFU General Insurance Limited Susan Road, Faisalabad.
(under company policy)	1,046,420	911,662	134,758	275,960	Particulars of purchasers are not required to be disclosed as the written down value of each asset is less than Rs. 50,000/-.
	3,690,238	2,643,597	1,046,641	1,799,960	
2014	3,844,748	2,715,994	1,128,754	1,899,960	
2013	25,253,615	1,598,656	23,654,959	7,896,598	

3.5 Capital work in progress

	Note	Civil work	Plant and machinery	Total
		Rupees		
Balance as at July 1, 2012		15,854,632	14,587,512	30,442,144
Additions		97,205,169	2,115,275	99,320,444
Balance as at June 30, 2013		113,059,801	16,702,787	129,762,588
Additions	3.5.1	526,143,318	1,245,892,227	1,772,035,545
Balance as at June 30, 2014		639,203,119	1,262,595,014	1,901,798,133

3.5.1 Additions in plant and machinery include finance cost of Rs. 13.50 million directly attributable to acquisition / installation of plant and machinery.

	Note	2014 Rupees	2013 Rupees
4. Intangible assets			
Computer software and license			
Cost		7,201,963	6,801,963
Accumulated amortization		(2,407,354)	(1,020,294)
Written down value		4,794,609	5,781,669
4.1 Reconciliation of written down value			
Opening written down value		5,781,669	4,551,963
Additions		400,000	2,250,000
Amortisation for the year	26	(1,387,060)	(1,020,294)
Closing balance		4,794,609	5,781,669

4.1.1 Amortization rate is 20% per annum.

5. Stores, spares and loose tools

Stores			
In hand		61,258,679	58,754,191
In transit		3,505,307	-
		64,763,986	58,754,191
Spares		81,186,218	58,631,838
Loose tools		665,524	484,466
		146,615,728	117,870,495

5.1 Spares include items that may result in fixed capital expenditure but are not distinguishable.

	Note	2014 Rupees	2013 Rupees
6. Stock in trade			
Raw materials			
In hand	6.1	733,521,025	855,561,265
In transit		2,151,870	-
		735,672,895	855,561,265
Work in process		61,362,805	58,739,085
Finished goods	6.1	86,518,160	137,386,833
Waste		5,292,776	2,325,004
		888,846,636	1,054,012,187

6.1 Stock in trade amounting to Rs. 618.59 million (2013: Rs. 810.24 million) was pledged as security with the banking companies.

	Note	2014 Rupees	2013 Rupees
7. Trade debts			
Considered good			
Secured			
Foreign		93,020,016	93,864,826
Unsecured			
Foreign		150,581,281	79,882,677
Local		344,235,633	247,490,088
		494,816,914	327,372,765
Considered doubtful			
Unsecured			
Local		37,621,234	37,621,234
Less: Provision for doubtful debts	26	(37,621,234)	(18,000,000)
		-	19,621,234
		<u>587,836,930</u>	<u>440,858,825</u>
8. Loans, advances and deposit			
Considered good			
Advances			
Employees		932,693	547,738
Suppliers		45,010,032	58,423,989
For purchases and expenses		23,811,659	35,447,629
Income tax		67,086,478	34,201,093
Letters of credit fee and expenses		63,717	83,786
Deposit			
Guarantee margin		327,800	-
		<u>137,232,379</u>	<u>126,704,235</u>
9. Other receivables			
Considered good			
Export rebate / duty drawback		18,259,349	18,778,969
Other		2,343,467	935,361
		<u>20,602,816</u>	<u>19,714,330</u>
10. Short term investment			
Available for sale at fair value			
Quoted securities			
Habib Metropolitan Bank Limited			
2,022,854 (2013: 2,022,854)			
Ordinary shares of Rs.10/- each		34,914,460	34,914,460
Add: reversal of impairment loss		30,201,210	-
		<u>65,115,670</u>	<u>34,914,460</u>
11. Tax refunds due from Government			
Income tax		2,454,900	-
Sales tax		71,467,040	51,928,726
		<u>73,921,940</u>	<u>51,928,726</u>
12. Cash and bank balances			
Cash in hand		2,717,350	736,899
Cash at banks			
In current accounts		1,593,439	33,333,640
In PLS accounts	12.1	188,919	441,057,727
		<u>4,499,708</u>	<u>475,128,266</u>

12.1 Effective profit rate in respect of PLS accounts was 7% to 9% per annum (2013 : 6% per annum).

	Note	2014 Rupees	2013 Rupees
13. Trade and other payables			
Creditors		203,008,210	232,388,792
Accrued liabilities		69,384,858	59,017,545
Advance from customers		29,592,384	13,016,316
Payable to provident fund		1,117,542	1,714,807
Workers' profit participation fund	13.1	23,561,283	19,318,588
Workers' welfare fund		3,586,250	2,025,362
Unclaimed dividend		1,763,009	1,763,378
Withholding taxes		5,594,046	2,020,283
Others	13.2	33,691,077	32,669,078
		<u>371,298,659</u>	<u>363,933,949</u>

13.1 Workers' profit participation fund

Opening balance	19,318,588	3,309,410
Interest on funds utilised in the Company's business	646,871	210,750
	<u>19,965,459</u>	<u>3,520,160</u>
Paid to workers on behalf of the fund	(19,965,459)	(3,520,160)
	<u>-</u>	<u>-</u>
Allocation for the year	23,561,283	19,318,588
	<u>23,561,283</u>	<u>19,318,588</u>

13.2 It includes exchange loss of Rs. 22,967,873/- (2013: Rs. 22,967,873/-) and early termination charges of Rs. 8,630,367/- (2013: 8,630,367/-) on cross currency swap. The Company has filed a suit against these charges and the case is pending before the Honourable Lahore High Court.

	Note	2014 Rupees	2013 Rupees
14. Interest / mark up payable			
Interest / mark up payable on:			
Short term borrowings		31,782,389	32,176,249
Long term finance		10,739,446	-
		<u>42,521,835</u>	<u>32,176,249</u>

15. Short term borrowings

Secured			
From banking companies			
Export finances	15.2	507,600,000	739,100,000
Running finances	15.2	187,262,567	78,538,824
Cash finances	15.3	479,540,655	654,677,556
Un-secured			
From directors and associates	15.4	24,393,974	14,068,252
		<u>1,198,797,196</u>	<u>1,486,384,632</u>

15.1 The aggregate unavailed short term borrowing facilities available to the Company are Rs. 1,701 million (2013 : Rs. 1,123 million).

15.2 These are secured against first joint pari passu charge and ranking charge over present and future current assets of the Company, ranking charge over fixed assets of spinning unit, lien on export documents and by personal guarantee of directors of the Company. These are subject to mark up at the rates of one month KIBOR plus 1% per annum, three months KIBOR plus 1% to 1.5% per annum (2013: three months KIBOR plus 1% per annum) and SBP rate plus 1% per annum.

The effective rate of mark up charged during the year ranges from 9.4% to 13.10% per annum (2013: 8.41% to 11.41% per annum).

15.3 These are secured against pledge of cotton, polyester, yarn and grey cloth. These are further secured by personal guarantee of directors of the Company. These are subject to mark up at the rates of one month KIBOR plus 1% per annum and three months KIBOR plus 1% to 1.5% per annum (2013: three months KIBOR plus 1% per annum).

The effective rate of mark up charged during the year ranges from 10.01% to 11.42% per annum (2013: 10.02% to 13.10% per annum).

15.4 These are interest free.

	Note	2014 Rupees	2013 Rupees
16. Long term finance			
Secured			
From banking company			
Under mark up arrangements	16.1	592,719,644	-
Less : Current portion		(75,000,000)	-
		<u>517,719,644</u>	<u>-</u>

16.1 It is repayable in 16 equal quarterly installments commencing from March 31, 2015 and ending on December 31, 2018. It is secured against first charge over fixed assets of spinning unit of the Company. It is further secured by the personal guarantee of directors of the Company. It is subject to markup at three months KIBOR plus 1.5% to 1.75% per annum payable quarterly in arrears. The aggregate unavailed facility available to the Company is Rs. 7.28 million.

Effective markup rates charged during the year ranges from 11.55% to 11.92% per annum.

	2014 Rupees	2013 Rupees
17. Deferred taxation		
Opening balance	112,734,263	131,025,721
(Reversal) of deferred tax related to:		
Incremental depreciation on revalued assets	(3,524,204)	(3,720,885)
Surplus realised on disposal of revalued assets	-	(1,619,873)
Reversal of deferred tax on surplus	(129,835)	(5,180,625)
Provided / (reversed) during the year	<u>38,497,502</u>	<u>(7,770,075)</u>
	<u>147,577,726</u>	<u>112,734,263</u>

17.1 It represents the following:

Deferred tax liability:

Difference between accounting and tax bases of assets 154,764,742 154,973,379

Deferred tax asset:

Carry forward tax credits (7,187,016) (42,239,116)

147,577,726 112,734,263

	2014 Rupees	2013 Rupees
18. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Bank guarantees issued in favour of :		
Sui Northern Gas Pipelines Limited for supply of gas.	30,560,500	30,560,500
Faisalabad Electric Supply Company Limited for supply of electricity.	8,379,760	5,101,760
Indemnity bonds issued in favour of collector of customs / sales tax, Faisalabad to avail exemption of sales tax and custom duty on imported raw material / machinery.	137,804,924	137,804,924
Demand of social security contribution regarding prior years by Punjab Social Security Institute. Matter is pending in the Honourable Civil Court, Faisalabad.	2,780,528	1,576,800
Income tax demand not acknowledged due to pending appeals	28,918,094	69,939,555
Liability of workers' welfare fund not acknowledged. The Company is claiming exemption from the levy.	20,327,818	15,136,335
Commitments		
Under letters of credit for:		
Raw material and spare parts	22,377,639	4,148,102
Plant and machinery	-	16,750,500
Under contracts for purchase of land	439,222,255	-

19. Share capital

19.1 Authorised capital

2013 Number of shares	2014 Number of shares		2014 Rupees	2013 Rupees
<u>60,000,000</u>	<u>135,000,000</u>	Ordinary shares of Rs. 10/- each.	<u>1,350,000,000</u>	<u>600,000,000</u>

19.2 Issued, subscribed and paid up capital

2013 Number of shares	2014 Number of shares		2014 Rupees	2013 Rupees
11,009,300	11,009,300	Ordinary shares of Rs. 10/- each fully paid in cash.	110,093,000	110,093,000
23,041,604	23,041,604	Ordinary shares of Rs.10/- each issued as fully paid shares as per scheme of arrangement for amalgamation sanctioned by the Court.	230,416,040	230,416,040
-	6,810,180	Ordinary shares of Rs.10/- each issued as fully paid bonus shares.	68,101,800	-
6,810,180	8,172,216	Ordinary shares of Rs.10/- each issued during the year as fully paid bonus shares.	81,722,160	68,101,800
-	78,453,280	Ordinary shares of Rs. 10/- each issued during the year as fully paid in cash.	784,532,800	-
<u>40,861,084</u>	<u>127,486,580</u>		<u>1,274,865,800</u>	<u>408,610,840</u>

**20. SURPLUS ON REVALUATION OF
PROPERTY, PLANT AND EQUIPMENT**

	2014 Rupees	2013 Rupees
Surplus on revaluation of property, plant and equipment at the beginning of the year	823,570,676	851,711,326
Transferred to unappropriated profit in respect of :		
Incremental depreciation	18,569,159	19,605,480
Surplus realised on disposal	-	8,535,169
	<u>18,569,159</u>	<u>28,140,649</u>
Surplus on revaluation of property, plant and equipment as at June 30,	805,001,517	823,570,676
Related deferred tax liability on:		
Revaluation at the beginning of the year	70,484,070	81,005,453
Deferred tax relating to:		
Incremental depreciation	(3,524,204)	(3,720,885)
Surplus realised on disposal	-	(1,619,873)
Deferred tax reversed during the year	(129,835)	(5,180,625)
	<u>66,830,031</u>	<u>70,484,070</u>
	<u>738,171,486</u>	<u>753,086,606</u>

20.1 Latest revaluation of freehold land, building on freehold land and plant and machinery was carried out by independent valuers M/S Empire Enterprises Pakistan as at June 30, 2012. Freehold land was revalued on market value basis and building on freehold land and plant and machinery were revalued on depreciated replacement cost basis.

21. Sales

	2014 Rupees	2013 Rupees
Export		
Cloth / made ups	2,478,322,083	1,946,353,683
Yarn	-	24,659,679
	<u>2,478,322,083</u>	<u>1,971,013,362</u>
Local		
Yarn	3,325,093,973	2,404,650,744
Cloth	25,511,895	50,777,779
Waste and left over	171,162,326	126,883,942
Conversion receipts	29,478,568	82,341,194
	<u>3,551,246,762</u>	<u>2,664,653,659</u>
	<u>6,029,568,845</u>	<u>4,635,667,021</u>
Add: Export rebate / duty drawback	2,192,656	1,777,708
	<u>6,031,761,501</u>	<u>4,637,444,729</u>
Less: Commission and claims	46,642,562	25,647,919
	<u>5,985,118,939</u>	<u>4,611,796,810</u>

	Note	2014 Rupees	2013 Rupees
22. Cost of goods sold			
Cost of goods manufactured	22.1	5,173,985,208	4,004,969,103
Finished goods			
Opening stock		139,711,837	61,525,875
Closing stock		(91,810,936)	(139,711,837)
		47,900,901	(78,185,962)
		<u>5,221,886,109</u>	<u>3,926,783,141</u>
22.1 Cost of goods manufactured			
Raw material consumed	22.1.1	4,046,453,715	3,096,460,714
Packing material consumed		40,429,969	30,112,985
Salaries, wages and benefits		330,083,730	237,637,049
Retirement benefits		9,733,601	6,898,705
Stores and spares consumed		172,922,641	189,194,111
Fuel and power		486,492,331	348,088,201
Repairs and maintenance		13,362,805	47,604,098
Insurance		8,089,867	5,986,497
Depreciation	3.2	64,441,860	65,049,565
Other		4,598,409	3,970,201
		<u>5,176,608,928</u>	<u>4,031,002,126</u>
Work in process			
Opening stock		58,739,085	32,706,062
Closing stock		(61,362,805)	(58,739,085)
		<u>(2,623,720)</u>	<u>(26,033,023)</u>
		<u>5,173,985,208</u>	<u>4,004,969,103</u>
22.1.1 Raw material consumed			
Opening stock		855,561,265	438,847,231
Purchases including purchase expenses		3,924,413,475	3,513,174,748
		<u>4,779,974,740</u>	<u>3,952,021,979</u>
Closing stock		(733,521,025)	(855,561,265)
		<u>4,046,453,715</u>	<u>3,096,460,714</u>
23. Trading (loss) / profit			
Sale of polyester		6,279,120	44,826,320
Cost of sales		6,312,828	42,198,296
		<u>(33,708)</u>	<u>2,628,024</u>
24. Other Income			
Income from financial assets:			
Profit on deposits		44,492,648	4,278,861
Dividend		4,045,708	4,045,708
Reversal of impairment loss		30,201,210	-
Income from assets other than financial assets:			
Scrap sales		2,080,236	3,125,665
Gain on disposal of operating assets		771,206	-
		<u>81,591,008</u>	<u>11,450,234</u>

	Note	2014 Rupees	2013 Rupees
25. Distribution cost			
Ocean freight		70,348,981	57,049,475
Local freight		14,416,464	11,895,516
Clearing and forwarding		27,116,264	24,826,694
Export development surcharge		6,523,850	5,365,909
Insurance		1,188,424	926,129
Other		313,711	194,436
		<u>119,907,694</u>	<u>100,258,159</u>
26. Administrative expenses			
Director's remuneration		600,000	600,000
Staff salaries and benefits		23,848,891	20,382,631
Retirement benefits		1,724,733	1,404,653
Postage and telecommunication		4,160,609	2,518,284
Vehicles running and maintenance		12,497,034	10,642,451
Travelling and conveyance		4,291,782	3,420,573
Printing and stationery		874,842	665,867
Electricity and gas		2,320,913	1,274,566
Fees, subscriptions and periodicals		4,574,657	1,510,963
Advertisement		149,600	65,150
Insurance		752,363	569,167
Auditor's remuneration	26.1	1,277,000	732,000
Legal and professional		1,855,132	427,710
Rent, rates and taxes		497,256	658,691
Entertainment		742,513	3,567,598
Provision for doubtful debts	7	19,621,234	18,000,000
Depreciation	3.2	5,317,209	4,380,715
Amortisation of intangible assets	4.1	1,387,060	1,020,294
Other		2,630,335	2,553,675
		<u>89,123,163</u>	<u>74,394,988</u>
26.1 Auditor's remuneration			
Audit fee		1,000,000	500,000
Sundry services		277,000	232,000
		<u>1,277,000</u>	<u>732,000</u>

2014
Rupees

2013
Rupees

27. Other operating expenses

Workers' profit participation fund	23,561,283	19,318,588
Workers' welfare fund	3,869,304	2,025,362
Loss on disposal of property, plant and equipment	-	15,758,363
Balances written off	-	3,243,275
	<u>27,430,587</u>	<u>40,345,588</u>

28. Finance cost

Interest / mark up on:		
Short term borrowings	161,106,400	116,369,682
Workers' profit participation fund	646,871	210,750
Bank charges and commission	2,780,347	2,484,943
	<u>164,533,618</u>	<u>119,065,375</u>

29. Provision for taxation

Current		
for the year	57,488,883	34,372,727
for prior year	(4,934,950)	-
Deferred	38,497,502	(7,770,075)
	<u>91,051,435</u>	<u>26,602,652</u>

29.1 Relationship between tax expense and accounting profit

The relationship between tax expense and accounting profit has not been presented in these financial statements as the income from local sales excluding conversion receipts is subject to minimum tax under section 113 and income from export sales and conversion receipts is subject to final tax under section 153, 154 and 169 of the Income Tax Ordinance, 2001.

2014

2013

30. Earnings per share - Basic and diluted

Profit for the year (Rupees)	<u>352,743,633</u>	<u>338,425,165</u>
Weighted average number of ordinary shares outstanding during the year	<u>82,976,779</u>	<u>67,315,923</u>
Earnings per share - Basic and diluted (Rupees)	<u>4.25</u>	<u>5.03</u>

30.1 There is no dilutive effect on basic earnings per share of the Company.

31. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2014		2013	
	Chief Executive Officer	Executives	Chief Executive Officer	Executives
	Rupees			
Remuneration	384,000	12,588,160	399,996	5,428,667
House rent allowance	172,800	5,664,672	180,000	2,442,900
Medical allowance	38,400	1,258,816	-	-
Utilities allowance	4,800	157,352	20,004	271,433
	600,000	19,669,000	600,000	8,143,000
Number of persons	1	20	1	6

31.1 Chief Executive Officer is entitled to free use of the Company maintained vehicle. The monetary value of running and maintenance is Rs. 1,270,541/- (2013: Rs. 924,799/-). The Directors have waived off their meeting fee.

32. AGGREGATE TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertakings and key management personnel. Amounts due to related parties are shown under the relevant notes to the financial statements. Remuneration to Chief Executive Officer, Directors and Executives is disclosed in Note 31. There are no other significant transactions with related parties.

33. DISCLOSURE WITH REGARD TO PROVIDENT FUND

		2014	2013
Size of the fund	(Rupees)	32,734,415	20,459,285
Cost of investment made	(Rupees)	-	9,464,000
Percentage of investment made	(Percentage)	-	46.26%
Fair value of investment	(Rupees)	-	9,557,188

33.1 These figures are based on the un-audited financial statements of the provident fund. Last year investment was made in a money market fund. Investment / deposit out of provident fund has not been made in accordance with the provisions of section 227 of the Ordinance and the rules formulated for this purpose.

34. NUMBER OF EMPLOYEES

	2014	2013
Total number of employees as at June 30	891	883
Average number of employees during the year	913	896

35. PLANT CAPACITY AND ACTUAL PRODUCTION

	2014	2013
Spinning		
Number of spindles installed	42,192	42,192
Number of spindles worked	42,192	42,192
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	15,700,624	15,700,624
Actual production of yarn after conversion into 20/s count (Kgs)	15,707,174	13,778,876
Weaving		
Number of looms installed	280	280
Number of looms worked	280	280
Number of shifts per day	3	3
Annual production capacity converted into 60 picks (Square Meters)	42,536,384	42,536,384
Actual production converted into 60 picks (Square Meters)	36,275,878	31,920,341

35.1 Reasons for shortfall:

- It is difficult to determine precisely the production / related capacity since it fluctuates widely depending on various factors such as speed, width and quality etc.
- The actual production is planned to meet the market demand.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through the mix of equity, debt and working capital management with a view to maintain an appropriate mix between various sources of finance to minimise risk. The overall risk management is carried out by the finance department under the oversight of Board of Directors in line with the policies approved by the Board.

36.1 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets at amortised cost:

	2014 Rupees	2013 Rupees
Long term deposits	4,344,062	4,254,785
Trade debts	587,836,930	440,858,825
Loans, advances and deposit	1,260,493	547,738
Other receivables	2,343,467	935,361
Short term investments	65,115,670	34,914,460
Cash and bank balances	4,499,708	475,128,266
	<u>665,400,330</u>	<u>956,639,435</u>

Financial liabilities at amortised cost:

Trade and other payables	312,550,946	329,578,762
Interest / mark up payable	42,521,835	32,176,249
Short term borrowings	1,198,797,196	1,486,384,632
Long term finance	592,719,644	-
	<u>2,146,589,621</u>	<u>1,848,139,643</u>

36.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's activities expose it to a variety of financial risks (credit risk, liquidity risk and market risk). Risks measured and managed by the Company are explained below:

36.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk at the reporting date is as follows:

	2014 Rupees	2013 Rupees
Long term deposits	4,344,062	4,254,785
Trade debts	587,836,930	440,858,825
Loans, advances and deposit	1,260,493	547,738
Other receivables	2,343,467	935,361
Bank balances	1,593,439	33,333,640
	<u>597,378,391</u>	<u>479,930,349</u>

Due to Company's long standing relations with counterparties and after giving due consideration to their financial standing, the management does not expect non performance by these counter parties on their obligations to the Company except trade debts considered doubtful.

For trade debts credit quality of the customer is assessed, taking into consideration its financial position and previous dealings. Individual credit limits are set. The management regularly monitor and review customers credit exposure. The aging of trade debts as at balance sheet date is as under:

	2014 Rupees	2013 Rupees
Not past due	535,685,808	385,542,970
Past due	89,772,356	73,315,855
Less: Provision for doubtful debts	(37,621,234)	(18,000,000)
	52,151,122	55,315,855
	587,836,930	440,858,825

Appropriate provision has been made in respect of past due trade debts considered doubtful. The credit risk exposure is limited in respect of bank balances as these are placed with local banks having good credit rating from international and local credit rating agencies.

36.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity risk is to maintain sufficient level of liquidity by holding highly liquid assets and maintaining adequate reserve borrowing facilities. This includes maintenance of balance sheet liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2014 and June 30, 2013.

2014				
Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
Rupees in thousand				

Financial liabilities:

Trade and other payables	308,965	308,965	308,965	-	-
Interest / mark up payable	42,522	42,522	42,522	-	-
Short term borrowings	1,198,797	1,296,951	1,296,951	-	-
Long term finance	592,720	777,915	28,259	108,874	640,782
	2,143,004	2,426,353	1,676,697	108,874	640,782

2013				
Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
Rupees in thousand				

Financial liabilities:

Trade and other payables	327,553	327,553	327,553	-	-
Interest / mark up payable	32,176	32,176	32,176	-	-
Short term borrowings	1,486,385	1,562,982	1,562,982	-	-
	1,846,114	1,922,711	1,922,711	-	-

The contractual cash flows relating to mark up have been determined on the basis of weighted average mark up rates on borrowings. The Company will manage the liquidity risk from its own source through working capital management. As at the year end, the Company has liquid assets of 703.77 million (2013: Rs. 952.38 million) and unavailed borrowing facilities of Rs. 1,700.60 million (2013: Rs. 1,123.00 million).

36.2.3 Market risk

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

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Majority of interest rate risk arises from borrowings from banks. The interest rate profile of the Company's interest bearing financial instruments is presented in relevant notes to the financial statements.

Sensitivity analysis

Sensitivity to Interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period.

Fair value sensitivity analysis for fixed rate instruments.

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

Cash flow sensitivity analysis for variable rate instruments

Had the interest rate been increased / decreased by 1% at the reporting date with all other variables held constant, profit for the year and equity would have been lower / higher by Rs. 15.09 million (2013: Rs. 11.14 million).

ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company is exposed to currency risk on foreign debtors. The total foreign currency risk exposure on reporting date amounted to Rs. 234.21 million (2013: Rs. 173.75 million).

At June 30, 2014, had the currency been weakened / strengthened by 5% against the U.S dollar, with all other variables held constant, profit for the year and equity would have been higher / lower by Rs. 11.71 million (2013: Rs. 8.69 million).

iii) Equity price risk

Trading and investing in quoted equity securities give rise to equity price risk. At the balance sheet date the Company is exposed to equity price risk in respect short term investments. The total equity price risk exposure on reporting date amounted to Rs. 65.11 million (2013: Rs. 34.91 million).

At June 30, 2014, had the quoted securities prices been increased / decreased by 5%, with all other variables held constant, short term investments and equity would have been higher / lower by Rs. 3.26 million (2013: Rs. 1.75 million).

36.3 Fair values of financial instruments

The carrying values of all the financial assets and financial liabilities reported in the financial statements approximate their fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

36.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay financing from / to financial institutions.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total of long term finance and short term borrowings. Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves' and net debt (net of cash and cash equivalent).

The salient information relating to capital risk management of the company as of June 30, 2014 and 2013 were as follows:

	Note	2014 Rupees	2013 Rupees
Total Debt	15 & 16	1,791,516,840	1,486,384,632
Less: Cash and bank balances		4,499,708	475,128,266
Net Debt		1,787,017,132	1,011,256,366
Total equity		2,649,822,979	1,493,977,387
Total capital		4,436,840,111	2,505,233,753
Gearing ratio		40.28%	40.37%

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 3, 2014 by the Board of Directors of the Company.

38. GENERAL

38.1. NOMENCLATURE

Nomenclature of "Other operating income" has been changed to "Other income" to comply with the amended fourth schedule.

38.2 Figures have been rounded off to the nearest Rupee except where mentioned rounding off in Rupees in thousands.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Pattern of Shareholding
AS ON 30-06-2014

No. of Shareholders	Shareholding		Total Shares held
	From	To	
99	1	100	4,168
1044	101	500	281,990
1784	501	1000	1,271,198
339	1001	5000	724,179
42	5001	10000	313,851
14	10001	15000	178,044
8	15001	20000	141,340
1	20001	25000	25,000
7	25001	30000	198,099
2	30001	35000	65,357
3	35001	40000	113,008
1	40001	45000	41,496
1	45001	50000	46,000
1	55001	60000	58,500
1	100001	105000	103,100
1	120001	125000	121,500
1	165001	170000	166,220
1	190001	195000	190,569
4	285001	290000	1,149,840
1	14830001	14835000	14,832,000
1	107460001	107465000	107,461,121
3356			127,486,580

Categories of shareholders
as at June 30, 2014

Categories of Shareholders	Number	Shares held	Percentage
Directors, Chief Executive and their spouse and minor children			
Mr. Muhammad Zahid	1	107,461,121	84.29
Mst. Shaista Bilquees	1	1,872	0.00
Mrs. Huma Zahid	1	1,872	0.00
Mrs. Fouzia Shahani	1	1,872	0.00
Mr. Muhammad Jamshaid	1	1,872	0.00
Mr. Muhammad Amjad	1	1,872	0.00
Mr. Muhammad Nawaz	1	1,872	0.00
Mr. Ahmad Zahid	1	14,832,000	11.63
Ms. Mehreen Zahid	1	285,840	0.22
Ms. Aleeza Zahid	1	288,000	0.23
Associated Companies, undertakings and related parties	-	-	0.00
NIT AND ICP			
IC.P	1	4,032	0.00
Banks, Development Financial Institutions, Non Banking Financial Institutions	-	-	0.00
Insurance Companies	-	-	0.00
Modarabas and Mutual Funds	-	-	0.00
Joint Stock Companies	4	18,540	0.01
Ind. / General Public			
a. Local	3,341	4,585,815	3.60
b. Foregin	-	-	-
Total	3,356	127,486,580	100.00
Shareholders holding 10% (or more)	2	122,293,121	95.93

Zahidjee Textile Mills Limited

20, Bilal Road, Civil Lines Faisalabad - Pakistan.

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