YOUSAF WEAVING MILLS LIMITED

FINANCIAL STATEMENTS & AUDITORS' REPORT
FOR THE YEAR ENED JUNE 30, 2014

DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors of Yousaf Weaving Mills Limited, we are pleased to submit annual report and the audited financial statements of the Company for the year ended June 30, 2014.

Overview

Your company has achieved satisfying results for the financial year ended June 30, 2014. Total sales during the year ended June 30, 2014 amounted to Rs. 2,748.395 million as compared to Rs. 2,839.789 million during the corresponding period. Gross profit for the period amounted to Rs. 257.874 million as compared to Rs. 241.219 million depicting an increase of 6.91 % over the corresponding period. Net profit for the current year is Rs. 10.301 million as compared to profit of Rs 34.085 during the corresponding period.

Administrative expenses increased due to inflationary impact and increase in salary where as distribution expenses increased due to increase in export sale as compared to corresponding period. During the year under review, finance costs decreased to Rs. 74.186 million from Rs. 81.736 million depicting decrease of 9.24% over the previous year. This is mainly due to repayment of long term and effective working capital funds management. The company is able to discharge all its operating and financial liabilities in time through generation of stable cash flows. We are hopeful to increase profitability in the upcoming year.

Future Prospects and Outlook

High energy costs, continue load shedding of gas and electricity supply and sudden appreciation in Pakistani Rupee versus US Dollar has reduced the margin in weaving business. There is no development in existing power supply scenario prevailing in the country. The Electric and sui-gas supplies remain suspended for hours in a day badly affected the liquidity and profitability of the textile industry. Moreover, the sudden tripping and un-scheduled stoppage of electricity supply without intimation by LESCO is causing heavy damages to the quality of fabric and machines. Ever escalating power rates and imposition of variety of taxes on electricity and sui gas bills are major obstacles in long term planning. They directly effects the cost of production. Resultantly long term sale agreements do not remain viable. In presence of this undesirable situation, profitability cannot be envisaged. However, management is running the affairs with same strength and unwavering determination to show better results in the coming period.

Demand for gray fabric has declined and unit prices are falling. This trend reflects the sharp fall in international raw cotton prices. Customers are reducing stocks of textile products in order to protect themselves from stock losses. However, recent statistics has shown encouraging increase in exports of value added textiles from Pakistan. GSP related incentives from Europe for Pakistani Textiles are likely to maintain the trend of rising exports of value added textiles from Pakistan. It is hoped that as a supply chain partner of the value added textiles, our Company will benefit during the financial year. Pakistani Rupee has devalued against US$ since the start of this financial year. It is hoped that the Company will benefit due to these developments.

In future Company's ability to produce better results are dependent on uninterrupted gas and electricity supply, continued demand for fabric from both local and International markets, stability in yarn prices, single digit inflation and controlled law and order situation in the country. The

Board of Directors is cognizant of these facts and strives to take all necessary steps to protect the interests of the Company.

Salient Aspects of Company's Control and Reporting System.

The Company Complies with all the requirements of the Code of Corporate Governance as contained in the listing regulations of the Stock Exchanges. To fulfill this role, the Board is responsible to implement overall corporate governance in the company including approval of the strategic direction as recommended by the Management, approving and monitoring capital expenditure, appointing, removing and creating succession policies for the senior management, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and Management Information System. It is also responsible for approving and monitoring financial and other reporting. The Board has delegated responsibility for operation and administration of the company to the Chief Executive/ Managing Director. Responsibilities are delineated by formal authority delegations. The Board has constituted the following committees which work under the guidance of Board of Directors -

a) Audit Committee
b) Human Resource Committee

Independent Director. The Board already elected an independent director to fulfill the requirements of Code of Corporate Governance.

Board of Directors' Meeting

a) Board of Directors

Name of Directors	No of Board Meetings Held	Attended
1. Khawaja Mohammad Javed	4	4
2. Khawaja Mohammad Jahangir	4	3
3. Khawaja Mohammad Tanveer	4	4
4. Khawaja Mohammad Kaleem	4	3
5. Khawaja Mohammad Nadeem	4	4
6. Mr. Mohammad Naveed	4	4
7. Mr. Danish Tanveer	4	4
8. Mr. Mohammad Tariq Sufi	4	3

b) Audit Committee

1. Mr. Mohammad Naveed	5	1
2. Khawaja Mohammad Kaleem	5	5
3. Mr. Mohammad Danish Tanveer	5	5

c) HR & Remuneration Committee

1. Khawaja Mohammad Kaleem	5	5
2. Khawaja Mohammad Nadeem	5	5
3. Mr. Mohammad Naveed	5	1

All meetings of the Board met minimum quorum prescribed by the Code of Corporate Governance and also attended by the Chief Financial Officer and the Company Secretary, However the Board granted leave of absence to the directors who could not attend the meetings due to their pre-occupation.

Related Parties

The transactions between the related parties were carried out at an arm's length basis. The company has fully complied with the best practices of the transfer pricing as contained in the listing regulation of stock exchanges in Pakistan.

Corporate Social Responsibilities & Sustainable Environment Care

Yousaf Weaving has always been a socially responsible corporate entity which feels obliged in paying back to the society, from which we derive economic gains.

Shareholding Pattern

The pattern of shareholding as on 30-06-2014 and its disclosure as required in the Code of Corporate Governance is annexed with this report;

Auditors

The present auditors Messrs. Aslam Malik & Co., Chartered Accountants will stand retired at the conclusion of the 26th Annual General Meeting. However, they have expressed their willingness for re-appointment. They have also been recommended by the as external Auditors till conclusion of 27th Annual General Meeting on existing terms and conditions.

Dividend

The Directors have pleasure to recommend payment of cash dividend @ 2.5% i.e. Rs. 0.25/= per ordinary share of Rs. 10/- each for the year ended June 30, 2014.

Acknowledgement

The directors express their deep appreciation to valued shareholders, customers, suppliers and financial institutions / Governmental departments for their cooperation and Company's employees for their hard work and commitment which enabled the company to achieve good operational results.

The Board is of the opinion that with sustained efforts and ALLAH's blessing, the company will remain on its way to success.

For and on behalf of the Board

Lahore :
October 10, 2014

Khawaja Mohammad Nadeem
Chief Executive Officer

YOUSAF WEAVING MILLS LIM ITED

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulation No. 35 of listing regulations of both Karachi Stock Exchange and Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.(CCG)

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

1. The company encourages the representation of independent non-executive directors on its Board of Directors. At present the Board includes -

Category		**Names**
Independent Director	1.	Mr. Mohammad Tariq Sufi
Executive Directors	1.	Khawaja Mohammad Jahangir
	2.	Khawaja Mohammad Nadeem
Non Executive Directors	1.	Khawaja Mohammad Javed
	2.	Khawaja Mohammad Tanveer
	3.	Khawaja Mohammad Kaleem
	4.	Mr. Mohammad Naveed
	5.	Mr. Mohammad Danish Tanveer

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.(excluding the listed subsidiaries of listed holding companies wherever applicable)
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision /mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms

and condition of employment of the Chief Executive and other working director(s) have been taken by the board/shareholders.

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

9. The Directors at Yousaf Weaving Mills Board are fully conversant with their duties and responsibilities as Director of corporate bodies. The Chief Executive recommends that the members of the Board should approach him, should they feel any necessity to conduct other orientation courses in this regard.

10. The Board has already approved appointment of Chief Financial Officer, Company Secretary and Internal Auditor, their remuneration and terms & conditions of employment.

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

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

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

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

15. The Board has formed an Audit Committee, It comprises of three members, of whom all are non executive directors and the chairman of the committee is also an non executive director.

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

17. The board has formed an HR and Remuneration committee; It comprises of three members, including the CEO and the non executive directors while the chairman of the committee is a non executive director.

18. The Board has set up an effective internal audit department which is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

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

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

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

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

23. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by Audit Committee and Board of Directors.

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

Lahore :
October 10, 2014

Khawaja Mohammad Nadeem
Chief Executive Officer

Member Firm of
UK200Group
Independent quality assured professionals

Aslam Malik & Co.
Chartered Accountants

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New Garden Town, Lahore-Pakistan.

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 **("the Statement")** contained in the Code of Corporate Governance prepared by the Board of Directors of **Yousaf Weaving Mills Limited ("the Company")** to comply with the Listing Regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the Company is listed.

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

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

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

Other Offices at:

Islamabad: House # 726, Street 34, Margalla Town, off Murree Road, Islamabad.
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Karachi: Suite # 602-B, 6th Floor, Business & Finance Center, I.I. Chundrigar Road, Karachi
Tel: + 92-21-32412212, 32443706 Fax: +92-21-32472235

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2014.

Lahore.
Dated: October 10, 2014

ASLAM MALIK & CO. Chartered Accountants LAHORE

Aslam Malik & Co.
Chartered Accountants

Audit Engagement Partner:
Mohammad Aslam Malik

Member Firm of
UK200Group
Independent quality assured professionals

Aslam Malik & Co.
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New Garden Town, Lahore-Pakistan.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **YOUSAF WEAVING MILLS LIMITED ("the Company")** 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 include 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 book of accounts have been kept by the company as required by the Companies Ordinance, 1984.

(b) in our opinion

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes as stated in note 5 with which we concur .

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

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

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

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

Lahore.
Dated: October 10, 2014

Aslam Malik & Co.
Chartered Accountants

Audit Engagement Partner:
Mohammad Aslam Malik

YOUSAF WEAVING MILLS LIMITED

BALANCE SHEET AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees (Restated)
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital 40,000,000 (2013: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up share capital	6	400,000,000	400,000,000
Accumulated loss		(253,539,034)	(263,928,472)
		146,460,966	136,071,528
Non Current Liabilities			
Long term financing	7	512,257,712	550,357,712
Liabilities against assets subject to finance lease	8	11,954,798	13,202,307
Deferred liability	9	67,051,829	60,168,825
		591,264,339	623,728,844
Current Liabilities			
Trade and other payables	10	459,083,047	553,668,710
Accrued mark up	11	12,452,814	9,415,559
Short term borrowings	12	425,972,338	402,425,529
Current portion of non current liabilities	13	14,489,058	19,845,333
Provision for taxation	14	28,104,801	18,242,264
		940,102,058	1,003,597,395
Contingencies and Commitments	15	-	-
		1,677,827,363	1,763,397,767

	Note	2014 Rupees	2013 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	16	737,441,265	800,430,577
Intangible assets	17	887,700	1,109,625
Long term Loans	18	17,825,702	16,965,195
Long term deposits	19	7,651,703	7,298,453
		763,806,370	825,803,850
Current Assets			
Stores and spares	20	61,830,939	56,461,388
Stock in trade	21	390,369,696	400,468,908
Trade debts	22	112,938,420	90,999,885
Loans and advances	23	94,323,308	106,432,862
Trade deposits, short term prepayments and other receivables	24	25,078,967	31,944,263
Sales tax refundable		29,853,451	25,629,001
Assets held for disposal	25	198,382,447	192,172,744
Cash and bank balances	26	1,243,765	33,484,866
		914,020,993	937,593,917
		1,677,827,363	1,763,397,767

The annexed notes 1-44 form an integral part to these financial statements.

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CHIEF EXECUTIVE

DIRECTOR

Lahore
Date: October 10, 2014

YOUSAF WEAVING MILLS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
Sales - net	27	2,748,395,375	2,839,789,275
Cost of sales	28	(2,490,521,604)	(2,598,569,584)
Gross Profit		257,873,771	241,219,691
Distribution cost	29	(60,183,837)	(46,619,574)
Administrative expenses	30	(75,117,173)	(70,653,505)
		(135,301,010)	(117,273,079)
Operating Profit		122,572,761	123,946,612
Other operating charges	31	(19,655,002)	(18,391,152)
Finance cost	32	(74,186,010)	(81,735,922)
Other operating income	33	14,507,022	34,470,674
Profit before Taxation		43,238,771	58,290,212
Taxation	34	(32,935,271)	(24,205,701)
Profit for the Year		10,303,500	34,084,511
Discontinued operations:			
Loss / (Profit) for the year from discontinued operations	25.1	9,352,283	(6,122,556)
Profit for the Year from Continuing Operations		19,655,783	27,961,955
Earning / (Loss) per Share - Basic	35		
- From continuing operations		0.49	0.70
- From discontinuing operations		(0.23)	0.15
- From profit for the year		0.26	0.85

The annexed notes 1-44 form an integral part to these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Lahore
Date: October 10, 2014

YOUSAF WEAVING MILLS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	Rupees	Rupees (Restated)
Profit for the Year	10,303,500	34,084,511
Other comprehensive income for the year	-	-
Items that will be reclassified subsequently to Profit or loss	-	-
Items that will not be reclassified subsequently to Profit or loss	-	-
Experience adjustment on remeasurement of staff retirement	108,621	(1,740,353)
Related tax impact	(22,683)	581,484
	85,938	(1,158,869)
Total Comprehensive income for the Year	10,389,438	32,925,642

The annexed notes 1-44 form an integral part to these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Lahore
Date: October 10, 2014

YOUSAF WEAVING MILLS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
CASH GENERATED FROM OPERATIONS	36	75,585,024	276,483,231
Finance cost paid		(71,148,755)	(122,605,129)
Gratuity paid		(7,968,530)	(9,008,547)
Income tax paid		(15,545,202)	(14,983,753)
Net cash (used in) / from operating activities		(19,077,463)	129,885,802
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(10,344,418)	(107,503,892)
Purchase of assets held for sale		(2,012,340)	
Biological assets purchased		-	(7,782,423)
Capital work in progress		(1,201,634)	(8,579,943)
Proceeds from disposal of property, plant and equipment		6,587,901	16,093,102
Proceeds from disposal of assets held for sale		437,550	-
Proceeds from sale of biological assets		5,989,000	3,968,026
Proceeds from sale of stores and raw material		8,725,591	13,844,173
Long term loans to employees		(1,875,062)	(960,041)
Long term deposits		1,686,750	(576,770)
Profit received on bank deposits		-	82
Net Cash generated from / (used in) Investing Activities		7,993,338	(91,497,686)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - net		(42,100,000)	123,266,084
Liabilities against assets subject to finance lease		(2,603,784)	4,333,022
Short term borrowings		23,546,808	(106,001,300)
Long term advance		-	(32,000,000)
Net Cash used in Financing Activities		(21,156,976)	(10,402,194)
Net (decrease) / increase in Cash and Cash Equivalents		(32,241,101)	27,985,922
Cash and cash equivalents at the beginning of the year		33,484,866	5,498,944
Cash and Cash Equivalents at the End of the Year		1,243,765	33,484,866
		-	-

The annexed notes 1-44 form an integral part to these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Lahore
Date: October 10, 2014

YOUSAF WEAVING MILLS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

Particulars	Share Capital	Accumulated Loss	Total
	Rupees	Rupees	Rupees
Balance as at June 30, 2012 as previously reported	400,000,000	(293,820,020)	106,179,980
Effect of change in accounting policy- net of tax - Note No. 5	-	(3,034,094)	(3,034,094)
Restated balance as at June 30, 2012	400,000,000	(296,854,114)	103,145,886
Net profit for the year ended June 30, 2013	-	34,084,511	34,084,511
Other comprehensive income for the year ended June 30, 2013 - net of tax	-	(1,158,869)	(1,158,869)
Restated balance as at June 30, 2013	400,000,000	(263,928,472)	136,071,528
Balance as at June 30, 2013 as previously reported	400,000,000	(259,735,509)	140,264,491
Effect of change in accounting policy - Note No. 5	-	(4,192,963)	(4,192,963)
Restated balance as at June 30, 2013	400,000,000	(263,928,472)	136,071,528
Net profit for the year ended June 30, 2014	-	10,303,500	10,303,500
Other comprehensive income for the year ended June 30, 2014 - net of tax	-	85,938	85,938
Balance as at June 30, 2014	400,000,000	(253,539,034)	146,460,966

The annexed notes 1-44 form an integral part to these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Lahore
Date: October 10, 2014

YOUSAF WEAVING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 1
The Company and its Operations

1.1 The Company was incorporated on January 17, 1988 as a public limited company in Pakistan under the Companies Ordinance, 1984 and is quoted on Karachi and Lahore stock exchanges. The Company is engaged in the business of textile weaving, spinning and sale of processed fabric, home textile and dairy products. The registered office of the Company is situated at 7/1, E-3, Main Boulevard Gulberg III, Lahore.

The shareholders through an extra ordinary general meeting in the year 2012 has decided to sell its dairy unit located at district Chakwal. In line with IFRS 5 non current assets held for sale and discontinued operations, the operations relating to dairy unit have been classified as discontinued operations. The assets related to discontinued operations were transferred to assets held for disposal directly associated with assets classified as held for sale. Based on above the dairy operations of the Company are now classified under discontinued operations.

Note 2
Basis of Preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for the Company's liability under defined benefit plan (gratuity) that is determined based on the present value of defined benefit obligation less fair value of plan assets and less unrecognised actuarial losses and biological assets that are stated at fair value less estimatd cost of sell.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material judgment in the next year are described in the following:

- Property, plant and equipment and Intangible assets (notes 4.6)
- Trade debts and other receivables (note 4.11)
- Stores and spares and stock in trade (notes 4.9 & 4.10)
- Taxation (note 4.5)
- Staff retirement benefits (note 4.1)
- Impairment (note 4.15)

Note 3
Changes in accounting standards, interpretations and pronouncements

3.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year and are relevent

Revision / improvements / amendments to IFRS and interpretations	**Effective date (Period beginning on or after)**
- IAS 1, Presentation of financial statements	January 1, 2013
- IAS 16, Property, plant and equipment	January 1, 2013
- IAS 32, Financial instruments: Presentation	January 1, 2013
- IAS 19, Employee benefits - (Amendment)	January 1, 2013

3.2 Standards, interpretations and amendments to approved accounting standards which became effective during the year but are not relevant

Revision / improvements / amendments to IFRS and interpretations	**Effective Date** (Period beginning on or after)
- IAS 27 (Revised), 'Separate financial statements'	
- IAS 28 (Revised), 'Associates and joint ventures'	January 1, 2013
- IFRS 1 (Amendment), 'First time adoption' on government loans	January 1, 2013
- IFRS 7 (Amendment), 'Financial instruments: Disclosures' on offsetting financial assets and financial liabilities	January 1, 2013
	January 1, 2013

The following new standards have been issued by the IASB and notified by the SECP for application in Pakistan but their applicability start from the annual period beginning on or after January 01, 2015.

- IFRS 10, 'Consolidated financial statements'	January 1, 2013
- IFRS 11, 'Joint arrangements'	January 1, 2013
- IFRS 12, 'Disclosures of interest on other entities'	January 1, 2013
- IFRS 13, 'Fair value measurement'	January 1, 2013

3.3 Standards, interpretations and amendments to approved accounting standards that are relevant but not yet effective

Revision / improvements / amendments to IFRS and interpretations	**Effective Date** (Period beginning on or after)
- IFRIC 21, 'Levies'	January 1, 2014
- IAS 32 (Amendment), 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities	January 1, 2014
- IAS 36 (Amendment), 'Impairment of assets'	January 1, 2014
- Annual improvements 2012 cycle	July 1, 2014
- IAS 24 (Amendment), 'Related parties'	July 1, 2014

3.4 Standards, interpretations and amendments to approved accounting standards that are not relevant and not yet effective

Revision / improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' on novation of derivatives and hedge accounting	January 1, 2014
- Annual improvements 2010-2012 and 2011-2013 cycle	July 1, 2014
- IFRS 9, 'Financial instruments'	January 1, 2015
- IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
- IFRS 15, 'Revenue from contracts'	January 1, 2017
- Agriculture: Bearer plants [amendment to IAS 16 and IAS 41]	January 1, 2016

Note 4
Significant Accounting Policies

4.1 Staff retirement benefits

Defined benefits plan

The Company operates an unapproved unfunded gratuity scheme for all its permanent employees, whose period of service is one year or more. Under this scheme, gratuity is paid to retiring employees on the basis of their last drawn gross salary for each completed year of services, calculated from the start of service to the date of retirement. Company's obligation under the scheme is determined through actuarial valuations carried out under the "Projected Unit Credit Method". Actuarial valuations are carried out annually and the latest valuation was conducted at the balance sheet date.

Actuarial gains / (losses) arising from experience adjustments and changes in actuarial assumptions for the defined benefit plan are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognized immediately as income.

4.2 Compensated absences

The Company provides for the compensated absences of its employees on unavailed balances of leaves in the period in which the leaves are earned. Provisions are made annually to cover the obligation for compensated absences and are charged to profit and loss account. Un-encashed leaves can be carried forward upto maximum period of three years.

4.3 Provisions

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

4.4 Trade and other payables

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

4.5 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Charge for the current taxation for the year is based on taxable income at the current rates of taxation after taking into account tax rebates and credits available, if any.

Note 4 - Significant Accounting Policies ... Contd.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits are available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent, if it is no longer probable that sufficient taxable profits would be available to allow all or part of deferred tax assets to be utilized. Tax rates enacted at the balance sheet date are used to determine deferred income tax.

4.6 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses except free hold land which is stated at Cost. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable cost of bringing the assets into working condition.

Depreciation is charged to income on reducing balance method at the rates specified in Note 16. Full month's depreciation is charged on additions during the month, whereas no depreciation is charged on the assets disposed off during the month. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized. Gains or losses on disposal of property, plant and equipment are included in the current year income.

Leased

The Company accounts for assets acquired under finance lease by recording assets and related liabilities. Principal values are determined on the basis of discounted values of total minimum lease payments to be paid by the Company. Finance costs are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on outstanding liabilities. Depreciation is charged on the same basis as owned assets at the rates specified in Note 16 to write off the cost of assets over their estimated useful life.

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

4.7 Intangible asset

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably. Cost of intangible assets i.e. ERP and other software include purchase cost and directly attributable expenses incidental to bring the software for its intended use.

Cost that are directly associated with identifiable software and have probable economic benefits beyond one year, are recognized as an intangible assets. However, costs associated with the maintenance of software are recognized as an expense.

Intangibles are measured initially at cost and subsequently stated at cost less accumulated amortization and identified impairment losses, if any. Amortization is charged to income using reducing balance as specified in Note 17. The amortization period and the amortization method for an intangible asset are reviewed, at each financial year end, and adjusted if impact on amortization is significant.

4.8 Biological assets

Biological assets comprise of livestock. These are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognized in the profit and loss account. The fair value of livestock is estimated on the basis of market prices of livestock of similar age, breed and genetic merit. Point-of-sale costs include all costs that are necessary to sell the assets, excluding costs necessary to get the assets to the market.

Note 4 - Significant Accounting Policies ... Contd.

4.9 Stores and spares

These are valued at lower of moving average cost and net realizable value whilst items considered obsolete are carried at nil value. Cost of items in transit comprises invoice value plus incidental charges paid thereon.

4.10 Stock in trade

These have been valued at the lower of cost and net realizable value. Cost has been determined as follows:

Raw and packing materials	- Moving average cost
Materials in transit	- Cost and incidental charges paid thereon
Work in process	- Estimated average manufacturing cost
Finished goods	- Average manufacturing cost

Manufacturing cost in relation to work in process and finished goods comprises cost of material, labour and appropriate manufacturing overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less necessary cost to make the sale.

4.11 Trade debts

All outstanding debts are reviewed at the balance sheet date. The Company recognizes and carries these debts at original invoice amount less an allowance for any uncollectible amounts. Bad debts, if any, are written off as incurred and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

4.12 Financial instruments

Financial instruments are recognized in the financial statements when the Company becomes a party to the contract and ceases to recognize when it loses control of contractual rights, in case of financial assets, and in case of financial liability when liability is extinguished. Any gain or loss on subsequent remeasurement / derecognizing is charged to income.

4.13 Off-setting of financial assets and financial liabilities

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

4.14 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash at banks in current and saving accounts.

4.15 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value, the recoverable amount is determined to be the value in use. Impairment losses are recognized as expense in the profit and loss account.

4.16 Borrowing cost

Borrowing cost are charged to income as and when incurred except costs that are directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.

4.17 Foreign currency transactions

Transactions denominated in foreign currencies are initially recorded at Pak Rupees by applying the foreign exchange rate ruling on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the balance sheet date except for balances covered under forward exchange contracts, which are converted at the contracted rates. Exchange differences are included in profit and loss account.

Note 4 - Significant Accounting Policies ... Contd.

4.18 Related party transactions

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices determined in accordance with the Company's policy except for the allocation of expenses such as utilities, rental and common overheads relating to the corporate office shared with related parties, which are on actual basis.

4.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, intangibles, stores and spares, stock in trade and trade and other debts. Segment liabilities comprise of operating liabilities and exclude items such as taxation and corporate liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

4.20 Revenue recognition

- Local and export sales are recorded on dispatch of goods to customers.
- Processing income is recognised on the basis of services rendered to customers.
- Profit on bank deposits is recognized on a time proportion basis that takes into account the effective yield on the deposits.
- Rebates on exports, if any, are accounted for on accrual basis.

4.21 Dividend

Dividends are recognized as a liability in the period in which these are declared.

Note 5
Change in Accounting Policy

IAS-19 (revised) 'Employee Benefits' amends the accounting for employment benefits. The Standard has become effective for the Company from July 01, 2013. Major changes introduced by the revised Standard are as follows:

i) Past service cost to be recognized immediately in the profit and loss account.

ii) Interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate to be measured at the beginning of the year.

iii) Remeasurement of the net defined benefit liability / asset comprising the actuarial gains / losses and the difference between the actual return on investments and return implied by the net interest cost.

iv) Recognition of remeasurement immediately in other comprehensive income.

The management has adopted IAS-19 - Employee Benefit (revised) and changed its accounting policy retrospectively in accordance with IAS-8 'Accounting Policies, Changes in Accounting Estimates and Errors' resulting in restatement of financial statements of prior periods. Corresponding period adjustments and restatements have been incorporated in the balance sheet and statement of comprehensive income.

The effect of change in the accounting policy is demonstrated as below:

	June 30, 2013	June 30, 2012
	Rupees	Rupees
Effect on Balance Sheet		
Reserves		
As previously reported	259,735,509	293,820,020
Effect of change in accounting policy	5,329,421	3,589,068
As restated	265,064,930	297,409,088

Note 5 - Change in accounting policy ... Contd.

Staff retirement benefits

As previously reported	32,019,954	29,249,008
Effect of change in accounting policy	5,329,421	3,687,539
As restated	37,349,375	32,936,547

Deferred taxation

As previously reported	5,661,128	4,401,976
Effect of change in accounting policy	1,136,458	554,974
As restated	6,797,586	4,956,950

Effect on Other Comprehensive Income

Remeasurement of defined benefit liability recognized in Other comprehensive income	5,329,421	3,589,068
Less: Related tax impact	(1,136,458)	(554,974)
	4,192,963	3,034,094

There is no impact on profit and loss and cash flow statements as a result of the retrospective application of change in accounting policy. The comparative statement of financial position (balance sheet) as at June 30, 2012 has not been provided due to immaterial effect of restatement.

Had there been no change in the accounting policy, the profit after tax would have been lower by Rs. 85,938 and the other comprehensive income would have been nil.

Note 6
Issued, Subscribed and Paid Up Capital

2014	2013		2014	2013
No. of Shares			Rupees	Rupees
40,000,000	40,000,000	Ordinary shares of Rs. 10 each fully paid	400,000,000	400,000,000
40,000,000	40,000,000		400,000,000	400,000,000

6.1 Nil (2013: 75,000) shares representing equity of the Company are held by Naveed Industries (Private) Limited, an associated company.

Note 7
Long Term Financing

	Note	2014 Rupees	2013 Rupees
Banking companies - Secured			
Long term financing	7.1	41,625,000	56,725,000
Less:			
- Current portion	13	(11,100,000)	(15,100,000)
		30,525,000	41,625,000
Related parties - Unsecured			
Loan from directors - subordinated	7.2	481,732,712	508,732,712
		512,257,712	550,357,712

7.1 These facilities have been obtained under LTF - EOP and LTFF schemes of State Bank of Pakistan (SBP) for the purchase of plant and machinery. These are repayable in equal quarterly installments with grace periods where applicable. These carry mark-up from 9% to 10.40% (2013: 7% to 10.4%) per annum for SBP schemes. The loans are secured against exclusive charge over textile machinery, hypothecation of stocks of weaving unit of the Company, export letters of credit and personal guarantees of directors of the Company. The facilities are repayable latest by March 2018.

7.2 These loans are unsecured, interest free and are under subordination agreement with banks. The director's of the company hs confirmed that they would not demand repayment of loan for a period of 12 months of the balance sheet date. Hence the loan has been classified as long term liability.

Note 8
Liabilities Against Assets Subject To Finance Lease

	Note	2014 Rupees	2013 Rupees
Future minimum lease payments		17,689,530	21,052,141
Less: Un-amortized finance charges		(2,345,674)	(3,104,501)
Present value of future minimum lease payments		15,343,856	17,947,640
Less: Current portion shown under current liabilities		3,389,058	4,745,333
		11,954,798	13,202,307

8.1 This represents finance lease arrangements entered into with banks to acquire vehicles . Financing rates ranging from 12.5% to 15% (2013: 12.5% to 15%) per annum, approximately, have been used as discounting factor. Taxes, repairs, replacement and insurance costs are borne by the Company.

8.2 Lease liabilities are secured against title of leased assets, personal guarantees of directors and security deposits amounting to Rs. 5.102 million (2013: Rs. 6.789 million).

8.3 Minimum lease payments and their present value are regroup as under:

	2014		2013	
	Not later than one year	Later than one year and not later than one year	Not later than one year	Later than one year and not later than one year
	------Rupees------			
Future minimum lease payments	4,708,677	12,980,853	6,313,007	14,739,134
Less: Un-amortized finance charge	(1,319,619)	(1,026,055)	(1,567,674)	(1,536,827)
Present value of minimum lease payments	3,389,058	11,954,798	4,745,333	13,202,307

Note 9
Deferred Liability

	Note	2014 Rupees	2013 Rupees
Gratuity payable	9.1	39,743,584	37,349,375
Deferred tax - net	9.2	27,308,245	22,819,450
		67,051,829	60,168,825

9.1 Gratuity payable

9.1.1 Net liability recognized in the balance sheet

		2014	2013
Present value of defined benefit obligations		39,743,584	37,349,375

9.1.2 Movement in the net liability recognized in the balance sheet

		2014	2013
Net liability as at 1st july		37,349,375	32,936,547
Expense recignized in the income statement		10,471,360	11,681,022
Liability paid during the year		(7,968,530)	(9,008,547)
Experience Adjustment		(108,621)	1,740,353
Net liability as at June 30		39,743,584	37,349,375

9.1.3 Amount charge to Profit and loss account

		2014	2013
Current service cost		6,968,023	7,069,905
Interest cost		3,503,337	4,611,117
		10,471,360	11,681,022

9.1.4 Allocation of charge for the year

	Note	2014	2013
Cost of sales	28	5,504,584	6,554,481
Administrative expenses	30	4,966,776	5,225,012
		10,471,360	11,779,493

9.1.5 Year end sensitivity analysis of Defined Benefit Obligation

	June 30, 2014
Discount Rate + 100 bps	37,002,782
Discount Rate - 100 bps	42,920,801
Salary Increase + 100 bps	42,920,801
Salary Increase - 100 bps	36,957,032

9.1.6 Principal actuarial assumption

The company has carried out actuarial valuation as at June 30, 2014 under the 'Projected Unit Credit Actuarial cost Method". The main assumption used for actuarial valuation are as follows:

	2014	2013
Discount rate	13.25%	10.05%
Expected rate of salary increase	12.25%	9.5%
Mortality Rates	SLIC 2001-2005 Setback 1 Year	EFU 61-66
Retirement age	60 Years	60 Years

9.1.7 Comparison of five year data

Comparison of present value of defined benefit obligation and the experience adjustment for current and four years are as follows:

	2014	2013	2012	2011	2010
			Rupees		
Present value of Defined Benefit the end of year	39,743,584	32,019,954	29,249,008	29,379,518	24,051,585
Experience adjustment					
Experience adjustment arising on plan Liabilities (gains)/losses	(108,621)	1,740,353	(1,641,882)	(3,109,498)	1,484,258

9.2 Deferred tax liability - Net

	2014	2013
	Rupees	Rupees (Re-stated)
Taxable temporary differences		
- Accelerated tax depreciation	78,635,596	92,037,060
Deducted temporary differences		
- Recognized losses	(47,904,985)	(62,229,268)
- Staff retirement benefits and others	(3,445,049)	(5,851,884)
- Recognised in Other Comprehensive Income	22,683	(1,136,458)
	(3,422,366)	(6,988,342)
	27,308,245	22,819,450

Note 10

Trade and Other Payables

	Note	2014 Rupees	2013 Rupees
Creditors			
- Secured	10.1	115,288,735	106,557,576
- Unsecured	10.2	308,846,098	359,761,543
Accrued liabilities		25,109,199	69,836,855
Unclaimed dividend		3,107,771	3,107,771
Workers' (profit) participation fund	10.3	2,266,503	10,386,278
Income tax payable		744,539	695,162
Other liabilities		3,720,202	3,323,525
		459,083,047	553,668,710

10.1 These are secured against letters of credit issued by the bankers of the Company.

10.2 This includes amount due to following related parties on account of raw material purchases as follows:

	2014	2013
	Rupees	Rupees
Chakwal Spinning Mills Limited	467,360	-
Chakwal Textile Mills Limited	593,755	-
Kohinoor Spinning Mills Limited	6,358,842	8,302,633
	7,419,957	8,302,633

10.3 Workers' (profit) participation fund

	2014	2013
	Rupees	Rupees
Opening balance	10,386,278	6,750,438
Charge for the year	2,275,725	2,664,651
Interest for the year	-	971,189
	12,662,003	10,386,278
Payments made during the year	(10,395,500)	-
	2,266,503	10,386,278

The Company retained workers' profit participation fund for its business operation. Interest was provided at the prescribed rate under the Companies Profit (Workers') Participation Act, 1968.

Note 11
Accrued Mark up

	Note	2014	2013
		Rupees	Rupees
Long term financing	7	1,079,288	1,448,262
Short term borrowings	12	11,373,526	7,967,297
		12,452,814	9,415,559

Note 12
Short Term Borrowings

	Note	2014	2013
		Rupees	Rupees
Banking companies - Secured			
Running finance / packing credit / export finances	12.1	383,003,368	339,084,508
Related parties - Unsecured			
- Loan from directors	12.2	365,948	465,917
Others			
- Unpresented cheques	12.3	42,603,022	62,875,104
		425,972,338	402,425,529

12.1 Terms and conditions of borrowings

- ***Purpose***
  These facilities have been obtained with sanctioned limit of Rs. 992.7 million (2013: 878.5 million) for working capital requirements, procure stock of cotton, retirement of import bills, local and foreign LCs, discounting local bills / receivables and loan against trust receipts etc.

- ***Mark up***
  The mark up rate on various limits is 3-month Kibor plus 2% to 4% (2013: 3-month Kibor plus 2% to 4%) per annum, payable quarterly. Further, some limits carry commission against local LCs at 0.20% to 0.25% (2013: 0.20% to 0.25%) per quarter.

- ***Securities***
  These facilities are secured against pledge of raw material stocks, registered hypothecation charge over fabrics and yarn stocks, lien on export orders, imports documents, irrevocable L/Cs and export bills, charges over fixed and current assets of the Company and personal guarantees of sponsoring directors of the Company.

12.2 This represents interest free funds obtained from directors to meet working capital requirements of the Company.

12.3 This represents cheques issued but not presented on the balance sheet date. These cheques have been honoured subsequent to the balance sheet date.

Note 13
Current and Overdue Portion of Non Current Liabilities

	Note	2014 Rupees	2013 Rupees
Long term loans	7	11,100,000	15,100,000
Liabilities against assets subject to finance lease	8	3,389,058	4,745,333
		14,489,058	19,845,333

Note 14
Provision for Taxation

	2014 Rupees	2013 Rupees
Opening balance	18,242,263	23,766,252
Add: Charge for the current year	28,104,801	18,242,264
Add: Charge for the prior year	364,358	-
	46,711,422	42,008,516
Less: Payment / adjustments against advance tax	(18,606,621)	(23,766,252)
	28,104,801	18,242,264

Note 15
Contingencies and Commitments

Contingencies

Income tax liability amounting to Rs. 33.071 (2013: Rs. 33.071 million) upto the assessment year 2002-2003 under Section 62 of the repealed Income Tax Ordinance, 1979 was determined by the Income Tax Department. Pending the outcome of appeals filed by the Company, no provision has been made in these financial statements as the management views that the outcome of the appeals shall be in the favour of the Company.

Commitments

Commitments as at balance sheet date are as under:

	2014 Rs. (million)	2013 Rs. (million)
Commitments for purchase of raw material and stores	-	6.127
Commitments for import of plant and machinery	-	-
Commitments for lease rentals	2.400	2.400

Note 16
Property, Plant and Equipment

	Note	2014 Rupees	2013 Rupees
Operating fixed assets	16.1	737,441,265	791,850,634
Capital work in progress	16.4	-	8,579,943
		737,441,265	800,430,577

16.1 Operating fixed assets

Description	2014 Land Freehold	Factory & Colony Building on Freehold Land	Factory & Colony Building on Leasehold Land	Plant & Machinery	Tools & Equipment	Office Equipment	Furniture and Fixtures	Vehicles	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
16.1.1 Owned assets									
Cost									
Balance as at July 01, 2013	11,736,673	181,163,215		1,262,977,355	7,259,488	17,099,438	6,234,074	23,839,223	1,510,309,466
Additions	-	500,000	-	4,327,832	-	254,408	137,960	-	5,220,200
Deletions	-	-	-	(7,035,000)	-	-	-	(89,900)	(7,124,900)
Transfer	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2014	11,736,673	181,663,215	-	1,260,270,187	7,259,488	17,353,846	6,372,034	23,749,323	1,508,404,766
Accumulated Depreciation									
Balance as at July 01, 2013	-	128,377,175	-	574,156,683	4,218,485	12,778,750	3,852,233	15,476,601	738,859,927
Charge for the year	-	2,664,304	-	48,153,527	154,100	893,103	240,234	1,672,524	53,777,792
Deletions	-	-	-	(524,870)	-	-	-	(43,871)	(568,741)
Transfer	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2014	-	131,041,479	-	621,785,340	4,372,585	13,671,853	4,092,467	17,105,254	792,068,978
Written Down Value as at June 30, 2014	11,736,673	50,621,736	-	638,484,847	2,886,903	3,681,993	2,279,567	6,644,069	716,335,788
16.1.2 Leased assets									
Cost									
Balance as at July 01, 2013	-	-	-	-	-	-	-	25,065,810	25,065,810
Addition	-	-	-	-	-	-	-	5,245,258	5,245,258
Transfer	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2014	-	-	-	-	-	-	-	30,311,068	30,311,068
Accumulated Depreciation									
Balance as at July 01, 2013	-	-	-	-	-	-	-	4,664,716	4,664,716
Charge for the year	-	-		-	-	-	-	4,540,875	4,540,875
Transfer	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2014	-	-	-	-	-	-	-	9,205,591	9,205,591
Written Down Value as at June 30, 2014	-	-	-	-	-	-	-	21,105,477	21,105,477
Total Written Down Value June 30, 2014	11,736,673	50,621,736	-	638,484,847	2,886,903	3,681,993	2,279,567	27,749,546	737,441,265
16.1.3 Depreciation rates	-	5%	5%	7%	10%	20%	10%	20%	

16.1.4 Dairy farm has been set up on land measuring 194.95 acres acquired on lease from the directors of the Company and the remaining lease term as at the balance sheet date was 6 years (2013 : 7 years).

16.2 Operating fixed assets

Description	Land Freehold	Factory & Colony Building on Freehold Land	Factory & Colony Building on Leasehold Land	Plant & Machinery	Tools & Equipment	Office Equipment	Furniture and Fixtures	Vehicles	Total
	2013								
	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
16.2.1 Owned assets									
Cost									
Balance as at July 01, 2012	7,536,673	181,163,215	-	1,184,953,604	7,259,488	16,958,013	5,964,586	19,330,798	1,423,166,377
Additions	4,200,000	-	-	78,023,752	-	181,425	269,488	-	82,674,665
Deletions	-	-	-	-	-	(40,000)	-	(21,876,073)	(21,916,073)
Transfers	-	-	-	-	-	-	-	26,384,498	26,384,498
Balance as at June 30, 2013	11,736,673	181,163,215	-	1,262,977,356	7,259,488	17,099,438	6,234,074	23,839,223	1,510,309,467
Accumulated Depreciation									
Balance as at July 01, 2012	-	125,598,962	-	526,078,336	4,047,255	11,728,602	3,606,408	10,464,593	681,524,156
Charge for the year	-	2,778,213		48,078,347	171,230	1,071,659	245,825	2,646,664	54,991,938
Deletions	-	-	-	-	-	(21,511)	-	(6,769,757)	(6,791,268)
Transfers	-	-	-	-	-	-	-	8,444,811	8,444,811
Balance as at June 30, 2013	-	128,377,175	-	574,156,683	4,218,485	12,778,750	3,852,233	14,786,311	738,169,637
Written Down Value as at June 30, 2013	11,736,673	52,786,040	-	688,820,673	3,041,003	4,320,688	2,381,841	9,052,912	772,139,830
16.2.2 Leased assets									
Cost									
Balance as at July 01, 2012	-	-	-	-	-	-	-	34,833,408	34,833,408
Additions	-	-	-	-	-	-	-	16,816,900	16,816,900
Transfers	-	-	-	-	-	-	-	(26,384,498)	(26,384,498)
Assets written off	-	-	-	-	-	-	-	(200,000)	(200,000)
Balance as at June 30, 2013	-	-	-	-	-	-	-	25,065,810	25,065,810
Accumulated Depreciation									
Balance as at July 01, 2012	-	-	-	-	-	-	-	15,706,238	15,706,238
Charge for the year	-	-	-	-	-	-	-	3,300,474	3,300,474
Transfers	-	-	-	-	-	-	-	(13,651,706)	(13,651,706)
Balance as at June 30, 2013	-	-	-	-	-	-	-	5,355,006	5,355,006
Written Down Value as at June 30, 2013	-	-	-	-	-	-	-	19,710,804	19,710,804
Total Written Down Value as at June 30, 2013	11,736,673	52,786,040	-	688,820,673	3,041,003	4,320,688	2,381,841	28,763,716	791,850,634
16.2.3 Depreciation rates	-	5%	5%	7%	10%	20%	10%	20%	

Note 16 - Property, Plant and Equipment ... Contd.

16.3 Allocation of depreciation charge

Depreciation charge for the year has been apportioned as follows:

	Note	2014 Rupees	2013 Rupees
Cost of sales	28	50,971,931	51,027,790
Administrative expenses	30	7,346,736	7,264,622
		58,318,667	58,292,412

16.3.1 Disposal of Property, plant and equipment

Detail of property, plant and equipment disposed off during the year is as follows:

2014							
Particulars	Cost	Accumulated Depreciation	Written Down Value	Sale Proceed	Gain / (Loss) on Disposal	Buyer Name	Mode of Disposal
	Rupees	Rupees	Rupees	Rupees	Rupees		
Plant and Machinery							
Chease Winder	1,000,000	74,608	925,392	923,077	(2,315)	Chakwal Spinning Mills Limited	Negotiation
Chute Feed	1,275,000	95,126	1,179,874	1,179,485	(389)		
Doubling Machine	4,760,000	355,136	4,404,864	4,405,983	1,119		
Sub total	7,035,000	524,870	6,510,130	6,508,545	(1,585)		
Vehicles							
Honda CG 125	89,900	43,871	46,029	79,356	33,327	M Salman Ashraf	Negotiation
	89,900	43,871	46,029	79,356	33,327		
Total 2014	**7,124,900**	**568,741**	**6,556,159**	**6,587,901**	**31,742**		

2013							
Particulars	Cost	Accumulated Depreciation	Written Down Value	Sale Proceed	Gain / (Loss) on Disposal	Buyer Name	Mode of Disposal
Office Equipment							
Photo Copier	40,000	21,511	18,489	10,000	(8,489)	C Tech Int-	Negotiation
Sub total	40,000	21,511	18,489	10,000	(8,489)		
Vehicles							
Mercedes Benz	11,175,628	5,206,895	5,968,733	8,000,000	2,031,267	Askari Bank Ltd	Sale & Lease Back
Toyota Corolla	1,322,380	1,176,544	145,836	870,000	724,164	Atiq Ur Rehman	Negotiation
Honda Civic	1,704,780	919,217	785,563	1,160,000	374,437	Muhammad Usman	Negotiation
Honda Civic	1,792,940	994,293	798,647	1,270,000	471,353	Muhammad Zaheer	Negotiation
Honda Civic	1,664,366	881,449	782,917	1,600,000	817,083	Muhammad Akhtar	Negotiation
Honda Citi	917,835	666,453	251,382	875,000	623,618	Mehraj Khalid	Negotiation
Honda Citi	1,335,875	805,230	530,645	1,180,000	649,355	Mesham Ali Shahid	Negotiation
Suzuki Cultus	665,600	580,684	84,916	360,000	275,084	Muhammad Ramzan	Negotiation
Suzuki Cultus	827,785	423,090	404,695	610,266	205,571	EFU Insurance	Insurance Claim
Suzuki Mehran	321,450	239,162	82,288	85,000	2,712	Nasira Tahir	Negotiation
Honda CG 125	84,534	48,179	36,355	20,000	(16,355)	Muhammad Yaseen	Negotiation
Honda CD 70	62,900	35,453	27,447	52,836	25,389	Arshad Hussain	Negotiation
Sub Total	21,876,073	11,976,649	9,899,424	16,083,102	6,183,678		
Total 2013	**21,916,073**	**11,998,160**	**9,917,913**	**16,093,102**	**6,175,189**		

16.4 Capital Work in Progress

	2014 Rupees	2013 Rupees
Opening balance	8,579,943	-
Additions during the year	1,201,634	8,579,943
	9,781,577	8,579,943
Transferred to property, plant and equipment	(121,040)	-
Transferred to assets held for sale	(9,660,537)	-
	-	8,579,943

Note 17
Intangible Assets

	Note	2014 Rupees	2013 Rupees
Net carrying value			
Opening balance of net book value		1,109,625	1,358,724
Amortization	28	(221,925)	(249,099)
Net book value as at June 30		887,700	1,109,625
Gross carrying value			
Cost		3,630,520	3,630,520
Accumulated amortization		(2,742,820)	(2,520,895)
Net book value		887,700	1,109,625
Amortization rate per annum		20%	20%

17.1 Amortization charge for the year has been allocated to cost of sales.

17.2 Intangible assets as at June 30, 2014 includes ERP system and other software implemented and used by the Company.

Note 18
Long Term Loans

	Note	2014 Rupees	2013 Rupees
Loans to employees - (Secured - considered good)			
- Due from executives	18.1	9,706,297	8,739,946
- Due from other employees		9,939,892	9,031,181
		19,646,189	17,771,127
Less: Current portion			
- Due from executives		(1,149,237)	(322,104)
- Due from other employees		(671,250)	(483,828)
		(1,820,487)	(805,932)
		17,825,702	16,965,195

18.1 Reconciliation of carrying amount of loan to executives:

	2014 Rupees	2013 Rupees
Opening balance	8,739,946	8,227,602
Disbursement during the year	4,358,300	3,061,220
	13,098,246	11,288,822
Recoveries during the year	(3,391,949)	(2,548,876)
Closing Balance	9,706,297	8,739,946

18.2 This represents interest free loans given to executives and other employees for construction of houses and other purposes as per the Company's policy. These loans shall be recovered in monthly installments from salary and are secured against gratuity balances.

18.3 The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs. 10.555 million (2013: Rs. 8.788 million)

18.4 Long term loans have been carried at cost as the effect of carrying these balances at amortised cost would not be material.

Note 19
Long Term Deposits

	Note	2014 Rupees	2013 Rupees
Security deposits against:			
- Utilities		2,738,503	2,738,503
- Finance lease		5,101,800	6,788,550
- Adjustable within next 12 months	24	(188,600)	(2,228,600)
		4,913,200	4,559,950
		7,651,703	7,298,453

Note 20
Stores and Spares

	2014 Rupees	2013 Rupees
Stores	23,270,749	29,828,074
Spares	38,560,190	26,633,314
	61,830,939	56,461,388

20.1 No identifiable stores and spares were held for specific capitalization.

Note 21
Stock in Trade

	2014 Rupees	2013 Rupees
Raw and packing materials	27,387,288	40,139,092
Work in process	102,431,257	93,291,721
Finished goods	260,551,151	267,038,095
	390,369,696	400,468,908

21.1 This includes stocks amounting to Rs. 135.16 million (2013:Rs. 156.20 million) approximately, which are pledged against short term borrowings (refer note 12).

Note 22
Trade Debts

	2014 Rupees	2013 Rupees
Local debts (Unsecured - considered good)	21,614,248	63,593,388
Foreign debts (Secured - considered good)	91,324,172	27,406,497
	112,938,420	90,999,885

Note 23
Loans and Advances

	Note	2014 Rupees	2013 Rupees
Current portion of loan to employees:	18		
- Due from executives		1,149,237	322,104
- Due from other employees		671,250	483,828
		1,820,487	805,932
Advances - Considered good:			
- Suppliers and contractors		43,417,019	48,552,850
- Employees		2,388,356	2,728,933
- Letters of credit		-	4,586,286
Income tax deducted at source and advance tax		46,697,446	49,758,861
		94,323,308	106,432,862

Note 24
Trade Deposits, Short Term Prepayments and Other Receivables

	Note	2014 Rupees	2013 Rupees
Margin against letter of credit		15,094,611	19,368,931
Margin against guarantee		5,087,990	4,837,990
Security deposits		286,992	286,992
Deposit against finance lease	19	188,600	2,228,600
Prepayments		663,698	1,425,594
Other receivables - considered good:			
- Export rebate		3,757,076	3,053,115
- Others		-	743,041
		25,078,967	31,944,263

Note 25
Assets Held for Disposal

	2014 Rupees	2013 Rupees
Assets held for disposal:		
Non current assets	90,906,898	79,596,021
Biological assets	107,475,549	112,576,723
	198,382,447	192,172,744

The company has decided to dispose off the assets of its dairy segment and shareholders approval in this regard has been obtained through special resolution passed in the extra ordinary general meeting held on April 20, 2012. Necessary steps in this context are in process including negotiations with interested parties. The management foresees that the transaction shall conclude within a time frame of one year and is actively persuing the matter.

The fair value of the assets of dairy segment to be disposed off has been estimated at Rs. 191 million (2013: 196 million) as on June 30, 2014.

25.1 **Analysis of discontinued operations**

	2014	2013
Revenue	65,397,381	72,391,216
Cost of sales	(74,360,554)	(84,646,945)
Distribution cost	-	(3,000)
Administration expenses	(612,442)	(1,132,444)
Other operating expenses	(13,287,044)	(7,857,301)
Other operating income	14,475,280	28,090,909
Finance cost	(307,354)	(357,923)
	(74,092,114)	(65,906,704)
(Loss) / profit before tax from discontinued operations	(8,694,733)	6,484,512
Taxation	(657,550)	(361,956)
(Loss) / Profit after taxation	(9,352,283)	6,122,556

25.2 **Analysis of the cash flows of discontinued operations**

	2014	2013
Operating cash flows	(5,740,836)	18,382,559
Investing cash flows	3,212,576	(20,292,625)
Financing cash flows	1,647,581	2,801,377
Total cash flows	(880,679)	891,311

Note 26
Cash and Bank Balance

	2014 Rupees	2013 Rupees
Imprest with staff	212,014	378,027
Cash in hand	386,596	2,490,437
Cash at bank - in current accounts	645,155	30,616,402
	1,243,765	33,484,866

Note 27
Sales

	2014 Rupees	2013 Rupees
Exports		
- Grey cloth	942,732,726	606,763,870
- Processed cloth	184,688,175	153,975,563
- Export rebate	882,932	1,136,077
	1,128,303,833	761,875,510
Local		
- Grey cloth	883,695,547	1,539,439,033
- Processed cloth	6,258,316	10,531,233
- Yarn	611,833,900	327,498,642
- Milk	65,397,381	72,391,216
	1,567,185,144	1,949,860,124
Waste sales	2,200,715	6,415,663
Processing income	126,787,556	158,047,007
	2,824,477,248	2,876,198,304
Sales tax	(44,841,535)	(12,401,109)
Commission	(31,240,338)	(24,007,920)
	2,748,395,375	2,839,789,275

Note 28
Cost of Sales

	Note	2014 Rupees	2013 Rupees
Raw materials consumed	28.1	1,756,643,239	2,020,551,819
Salaries, wages and other benefits	28.2	162,376,172	178,099,712
Dying and processing charges		28,253,071	30,257,363
Fuel and power		316,841,888	244,780,762
Stores, spares and chemicals consumed		78,811,301	89,155,201
Packing material		23,210,209	20,252,282
Insurance		2,401,156	2,309,388
Repairs and maintenance		7,274,920	5,657,598
Miscellaneous		13,284,892	16,836,154
Amortization	17	221,925	249,099
Depreciation	16.3	50,971,931	51,027,790
		2,440,290,704	2,659,177,168
Work in process:			
- Opening work in process		93,291,721	63,758,796
- Closing work in process		(102,431,257)	(93,291,721)
		(9,139,536)	(29,532,925)
Cost of goods manufactured		2,431,151,168	2,629,644,243
Finished goods:			
- Opening finished goods		267,038,095	231,133,487
- Cloth purchased		52,883,492	4,829,949
		319,921,587	235,963,436
- Closing finished goods		(260,551,151)	(267,038,095)
		59,370,436	(31,074,659)
		2,490,521,604	2,598,569,584

Note 28 - Cost of Sales... Contd.

	2014 Rupees	2013 Rupees
28.1 Raw materials consumed:		
- Opening stock	40,139,092	42,796,687
- Purchases	1,748,896,300	2,024,936,818
- Purchase expenses	4,114,106	6,621,929
	1,793,149,498	2,074,355,434
- Cost of raw materials sold	(9,118,973)	(13,664,523)
	1,784,030,525	2,060,690,911
- Closing stock	(27,387,286)	(40,139,092)
	1,756,643,239	2,020,551,819

28.2 This includes Rs. 5.505 million (2013: Rs. 6.554 million), approximately, in respect of employee benefits - gratuity scheme.

Note 29
Distribution Cost

	2014 Rupees	2013 Rupees
Salaries, wages and other benefits	11,193,947	8,948,885
Freight, octroi and other charges	35,049,164	28,985,748
Commission, claims and promotion	2,777,134	2,084,584
Travelling and conveyance	10,059,166	5,736,554
Printing and stationery	80,961	89,684
Communication	913,729	726,449
Testing, sampling and others	109,736	47,670
	60,183,837	46,619,574

Note 30
Administrative Expenses

	Note	2014 Rupees	2013 Rupees
Salaries, wages and other benefits	30.1	43,503,492	41,874,764
Traveling and conveyance		383,444	305,293
Rent, rates and taxes		1,338,761	1,623,504
Printing and stationery		985,251	900,394
Communications		1,430,610	1,579,660
Entertainment		1,079,091	330,231
Electricity and gas		4,096,792	4,408,958
Vehicles' running and maintenance		4,368,044	4,370,112
Legal and professional charges		1,498,195	1,287,546
Fees and subscriptions		803,828	464,636
Repairs and maintenance		3,179,992	1,960,540
Insurance		2,308,508	1,806,898
Donations	30.2	455,200	195,600
Advertisement		256,570	174,620
Miscellaneous		2,082,659	2,106,127
Depreciation	16.3	7,346,736	7,264,622
		75,117,173	70,653,505

30.1 This includes Rs. 4.967 million (2013: Rs. 5.225 million), approximately, in respect of employee benefits - gratuity scheme.

30.2 None of the directors and their spouses had any interest in any of the donees.

YOUSAF WEAVING MILLS LIMITED
Notes to and Forming Part of the Financial Statements

Note 31
Other Operating Charges

	Note	2014 Rupees	2013 Rupees
Auditors' remuneration	31.1	1,100,000	1,000,000
Loss on sale of property, plant and equipment		-	24,844
Loss on sale of store and spares and raw material - net		393,381	-
Workers' (profit) participation fund		2,275,725	2,664,651
Exchange loss		2,598,852	6,844,356
Loss on death/sale of biological assets		13,287,044	7,857,301
		19,655,002	18,391,152

31.1 Auditors' remuneration

	2014	2013
Audit fee	850,000	750,000
Certification and reviews	250,000	250,000
	1,100,000	1,000,000

Note 32
Finance Cost

	2014 Rupees	2013 Rupees
Mark up on:		
- Long term financing	5,123,513	2,890,403
- Short term borrowings	46,970,794	54,728,369
- Finance lease	1,627,871	1,088,520
Workers' (profit) participation fund	-	971,189
Bank charges and commissions	20,463,832	22,057,441
	74,186,010	81,735,922

Note 33
Other Operating Income

	2014 Rupees	2013 Rupees
Income from financial assets		
Profit on saving account	-	82
Income from non-financial assets		
Gain on disposal of property, plant and equipment	31,742	6,200,033
Gain on sale of store and spares and raw material - net	-	179,650
Gain on sale of biological assets	224,860	3,561,759
Gain on fair market valuation of biological assets	14,250,420	24,529,150
	14,507,022	34,470,592
	14,507,022	34,470,674

Note 34
Taxation

	Note	2014 Rupees	2013 Rupees
For the year			
- Current		28,104,801	18,242,264
- Deferred		4,466,112	4,242,151
		32,570,913	22,484,415
Prior year		364,358	1,721,286
		32,935,271	24,205,701

Note 35
Earnings / (Loss) per Share

	2014	2013
	Rupees	Rupees
	Number of shares	
Weighted average number of ordinary shares outstanding during the year	40,000,000	40,000,000
Continuing operations:		
Profit after taxation	19,655,783	27,961,955
Earnings per share - basic (Rupees per share)	0.49	0.70
Discontinuing operations:		
(Loss) / profit after taxation	(9,352,283)	6,122,556
(Loss) / earnings per share - basic (Rupees per share)	(0.23)	0.15
Profit after taxation	10,303,500	34,084,511
Earnings per share - basic (Rupees per share)	0.26	0.85

35.1 Diluted earnings / (loss) per share

There is no dilution effect on the basic earnings / (loss) per share of the Company as the Company has no such commitments that would result in dilution of earnings of the Company.

Note 36
Cash Generated from Operations

	2014 Rupees	2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	43,238,771	58,290,212
Adjustments for:		
- Depreciation	58,318,667	58,292,412
- Amortization of intangible asset	221,925	249,099
- Provision for gratuity	10,471,360	11,779,493
- Gain arising from change in fair value less estimated point of of sale costs attributed to physical / price changes	(14,250,420)	(24,529,150)
- Gain on disposal of property, plant and equipment	(31,742)	(6,175,189)
- Loss on disposal of assets held for sale	13,287,044	7,857,301
- Gain on sale of stores and raw material - net	393,381	(179,650)
- Finance cost	74,186,010	81,735,922
- Profit on bank deposit	-	(82)
- Assets written off	-	200,000
	142,596,225	129,230,156
Operating profit before working capital changes	185,834,996	187,520,368
(Increase) / decrease in current assets		
- Stores and spares	(7,489,732)	(16,699,378)
- Stock in trade	3,100,420	(75,499,924)
- Trade debts	(21,938,535)	(29,840,995)
- Loans and advances	10,062,691	(7,330,267)
- Trade deposits, short term prepayments and other receivables	4,825,297	(2,621,803)
- Sales tax refundable	(4,224,450)	(12,019,660)
(Decrease) / increase in current liabilities		
- Trade and other payables	(94,585,663)	232,974,890
	(110,249,972)	88,962,863
Cash generated from operations	75,585,024	276,483,231

Note 37
Remuneration of Chief Executive, Directors and Executives

The aggregate amounts charged in the accounts for the year as remuneration and benefits to the chief executive and directors of the Company are as follows:

	2014			2013		
	Chief Executive	**Directors**	**Executives**	**Chief Executive**	**Directors**	**Executives**
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	5,000,000	5,000,000	10,497,558	5,000,000	5,000,000	8,757,613
House rent allowance	2,000,000	2,000,000	4,201,963	2,000,000	2,000,000	3,501,994
Utilities	500,000	500,000	1,048,653	500,000	500,000	876,155
Car allowance and others	704,452	765,908	2,106,928	449,502	1,257,990	1,450,102
	8,204,452	8,265,908	17,855,102	7,949,502	8,757,990	14,585,864
Number of persons	1	1	7	1	1	6

37.1 No meeting fee has been paid to any director of the Company.

37.2 Chief executive, directors and executives are provided with free use of Company maintained vehicles.

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

Note 38
Transaction with Related Parties

Related parties and associated undertaking comprise related group companies, associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment, are as follows:

	2014	2013
	Rs. (million)	Rs. (million)
Associates and related parties		
Purchase of material, goods and utilities		
- Chakwal Textile Mills Limited	2.209	22.583
- Chakwal Spinning Mills Limited	2.873	19.018
- Kohinoor Spinning Mills Limited	13.326	39.670
Sale of material, goods and services		
- Chakwal Textile Mills Limited	-	0.325
- Chakwal Spinning Mills Limited	32.929	74.395
- Kohinoor Spinning Mills Limited	-	2.922
Long term loan (repaid) / received from directors - net	(27.000)	207.517
Short term funds (repaid) / availed from directors - net	(20.272)	(0.768)
Rent of building paid - Director	2.400	2.400

There were no transactions with key management personnel other than undertaken as per terms of their employment as disclosed in Note 37.

Sale and purchase transactions have been carried out on commercial terms and conditions as per Company's policy.

Note 39
Segment Reporting

For management purposes, the activities of the Company are organized into three operating segment i.e., weaving, spinning and dairy. The Company operates in the said reportable operating segments based on the nature of products, risks and returns, organizational and management structure and internal financial reporting systems. Accordingly, the figures reported in these financial statements related to the Company's reportable segment.

Information regarding the Company's reportable segment is presented below:

39.1 Segment revenues and results

	Weaving Segment	Spinning Segment	Dairy Segment	Total
	Rupees	Rupees	Rupees	Rupees
For the year ended June 30, 2014				
Sales - net	2,062,148,977	620,849,017	65,397,381	2,748,395,375
Cost of sales	(1,809,744,139)	(606,416,910)	(74,360,555)	(2,490,521,604)
Gross Profit	252,404,838	14,432,107	(8,963,174)	257,873,771
Distribution cost	(57,007,749)	(3,176,088)	-	(60,183,837)
Administrative expenses	(54,912,577)	(19,592,154)	(612,442)	(75,117,173)
	(111,920,326)	(22,768,242)	(612,442)	(135,301,010)
Operating Profit	140,484,512	(8,336,135)	(9,575,616)	122,572,761
Other operating charges	(6,367,958)	-	(13,287,044)	(19,655,002)
Finance cost	(71,597,877)	(2,280,779)	(307,354)	(74,186,010)
Other operating income	-	31,742	14,475,280	14,507,022
Profit before Taxation	62,518,677	(10,585,172)	(8,694,734)	43,238,771
Taxation				(32,935,271)
Profit after taxation				10,303,500
For the year ended June 30, 2013				
Sales - net	2,299,278,869	468,119,190	72,391,216	2,839,789,275
Cost of sales	(2,061,252,986)	(452,669,653)	(84,646,945)	(2,598,569,584)
Gross Profit	238,025,883	15,449,537	(12,255,729)	241,219,691
Distribution cost	(46,267,156)	(349,418)	(3,000)	(46,619,574)
Administrative expenses	(49,400,356)	(20,120,705)	(1,132,444)	(70,653,505)
	(95,667,512)	(20,470,123)	(1,135,444)	(117,273,079)
Operating Profit	142,358,371	(5,020,586)	(13,391,173)	123,946,612
Other operating charges	(10,525,362)	(8,489)	(7,857,301)	(18,391,152)
Finance cost	(77,152,870)	(4,225,129)	(357,923)	(81,735,922)
Other operating income	5,493,165	886,600	28,090,909	34,470,674
Loss before Taxation	60,173,304	(8,367,604)	6,484,512	58,290,212
Taxation				(24,205,701)
Loss after taxation				34,084,511

Note 39 - Segment Reporting ... Contd.

39.1.1 Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year (2013 : Nil)

39.1.2 The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3 to the financial statements.

39.2 Entity-wide disclosures regarding single reportable segment are as follows:

- *Information about products*

One product of the weaving segment comprises 4.97% (2013: 4.54%) of total sales for the year.

One product of the spinning segment comprises 44.68% (2013: 37.96%) of total sales for the year.

- *Information about major customers*

One customer of the weaving segment accounts for 15.44% (2013: 37.32%) of total sales for the year.

One customer of the spinning segment accounts for 38.20% (2013: 70.55%) of total sales for the year.

One customer of the dairy segment accounts for 99.68% (2013: 68.46%) of total sales for the year.

- *Information about geographical area*

	2014 Rupees	**2013** Rupees
Local sale	1,696,173,415	2,114,322,794
Export sale	1,128,303,833	761,875,510
	2,824,477,248	2,876,198,304

- All non-current assets of the Company are located in Pakistan as at reporting date.

39.3 Segment assets and liabilities

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Weaving Segment Rupees	Spinning Segment Rupees	Dairy Segment Rupees	Total Rupees
As at June 30, 2014				
Segment assets for reportable segments	1,205,631,840	151,066,188	244,578,438	1,601,276,466
Unallocated assets				76,550,897
Total assets as per balance sheet				1,677,827,363
Segment liabilities for reportable segments	1,362,472,375	46,265,165	94,524,056	1,503,261,596
Unallocated liabilities				28,104,801
Total liabilities as per balance sheet				1,531,366,397
As at June 30, 2013				
Segment assets for reportable segments	1,190,851,674	249,943,465	247,214,766	1,688,009,905
Unallocated assets				75,387,862
Total assets as per balance sheet				1,763,397,767
Segment liabilities for reportable segments	1,467,537,516	50,160,633	91,385,826	1,609,083,975
Unallocated liabilities				18,242,264
Total liabilities as per balance sheet				1,627,326,239

Note 39 - Segment Reporting ... Contd.

For the purposes of monitoring segment performance and allocating resources between segments

- all assets are allocated to reportable segments other than those directly relating to corporate and tax assets; and
- all liabilities are allocated to reportable segments other than current and deferred tax liabilities.

39.4 Other Segment Information

	Weaving Segment	Spinning Segment	Dairy Segment	Total
	Rupees	Rupees	Rupees	Rupees
For the year ended 30 June 2014				
Capital expenditure	9,606,458	737,960	3,213,974	13,558,392
Depreciation and amortization	49,860,150	8,458,517	-	58,318,667
Non-cash items other than depreciation and amortization - net	8,275,755	2,557,244	(963,376)	9,869,623

	Weaving Segment	Spinning Segment	Dairy Segment	Total
	Rupees	Rupees	Rupees	Rupees
For the year ended 30 June 2013				
Capital expenditure	87,306,565	12,185,000	8,012,327	107,503,892
Depreciation and amortization	49,141,750	9,150,662	-	58,292,412
Non-cash items other than depreciation and amortization - net	3,128,285	2,496,287	(16,671,849)	(11,047,277)

Note 40
Financial Risk Management

40.1 Financial risk factors

The Company's activities expose it to a variety of following financial risks:

(a) Market risk (including currency risk, other price risk and interest rate risk)
(b) Credit risk
(c) Liquidity risk

The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance. Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, interest rate, commodity price and equity price that will affect the Company's income or the value of its holdings of financial instruments.

(i) 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. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to foreign receivables. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to foreign entities. The Company's exposure to currency risk was as follows:

	2014		
	Rs.	USD	EURO
Trade debts	91,324,172	925,505	692,952
Gross balance sheet exposure	91,324,172	925,505	692,952
Outstanding letters of credit	-	-	-
Net exposure	91,324,172	925,505	692,952

	2013		
	Rs.	USD	EURO
Trade debts	27,406,497	284,152	221,324
Gross balance sheet exposure	27,406,497	284,152	221,324
Outstanding letters of credit	(6,126,750)	(63,523)	(49,477)
Net exposure	21,279,747	220,629	171,847

The following exchange rates were applied during the year:

	2014	
	Rs. / $	Rs. / Euro
Rupees per foreign currency rate		
Average rate	98.68	131.79
Reporting date rate	98.75	134.73

	2013	
	Rs. / $	Rs. / Euro
Rupees per foreign currency rate		
Average rate	96.45	123.83
Reporting date rate	98.60	128.85

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the foreign currencies with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 4.566 million (2013: Rs. 1.0639 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to equity and commodity price risk.

(iii) Interest rate risk

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

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing and short term borrowings. As the borrowings are obtained at variable rates, these expose the Company to cash flow interest rate risk.

Note 40 - Financial Risk Management ... Contd.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was as follows:

	2014	2013
	Rupees	Rupees
Floating rate instruments		
Financial liabilities		
Long term financing	41,625,000	56,725,000
Liabilities against assets subject to finance lease	15,343,856	17,947,640
Short term borrowings	425,972,338	402,425,529
Financial assets		
Bank balances - saving accounts	-	-

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the balance sheet date, fluctuate by 1% higher / lower with all other variables held constant, (loss) / profit before taxation for the year would have been Rs. 4.829 million (2013: Rs. 4.771 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2014	2013
	Rupees	Rupees
Long term loans	17,825,702	16,965,195
Long term deposits	2,738,503	2,738,503
Trade debts	112,938,420	90,999,885
Loan and advances	1,820,487	805,932
Trade deposits, short term prepayments and other receivables	9,795,756	10,346,732
Bank balances	645,155	30,616,402

The aging of trade debts at balance sheet date is as follows:

	2014	2013
	Rupees	Rupees
Current	17,001,291	20,347,351
1 - 30 days	47,712,871	37,973,769
31 - 60 days	22,554,010	14,907,836
61 - 120 days	12,374,143	13,827,442
120 days and above	13,296,105	3,943,487
	112,938,420	90,999,885

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and trade debts are subject to specific credit ceilings.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counter party default rate:

	Agency	Rating	
		Short Term	Long Term
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Faysal Bank Limited	PACRA	A1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
KASB Bank Limited	PACRA	A3	BBB
MCB Bank Limited	PACRA	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
National Bank of Pakistan	JCR - VIS	A-1+	AAA
United Bank Limited	JCR - VIS	A-1+	AA+
Summit Bank	JCR - VIS	A - 3	A-
Dubai Islamic Bank	JCR - VIS	A-1	A+
Bank Of Punjab	PACRA	A1+	AA-
Bank Al Habib Limited	PACRA	A1+	AA+
Barclays Bank PLC	Standard & Poor's	A-1	A
	Moody's	P-1	A2
	Fitch	F1	A

Due to company's long standing business relationship with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligation to the company. Accordingly, the credit risk is minimal.

Note 40 - Financial Risk Management ... Contd.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs. 992.7 million (2013: Rs. 878.5 million) worth short term borrowing limits available from financial institutions and Rs. 1.244 million (2013: Rs. 33.484 million) cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

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

Description	Carrying Amount	On Demand	Contractual cash flows	Within 1 Year	1-2 Years	2-5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Long term finances	41,625,000	-	41,625,000	11,100,000	11,100,000	19,425,000
Liabilities against leased assets	15,343,856	-	12,526,741	4,459,088	3,713,038	4,354,615
Trade and other payables	454,618,306	-	454,618,306	454,618,306	-	-
Accrued mark up	12,452,814	-	12,452,814	12,452,814	-	-
Short term borrowings	425,972,338	425,972,338	-	-	-	-
	950,012,314	425,972,338	521,222,861	482,630,208	14,813,038	23,779,615

Contractual maturities of financial liabilities as at June 30, 2013:

Description	Carrying Amount	On Demand	Contractual cash flows	Within 1 Year	1-2 Years	2-5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Long term finances	56,725,000	-	56,725,000	15,100,000	11,100,000	30,525,000
Liabilities against leased assets	17,947,640	-	14,263,591	4,084,407	3,917,348	6,261,836
Trade and other payables	549,650,023	-	549,650,023	549,650,023	-	-
Accrued mark up	9,415,559	-	9,415,559	9,415,559	-	-
Short term borrowings	402,425,529	402,425,529	-	-	-	-
	1,036,163,751	402,425,529	630,054,173	578,249,989	15,017,348	36,786,836

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in Note 7 and Note 12 to these financial statements.

40.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Note 41
Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhance shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchase shares, if possible, selling surplus property, plant and equipment without affecting the optimal operating level, and regulate its dividend payout thus maintaining smooth capital management.

In line with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

As on the balance sheet date, the gearing ratio of the Company was as under:

	2014	2013
	Rupees	Rupees
Total borrowings	470,986,396	463,895,862
Cash and bank balances	(1,243,765)	(33,484,866)
Net Debt	469,742,631	430,410,996
Equity	146,460,966	136,071,528
Total Capital Employed	616,203,597	566,482,524
Gearing Ratio	76.23%	75.98%

Note 42
Plant Capacity and Production

	2014	2013
Number of looms installed	153	153
Installed capacity converted into 50 picks based on 364 days (Sq. Meters approximately)	73,673,861	73,673,861
Actual production converted into 50 picks - (Sq. Meters)	50,124,875	48,218,292
Number of spindles installed	15,936	15,936
Installed capacity in 20's count (Kgs) - approximately	7,848,991	7,848,991
Actual production after conversion into 20's count (Kgs)	3,660,834	4,709,430
Number of animals	498	442

42.1 Under utilization of installed capacities is mainly due to non availability of power.

Note 43
Number of Employees

	2014	2013
Number of Employees	1,059	1,128

Note 44
General

44.1 These financial statements were authorized for issue on October 10, 2014 by the Board of Directors of the Company.

44.2 The figures have been rounded off to the nearest rupee.

44.3 The Board of Directors has proposed dividend for the year ended June 30, 2014 of Rs. 0.25 (2.5%) per share at their meeting held on October 10, 2014 for approval of the members at the annual general meeting to be held on October 31, 2014. However directors have foregone their rights to receive the dividend.

CHIEF EXECUTIVE | **DIRECTOR**

Lahore
Date: October 10, 2014