



**ISO 9001:2008  
CERTIFIED**

**Financial Statements  
for the year ended  
June 30, 2014**

**Shahtaj Textile Limited**



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**BOARD OF DIRECTORS**

Mr. Muneer Nawaz  
 Mr. M. Naeem  
 Mr. Mahmood Nawaz  
 Mr. Farooq Hassan (NIT)  
 Mr. Toqueer Nawaz  
 Mrs. Sadia Mohammad  
 Lt. Col. (Retd.) R.D. Shams  
 Mr. Muhammad Usman Khalid

Chairman  
 Chief Executive

**COMPANY SECRETARY**

Mr. Jamil Ahmad Butt, FCMA

**AUDIT COMMITTEE OF THE BOARD**

Mr. Muneer Nawaz  
 Mr. Mahmood Nawaz  
 Mr. Muhammad Usman Khalid  
 Syed Muhammad Farooq

Chairman  
 Member  
 Member  
 Secretary

**HUMAN RESOURCE AND  
REMUNERATION COMMITTEE OF THE BOARD**

Mr. Muneer Nawaz  
 Mr. Farooq Hassan  
 Mr. M. Naeem

**AUDITORS**

M. Yousuf Adil Saleem & Co.  
 Chartered Accountants.  
 Cavish Court, A-35, Block 7 & 8 KCHS,  
 Shahrah-e-Faisal, Karachi 75350.

**BANKS**

Habib Bank Limited  
 MCB Bank Limited  
 The Bank of Punjab  
 United Bank Limited  
 Bank Alfalah Limited  
 Standard Chartered Bank (Pakistan) Limited  
 Faysal Bank Limited  
 HSBC Bank Middle East Limited

**LEGAL ADVISOR**

Mr. Ras Tariq Chowdhary  
 30-Mall Mansion  
 The Mall  
 Lahore.

**HEAD OFFICE**

Shahnawaz Building, 19-Dockyard Road,  
 West Wharf, Karachi-74000  
 Ph: 32313934-8, 32312834, 32310973  
 Fax: 32205723, 32310623  
 Website: www.shahtaj.com

**REGISTERED OFFICE**

27-C Abdalian Co-oporetive  
 Hosing Society, Lahore,  
 Ph: (042) 35313891-92, 35301596-99  
 Fax: (042) 35301594

**MARKETING OFFICE**

27-C Abdalian Co-oporetive  
 Hosing Society, Lahore,  
 Ph: (042) 35313891-92, 35301596-99  
 Fax: (042) 35301594

**FACTORY**

46 K.M. Lahore/Multan Road  
 Chunian Industrial Estate  
 Bhai Pheru, Distt. Kasur, Punjab.  
 Ph: (049) 4540430-32, 4540133, 4540234  
 Fax: (049) 4540031

**SHARE REGISTRAR**

Evolution Factor (Pvt.) Limited  
 Suite # 407,408, 4th Floor, Al-Ameera Centre,  
 Shahrah-e-Iraq, Near Passport Office, Saddar Karachi.  
 Tel: 35662023-24 Fax: 35221192

To,  
All the Shareholders,  
Notice is hereby given to all the shareholders of SHAHTAJ TEXTILE LIMITED that the 25th Annual General Meeting of the Company will be held on Friday, the 31st October 2014, at 11:00 A.M at PC Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

1. To confirm the minutes of Annual General Meeting held on 31st October, 2013.
2. To consider and adopt audited Financial Statements of the Company for the year ended June 30, 2014 together with Auditors' and Directors' Reports thereon.
3. To approve a cash Dividend @ 25% i.e. Rs.2.50 per share for the year ended June 30, 2014 as recommended by the Directors.
4. To appoint Auditors of the Company for the year 2014-2015 and to fix their remuneration. The present Auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, being eligible, have offered themselves for reappointment.
5. To transact any other ordinary business with the permission of the Chair.

By Order of the Board



(JAMIL AHMAD BUTT)  
Company Secretary

Karachi: September 29, 2014

**Notes:**

1. The share transfer books of the Company will remain closed from 24th October to 4th November 2014, (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the meeting and must be duly stamped, signed and witnessed.
3. Holders of Accounts and Sub-accounts for Company's shares in Central Depository Company of Pakistan Limited, who wish to attend this Annual General Meeting may do so by identifying themselves through their original CNIC/Passport and providing a copy thereof.
4. Consent for video conference facility

For this AGM, under following conditions, Members can also avail video conference facility at Karachi.

If the company receives consent from members holding in aggregate 10 % or more share holding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of meeting, the company will arrange video conference facility in that city subject to availability of such facility in that city.

The company will intimate members regarding venue of video conference facility 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

In this regard please send a duly signed request as per following format to the registered address of the company 10 days before holding of general meeting.

I/We, \_\_\_\_\_ of \_\_\_\_\_ being a member of SHAHTAJ TEXTILE LIMITED, holder of \_\_\_\_\_ ordinary share(s) as per registered Folio No \_\_\_\_\_ hereby opt for video conference facility at Karachi.



**OUR VISION:**

To attain leadership position in the textile sector in Pakistan.

**OUR MISSION:**

To make the name of Shahtaj synonymous with Quality by striving for the highest level of efficiency, productivity, profitability, customers satisfaction, congenial employees relations and profit sharing with shareholders.

**OVERALL CORPORATE STRATEGY:**

To develop and market products in the high-end of the textile sector through effective utilization of men, material and machines by encouraging, supporting and rewarding the employees, eliminating any waste, reducing costs aiming at establishing SHAHTAJ TEXTILE LIMITED as the most trusted, efficient and successful name among all stakeholders.



1. The directors will ensure implementation of Company's corporate strategy, keeping in view Company's vision and mission and complying with its Memorandum and Articles of Association.
2. They will provide due guidance and discharge their duties to the best of their ability.
3. They will attend meetings of Board of Directors, Audit Committee of the Board, any other Committee and General Meetings of Company.
4. They will disclose their interest in any contracts and appointments of the company officers and ownership of company shares and any changes therein.
5. They will not engage in any business competing with the company's business.
6. They will not allow contribution by the company to any political party or for any political purpose to any individual or body.
7. They will ensure maintenance and upkeep of company property, other assets and its record.
8. They will strictly observe all laws of land in running of the company affairs.
9. All company employees will perform their duties faithfully, truly and to the best of their judgment, skill and ability according to company rules and policies.
10. Company employees will not divulge any information about the company or otherwise which comes to their knowledge during the course of employment to any person not connected therein either within the company or outside.
11. Company employees will not involve in any indiscipline, misbehavior or misconduct, dishonesty, theft or fraud.
12. They will refrain from making commitments on behalf of the company beyond their delegated authority or detrimental to the interest of the company.
13. They will not engage directly or indirectly without the permission of the company in any other business or paid occupation while in the service of the company.
14. They will not give or take bribes or any illegal gratifications.
15. They will be punctual in attendance.

Directors are pleased to present the 25th Annual Report of the Company for the Financial Year ended June 30, 2014.

### **Financial Results and Prospects**

By the Grace of God Almighty the company performed well during the year and earned an after tax profit of Rs.71.177 million with an EPS of Rs.7.37 This profit however is less than the last year inspite of a reduction of Rs.40 million in the finance cost. Reasons for the same are sales falling short of last year as a result of adverse market condition prevailing in the 2nd half of the year. Appreciation of Rupee verses Dollar further eroded margins on Export Sales. Secondly there was an abnormal increase in the fuel and power cost to the extent of Rs.90 million because of increase in power tariff and self generation through costly alternates during periods of WAPDA and gas load shedding. The reduced margins and cost escalation has brought down the gross profit percentage of the year to only Rs.7.24% - the lowest during last six years.

Hoping for improvement in power supply position and betterment in market conditions, Company is continuing with its plan to revamp its production capacity to add value. Ten new looms were installed under BMR during last year and L/C is opened for another 18 looms to replace similar number of old looms to increase production and to reduce maintenance cost.

Efforts to achieve still higher levels of efficiency and cost control will be continuing as always.

### **Dividend**

To share the profits with the shareholders, Directors are pleased to recommend a 25% cash dividend for this year. A sum of Rs. 40 million is proposed to be transferred to general reserve.

### **Code of Corporate Governance**

Company is cognizant of all requirements of Code of Corporate Governance and is complying with the same. A Statement of Compliance is annexed.

### **Corporate and Financial Reporting Statements**

- a. The financial statements, prepared by the management present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of accounts have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

### **Six Years Review**

Key operating and financial data and ratios of the company for the last six years are annexed.

**Meeting of Board of Directors**

During the year 4 meetings of the Board were held and were attended as follows:

<b>Name of Director</b>	<b>Number of Meetings attended</b>
Mr. Muneer Nawaz	4
Mr. M. Naeem	4
Mr. Mahmood Nawaz	4
Mr. Farooq Hassan	4
Mr. Toqueer Nawaz	4
Mrs. Sadia Muhammad	4
LT. Col. (Retd) Rashiduddin Shams	1
Mr. Muhammad Usman Khalid	4

During the year four meetings of the Audit Committee of the Board of Directors were held and attended as under:

Mr. Muneer Nawaz	4
Mr. Mahmood Nawaz	4
Mr. Muhammad Usman Khalid	4

During the year one meeting of Human Resource and Remuneration Committee of the Board was held and was attended by the following members:

Mr. Muneer Nawaz  
Mr. Farooq Hassan  
Mr. M. Naeem

**Pattern of Shareholding**

The pattern of shareholding as on 30th June, 2014 listing the required details, is annexed.

**Trading of Shareholding**

During the year under review, no shares of the Company were traded by Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children.


**Auditors**

The Audit Committee of the Board has recommended the appointment of present Auditors, M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, as Auditors of the Company for the year 2014-2015. Board agrees to this recommendation.

**Appreciation**

Directors acknowledge with thanks the hard work put in by all the employees of the Company.

for and on behalf of the Board of Directors

  
( M. NAEEM )  
Chief Executive

Karachi: September 29, 2014



This statement is being presented by the Board of Directors (the Board) of Shahtaj Textile Limited (the Company) to comply with the Code of Corporate Governance (the Code) contained in listing regulation No. 35 (Chapter XI) of the Karachi Stock Exchange Limited and Listing Regulations of the Lahore Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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


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

Category	Names
Executive Directors	Mr. Muhammad Naeem
	Lt. Col(Retd.) Rashiduddin Shams
Non-Executive Directors	Mr. Muneer Nawaz
	Mr. Mahmood Nawaz
	Mr. Farooq Hassan (NIT)
	Mr. Toqueer Nawaz
	Mrs. Sadia Muhammad
	Mr. Muhammad Usman Khalid

2. The directors confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. There has been no casual vacancy in the Board during the year under review.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration of terms and conditions of employment of the CEO, other Executive and Non-executive Directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated and at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. Five directors of the Company have minimum of 14 years of education and 15 years of experience on the board of a listed company and therefore exempted from director's training program. Further, two directors attended the Director's Training Program conducted by Pakistan Institute of Corporate Governance during the year.
10. There was no appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year.
11. The Directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholdings.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit Committee. It comprise of three members, all of whom are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the company as required by the Code of Corporate Governance. The terms of reference of the committee have been framed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two including the chairman of the committee, are non-executive directors.
18. The board has outsourced the internal audit function to M/s Moeed & Co. Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. Currently, the Company has not appointed or designated any person as a head of internal audit.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
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 the company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with except that the secretary to the audit committee was neither company secretary nor head of internal audit.

for and on behalf of the Board of Directors

  
( M. NAEEM )  
Chief Executive

  
( Muneer Nawaz )  
Chairman

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

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

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

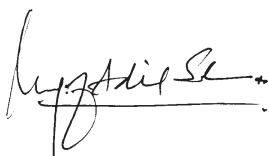
The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail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

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

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance.

<b>Paragraph reference</b>	<b>Description</b>
18	Company has not appointed or designated a fulltime employee as Head of Internal Audit as required by clause (xxxii) of the Code
23	Designated Secretary of the Audit Committee is neither Company Secretary nor Head of Internal Audit as required by clause (xxx) of the Code

Chartered Accountants



Karachi: September 29, 2014

**2013-2014    2012-2013    2011-2012    2010-2011    2009-2010    2008-2009**

All figures are in Tousand Rupees other than where percentages and ratio sign appear.

**PROFIT & LOSS ACCOUNT**

Net turnover	4036.097	4208.752	3985.019	4039.701	2829.226	2432.058
Gross profit	292.339	432.924	332.672	443.376	333.746	270.479
Operating profit	129.669	243.336	212.857	344.522	215.158	153.235
Profit before tax	73.010	146.441	91.596	234.480	133.328	50.432
Profit after tax	71.177	112.897	87.280	204.734	107.795	38.886
Earnings per share (Rs.)	7.37	11.69	9.04	21.19	11.16	4.03
Cash dividend	25%	40%	35%	60%	45%	20%
Dividend payment ratio	34%	34%	38%	28%	40%	50%
Cash distribution per share in Rupees	2.50	4.00	3.50	6.00	4.50	2.00

**BALANCE SHEET**

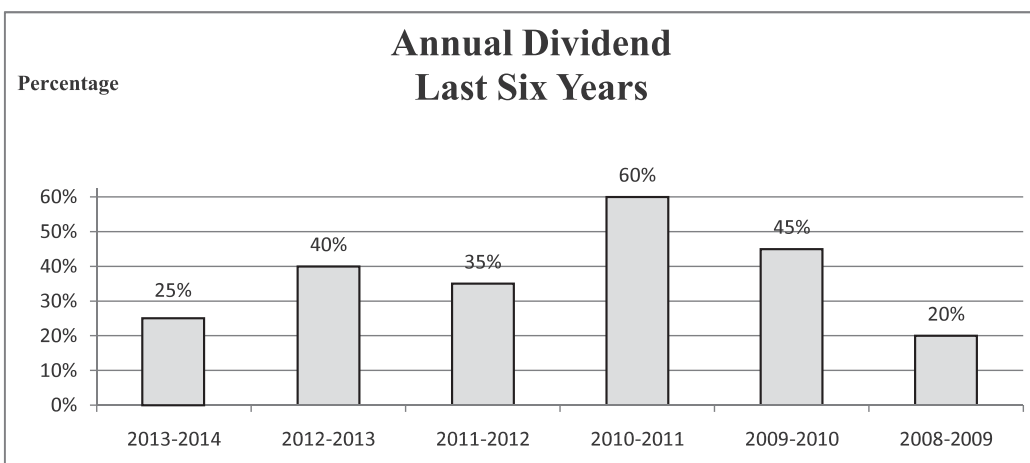
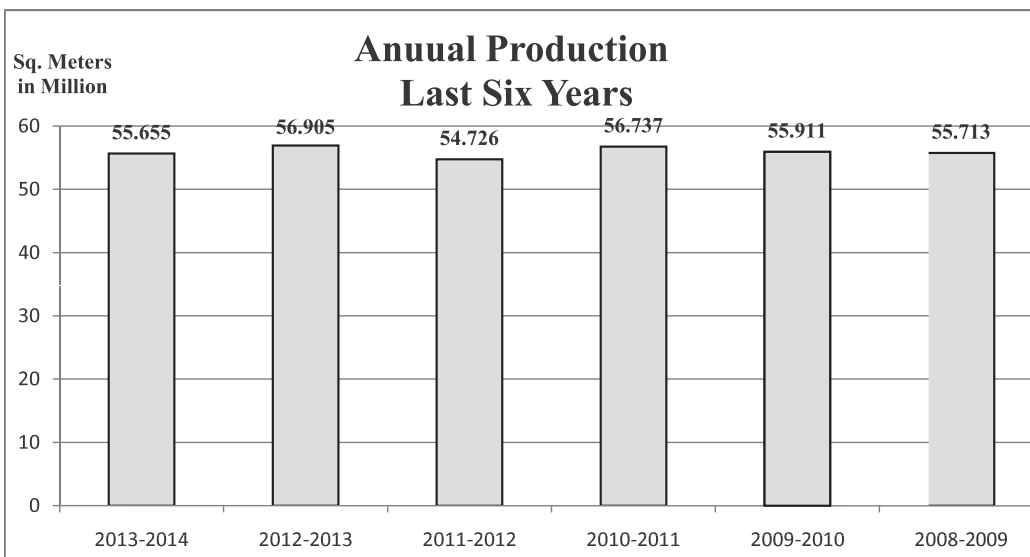
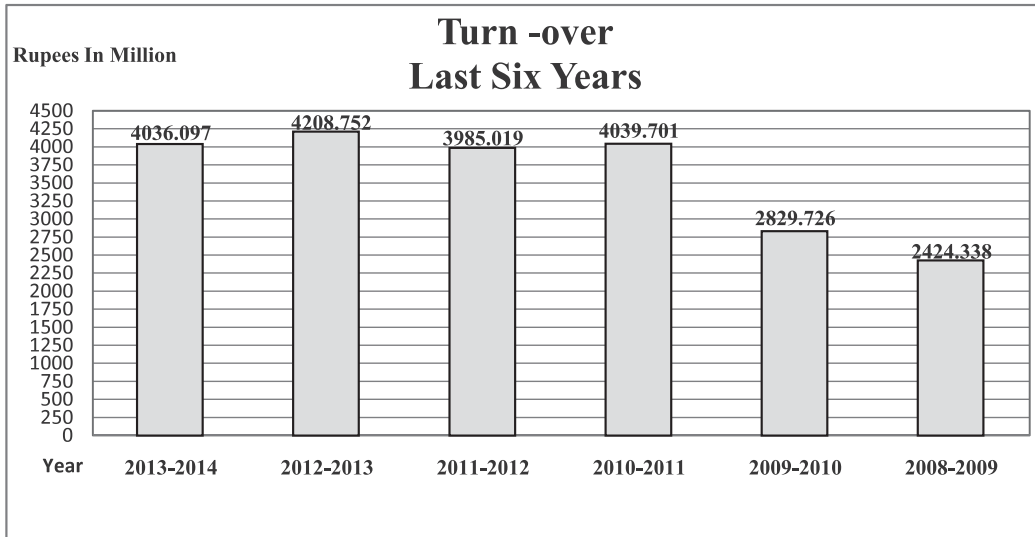
Shareholders funds	96.600	96.600	96.600	96.600	96.600	96.600
Reserves	676.173	624.725	540.186	504.861	337.737	243.308
Property plant and equipment	987.473	995.632	884.750	859.041	685.171	696.562
Long term liabilities	159.893	201.717	336.986	457.044	154.491	256.739
Net current assets / liabilities	210.529	208.141	198.173	336.047	85.473	93.111

**INVESTORS INFORMATION**

Gross profit ratio	7.24%	10.29%	8.84%	10.97%	11.75%	11.12%
Profit before tax ratio	1.81%	3.49%	2.30%	5.80%	4.71%	2.08%
Inventory turnover ratio	7.60	7.13	12.60	9.47	12.44	12.03
Fixed asset turnover ratio	4.09	4.22	4.50	4.70	4.11	3.34
Return on equity	7.43%	12.13%	12.63%	31.19%	22.09%	9.74%
Debt equity ratio	17:83	18:82	33:67	41:59	24 : 76	39:69
Current ratio	1.36:1	1.37:1	1.27:1	1.42:1	1.11 : 1	1.14:1
Interest cover ratio	2.29	2.51	1.76	4.03	2.63	1.49

**STATEMENT OF VALUE ADDITION**

Employees remuneration	211.584	190.649	159.379	137.811	113.541	104.236
Government as taxes	84.761	55.046	4.316	29.746	25.532	11.545
Shareholders as dividend	24.150	38.640	33.810	57.960	43.470	19.320
Retained with in business	47.027	74.258	53.470	146.774	64.325	19.567
Financial charges to providers of finance	56.659	96.895	121.261	110.042	81.831	102.803





Pattern of shares held by shareholders as at June 30, 2014 is as under:

Serial Number	Number of Shareholders	Shareholdings			Total Number of Shares Held
		From		To	
1	229	1	-	100	10,725
2	157	101	-	500	56,439
3	593	501	-	1,000	350,309
4	105	1,001	-	5,000	235,014
5	27	5,001	-	10,000	175,407
6	14	10,001	-	15,000	169,675
7	5	15,001	-	20,000	92,575
8	3	20,001	-	25,000	66,796
9	2	25,001	-	30,000	51,322
10	1	30,001	-	35,000	30,600
11	1	40,001	-	45,000	43,493
12	2	45,001	-	50,000	99,585
13	2	50,001	-	55,000	105,750
14	1	85,001	-	90,000	80,500
15	1	90,001	-	95,000	95,000
16	1	100,001	-	105,000	103,068
17	2	110,001	-	115,000	227,500
18	1	115,001	-	120,000	118,000
19	1	190,001	-	195,000	195,000
20	1	200,000	-	205,000	202,016
21	1	270,000	-	275,000	271,584
22	1	285,001	-	290,000	289,655
23	2	290,001	-	295,000	589,141
24	1	310,001	-	315,000	311,904
25	1	335,001	-	340,000	335,200
26	1	350,000	-	355,000	352,243
27	1	395,000	-	400,000	396,750
28	1	450,001	-	455,000	453,000
29	1	475,001	-	480,000	475,726
30	1	505,001	-	510,000	506,000
31	1	525,001	-	530,000	529,670
32	1	655,001	-	660,000	657,782
33	1	830,001	-	835,000	832,571
34	1	1,145,001	-	1,150,000	1,150,000
<b>1164</b>					<b>9,660,000</b>

The slabs with nil holding have been omitted.

<b>SHARE HOLDER'S CATEGORY</b>		<b>Number of Share Held</b>	<b>Percentage of shareholding</b>
<b>i)</b>	<b>Associated Companies, undertaking &amp; related parties (name wise details);</b> Shahtaj Sugar Mills Limited	<b>1,150,000</b>	<b>11.90%</b>
<b>ii)</b>	<b>Mutual Funds (name wise details);</b> NH Capital Fund Ltd	<b>1,000</b>	<b>0.01%</b>
<b>iii)</b>	<b>Directors and Their spouse(s) and minor children (name wise details);</b>		
	1 Mr. Mahmood Nawaz	294,821	
	Mr. Mahmood Nawaz (CDC)	118,000	
	Mrs. Bushra Mahmood Nawaz	115,000	
	Mrs. Bushra Mahmood Nawaz (CDC)	17,825	
	2 Mr. Muneer Nawaz (Chairman)	832,571	
	Mrs. Abida Muneer Nawaz (Wife)	396,750	
	3 Mr. M. Naeem (CEO)	103,068	
	Mrs. Amtul Bari Naeem	506,000	
	Mrs. Amtul Bari Naeem (CDC)	529,670	
	4 Lt. Col. (Retd.) Rashiduddin Shams	3,450	
	5 Sadia Taqi (CDC)	2,500	
	6 Toqueer Nawaz	294,320	
	Toqueer Nawaz (CDC)	54,000	
	7 Muhammad Usman Khalid	289,655	
	Muhammad Usman Khalid (CDC)	10,350	
		<b>3,567,980</b>	<b>36.94%</b>
<b>iv)</b>	<b>Executives</b>	<b>18,400</b>	<b>0.19%</b>
<b>v)</b>	<b>Public sector companies and corporations;</b> National Bank of Pakistan, Trustee Deptt. (CDC) (Represented on Board of Directors)	475,726	
		<b>475,726</b>	<b>4.92%</b>
<b>vi)</b>	<b>Banks, Development Finance Institutions, Non Banking Fiance Companies, Insurance Companies, Takaful, Mudarbas, and Pention Funds.</b>		
	Habib Bank Limited (CDC)	75	
	National Bank of Pakistan(CDC)	267	
	NIB Bank Limited (CDC)	14,500	
	Ghani Osman Securities (Private) Limited (CDC)	1,000	
	Progressive Investment Management (Pvt)Ltd., (CDC)	500	
	H.M. Investment (Pvt) Ltd., (CDC)	230	
	Ismail Abdul Shakoore Securities (Private) Limited (CDC)	50	
	M.R. Securities (SMC) (Private) Limited (CDC)	150	
	Muhammad Ahmed Nadeem Securities (Private) Limited (CDC)	75	
	N.H Securities (Private) Limited (CDC)	75	
	S.H Bukhari Securities (Private) Limited (CDC)	575	
	Y.S Securities & Services (Private) Limited (CDC)	3,075	
	Fair Deal Securities (Private) Limited (CDC)	425	
		<b>20,997</b>	<b>0.22%</b>
<b>vii)</b>	<b>General Public</b>		
	Local	2,063,664	
	Local (CDC)	2,362,233	
	Foreign		
		<b>4,425,897</b>	<b>45.82%</b>
		<b>9,660,000</b>	<b>100.00%</b>
	<b>Shareholders holding 5% or more voting rights in the listed company (name wise details);</b>		
	Shahtaj Sugar Mills Limited	1,150,000	11.90%
	Mr. Ahmed Naeem	1,087,982	11.20%
	Mrs. Amtul Bari Naeem	1,035,670	10.72%
	Mr. Muneer Nawaz	832,571	8.62%
	Treet Corporation Limited	678,500	7.02%
		<b>4,784,723</b>	<b>49.53%</b>



We have audited the annexed balance sheet of **SHAHTAJ TEXTILE LIMITED** (the Company) as at June 30, 2014 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit. We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and , after due verification, we report that:

- (a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) In our opinion:
  - i. 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 the change as stated in note 3.1 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required, and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII) of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants

Engagement Partner  
Mushtaq Ali Hirani

Karachi: September 29, 2014

	Note	2014 Rupees	2013 Rupees		Note	2014 Rupees	2013 Rupees
<b>SHARE CAPITAL AND RESERVES</b>				<b>NON-CURRENT ASSETS</b>			
Authorized 10,000,000 ordinary shares of Rs. 10/- each		<b>100,000,000</b>	100,000,000	Property, plant and equipment	12	<b>987,473,676</b>	995,631,560
Issued, subscribed and paid-up capital	4	<b>96,600,000</b>	96,600,000	Long-term loans	13	<b>665,075</b>	602,791
General reserve		<b>550,000,000</b>	470,000,000	Long-term deposits	14	<b>27,317,444</b>	27,310,337
Unappropriated profit		<b>126,172,939</b>	154,724,849			<b>1,015,456,195</b>	1,023,544,688
		<b>772,772,939</b>	721,324,849				
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>	5	<b>184,572,820</b>	209,146,357	<b>CURRENT ASSETS</b>			
<b>NON-CURRENT LIABILITIES</b>				Stores, spares and loose tools	15	<b>44,409,630</b>	41,806,305
Long-term finance	6	<b>159,893,081</b>	201,716,621	Stock-in-trade	16	<b>306,773,757</b>	299,912,420
Deferred liabilities	7	<b>108,746,642</b>	99,498,366	Trade debts	17	<b>277,489,046</b>	322,455,558
		<b>268,639,723</b>	301,214,987	Loans and advances	18	<b>5,273,975</b>	10,774,431
<b>CURRENT LIABILITIES</b>				Trade deposits and short-term prepayments	19	<b>174,989</b>	4,386,088
Trade and other payables	8	<b>255,975,688</b>	249,848,313	Other receivables	20	<b>5,728,568</b>	4,548,439
Interest accrued	9	<b>13,893,670</b>	13,533,640	Taxation - net		<b>55,192,947</b>	16,237,798
Short-term borrowings	10	<b>200,434,419</b>	181,999,934	Sales tax refundable		<b>79,406,359</b>	53,509,383
Current portion of long-term financing	6	<b>116,823,541</b>	110,681,542	Other financial assets	21	<b>6,085,466</b>	5,984,397
		<b>587,127,318</b>	556,063,429	Cash and bank balances	22	<b>17,121,868</b>	4,590,115
<b>CONTINGENCIES AND COMMITMENTS</b>	11					<b>797,656,605</b>	764,204,934
		<b>1,813,112,800</b>	1,787,749,622			<b>1,813,112,800</b>	1,787,749,622

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

*M. Naem*  
(M. Naem)  
Chief Executive


*Muneer Nawaz*  
(Muneer Nawaz)  
Chairman






	Note	2014 Rupees	2013 Rupees
Sales - net	23	4,036,097,201	4,208,752,278
Cost of goods sold	24	(3,743,757,369)	(3,775,827,814)
Gross profit		292,339,832	432,924,464
Distribution cost	25	(68,357,507)	(56,975,743)
Administrative expenses	26	(86,991,255)	(122,355,913)
Other operating expenses	27	(8,664,041)	(11,887,011)
Finance cost	28	(56,659,490)	(96,895,196)
		(220,672,293)	(288,113,863)
Other income	29	1,342,603	1,629,950
Profit before taxation		73,010,142	146,440,551
Taxation	30	(1,832,558)	(33,542,574)
Profit after taxation		71,177,584	112,897,977
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss in subsequent periods			
- Remeasurement of defined benefit obligation		(4,635,613)	-
- Impact of deferred tax		455,750	-
		(4,179,863)	-
Total comprehensive income for the year		66,997,721	112,897,977
Earnings per share - basic and diluted	31	7.37	11.69

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

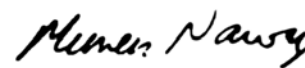
  
(M. Naem)  
Chief Executive

  
(Muneer Nawaz)  
Chairman

	Note	2014 Rupees	2013 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		73,010,142	146,440,551
Adjustments for:			
Depreciation	12.2	100,798,214	87,481,892
Finance cost	28	56,659,490	96,895,196
Gain on disposal of property, plant and equipment	29	(895,096)	(566,632)
Provision for gratuity and leave encashment	7	16,595,764	17,471,054
Provision for doubtful debts / debts written off- net	17.3	15,515,511	56,604,040
Property and equipment written off	24 & 27	4,625,335	-
Stores and spares written off	27	1,893,021	1,033,737
Interest income	29	(500,428)	(364,811)
Operating cash flows before movements in working capital		267,701,953	404,995,027
<b>(Increase) / decrease in current assets</b>			
Stores, spares and loose tools		(4,496,346)	(544,830)
Stock-in-trade		(6,861,337)	16,299,353
Trade debts		29,451,001	131,322,810
Loans and advances		5,500,456	(8,827,724)
Trade deposits and short-term prepayments		4,211,099	(3,122,205)
Other receivables		(1,180,129)	7,041,778
Sales tax refundable		(25,896,976)	(35,433,333)
Other financial assets		(101,069)	(1,584,397)
<b>Increase in current liabilities</b>			
Trade and other payables		5,362,709	88,491,590
Cash generated from operations		273,691,361	598,638,069
Gratuity and leave encashment paid		(12,661,184)	(9,198,614)
Interest paid		(56,299,460)	(110,504,474)
Income taxes paid		(41,137,042)	(36,607,293)
Net cash from operating activities		163,593,675	442,327,688
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(97,951,789)	(22,360,662)
Proceeds from disposal of property, plant and equipment		1,581,220	852,904
Long-term loans		(62,284)	74,148
Decrease in long-term deposits		(7,107)	-
Interest received		500,428	385,967
Net cash used in investing activities		(95,939,532)	(21,047,643)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of long-term finance		(110,681,541)	(151,803,542)
Long term finance obtained		75,000,000	-
Dividend paid		(37,875,334)	(33,234,564)
Net cash used in financing activities		(73,556,875)	(185,038,106)
<b>Net (decrease) / increase in cash and cash equivalents</b>		(5,902,732)	236,241,939
<b>Cash and cash equivalents at July 1</b>		(177,409,819)	(413,651,758)
<b>Cash and cash equivalents at June 30</b>	32.	(183,312,551)	(177,409,819)

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

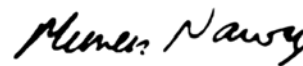
  
(M. Naeem)  
Chief Executive

  
(Muneer Nawaz)  
Chairman

	Note	Share capital	Revenue Reserve		Total
			General reserve	Unappropriated profit	
..... Rupees .....					
Balance as at July 1, 2012		96,600,000	420,000,000	120,186,009	636,786,009
<b>Comprehensive income</b>					
Profit after taxation for the year ended June 30, 2013		-	-	112,897,977	112,897,977
Other comprehensive income - net of tax		-	-	-	-
<b>Total comprehensive income</b>		-	-	112,897,977	112,897,977
Transferred from surplus on revaluation of property, plant and equipment on account of:					
- incremental depreciation net of deferred taxation	5	-	-	5,450,445	5,450,445
Transferred to general reserve		-	50,000,000	(50,000,000)	-
<b>Transactions with owners</b>					
Final dividend for the year ended June 30, 2012 @ Rs. 3.50 per share		-	-	(33,809,582)	(33,809,582)
<b>Balance as at June 30, 2013</b>		<b>96,600,000</b>	<b>470,000,000</b>	<b>154,724,849</b>	<b>721,324,849</b>
<b>Comprehensive income</b>					
Profit after taxation for the year ended June 30, 2014		-	-	71,177,584	71,177,584
Other comprehensive income - net of tax		-	-	(4,179,863)	(4,179,863)
<b>Total comprehensive income</b>		-	-	66,997,721	66,997,721
Transferred from surplus on revaluation of property, plant and equipment on account of:					
- incremental depreciation net of deferred taxation	5	-	-	20,745,097	20,745,097
- disposal net of deferred tax		-	-	2,345,272	2,345,272
Transferred to general reserve		-	80,000,000	(80,000,000)	-
<b>Transactions with owners</b>					
Final dividend for the year ended June 30, 2013 @ Rs. 4 per share		-	-	(38,640,000)	(38,640,000)
<b>Balance as at June 30, 2014</b>		<b>96,600,000</b>	<b>550,000,000</b>	<b>126,172,939</b>	<b>772,772,939</b>

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

  
(M. Naeem)  
Chief Executive

  
(Muneer Nawaz)  
Chairman

## 1. STATUS AND NATURE OF BUSINESS

1.1 Shahtaj Textile Limited (the Company) is limited by shares, incorporated in Pakistan on January 24, 1990 under the Companies Ordinance, 1984, as a public limited Company. The shares of the Company are quoted on Karachi and Lahore Stock Exchanges. The principal business of the Company is to manufacture and sale of textile goods. The registered office of the Company is situated at 27-C, Abdalian Cooperative Housing Society Limited, Opposite Expo Center, Lahore, Pakistan and the manufacturing facility of the Company is located at 46 KM. Lahore/Multan Road, Chunian Industrial Estate, Bhai Pheru, Distt. Kasur in the province of Punjab; however, the Head Office is located at Shahnawaz Building, 19 - Dockyard Road, West Wharf, Karachi - 74000.

## 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 of or directives issued under the Companies Ordinance, 1984 shall prevail.

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost basis modified by:

- revaluation of certain property, plant and equipment;
- financial instruments at fair value;
- obligation under defined benefit plan at net present value.

### 2.3 Presentation and functional currency

These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

### 2.4 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2014

The following standards, amendments and interpretations are effective for the year ended June 30, 2014. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures except for IAS - 19 "Employee Benefits".

<b>Standards or Interpretations</b>	<b>Effective date (accounting periods beginning on or after)</b>
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	January 01, 2013
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	January 01, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 01, 2013
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 01, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 01, 2013

The amendments to IAS 19 - Employee Benefits is effective from accounting period beginning on or after January 01, 2013 and have significant impact on the Company's financial statements for the year as discussed in the pursuing paragraph. These changes are considered as change in policy.

**"IAS 19 - Employee Benefits (as revised in 2011)**

In the current year, the Company has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous versions of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order to calculate liability to be recognized in the balance sheet. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognized in profit or loss and other comprehensive income in prior years. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures. The Company has recognised the effect of such ammendment in the current year financial statement as explained in note 3.1.

**2.5 New, revised and amended standards and IFRIC interpretations to the existing standards that are not yet effective and have not been early adopted by the Company.**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

<b>Standards or Interpretations</b>	<b>Effective date (accounting periods beginning on or after)</b>
Amendments to IAS 19 - Employee Benefits	July 01, 2014
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015. IAS 27 (Revised 2011) will concurrently apply with IFRS 10.
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2014
IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	January 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	January 01, 2014
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same, except for change in accounting policy disclosed in note 3.1, as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2013 and are enumerated as follows:

#### 3.1 Defined benefit plan - staff gratuity

The Company operates an unfunded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the scheme. Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. The most recent valuation was carried out as at June 30, 2014 using the "Project unit Credit Method".

Consequent to the revision of IAS 19 "Employee Benefits" as mentioned in note 2.4 above which is effective for annual periods beginning on or after January 1, 2013, the Company has changed its accounting policy wherein, the actuarial gains and losses on employees' defined benefit plan is recognized immediately in other comprehensive income. Previously, the actuarial gains/losses in excess of the corridor limit were recognized in profit and loss account over the remaining service life of the employees. In addition, past service cost and curtailments are recognized in the profit and loss account, in the period in which a change takes place. The comparative figures have not been restated for change in accounting policy due to immaterial impact. Remeasurement loss at June 30, 2013 of Rs 2.66 million has been accounted for in the current year in other comprehensive income.

Details of the scheme are given in note 7.1 to these financial statements.

#### Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

#### 3.2 Taxation

##### Current

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account tax rebates and tax credits available, if any, or turnover at the specified rate whichever is higher. Charge for current tax also includes adjustments, where necessary, relating to prior years which arise from assessment framed / finalized during the year. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

##### Deferred

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

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

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

### 3.3 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 in the future for goods and services received whether or not billed to the Company.

### 3.4 Provisions

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 3.5 Property, plant and equipment

Property, plant and equipment, except plant and machinery are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost.

Plant and machinery are stated at revalued amount being the fair value at the date of revaluation, less subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity so that the fair value and carrying value do not differ materially at the balance sheet date. Any revaluation increase arising on the revaluation of such assets is credited in 'Surplus on Revaluation of Property, Plant and Equipment' shown below equity in the balance sheet. The Company has adopted the following accounting treatment of depreciation on revalued assets.

a) depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and

b) an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Property, Plant and Equipment" to accumulated profits / losses through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

Depreciation is charged to profit and loss account applying the reducing balance method at the rate specified in note 12.1, whereby the cost of the asset is written over its useful life. Depreciation on all additions in fixed assets is charged from the month in which the asset is available for use and on disposals up to the month preceding the month of disposal.

Assets' residual values, if significant, and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of Property, Plant and Equipment have different useful lives, they are recognized as separate items of Property Plant and Equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss account during the financial year in which they are incurred.

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

#### Capital work-in-progress

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

### 3.6 Investments

#### Regular way purchase or sale of investments

All purchases and sales of investments are recognized using settlement date accounting. Settlement date is the date that the investments are delivered to or by the Company.



### Held-to-maturity

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held-to-maturity investments are initially recognized at fair value plus transaction cost and are subsequently carried at amortized cost using effective interest rate method.

### Derecognition

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

### 3.7 Stores, spares and loose tools

These are valued at lower of cost and net realizable value, determined on moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost to be incurred for its sale.

The company writes off stores and spares which at the end of the financial year have remained in stocks from the date of purchase for a period as prescribed under: \

Stores general	held over 5 years
Spares	held over 10 years

The above write off is charged to profit and loss account in the period such items are written off.

### 3.8 Stock-in-trade

These are valued at lower of cost and net realizable value. Methods used for determining costs are as follows:

Raw and packing materials	Moving average cost.
Work-in-process	Average manufacturing cost.
Finished goods	Average manufacturing cost.

Raw material-in-transit are valued at cost comprising of cost and freight value plus other charges incurred thereon up to the balance sheet date.

Average cost in relation to work-in-process and finished goods signifies average manufacturing cost including a portion of related direct overheads.

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

Where NRV charge subsequently reverses, the carrying value of the inventory is also increased to the extent that the revised carrying value does not exceed the amount that would have been determined had no NRV charge been recognized. A reversal of NRV is recognized in profit and loss account.

The company writes off stocks which at close of the financial year have remained in stocks for more than 3 years from the date of purchase. The write off is charged to profit and loss account in the period such stocks are written off.

### 3.9 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value plus directly attributable cost if any, and subsequently measured at amortized cost. A provision for impairment of trade debts and other receivables is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is charged to the profit and loss account. Trade debts and other receivables are written off when considered irrecoverable.

### 3.10 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and liabilities is taken to profit and loss account directly.



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

### 3.11 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments and short-term running finance under mark-up arrangements.

### 3.12 Impairment

#### Financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and inventories may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 3.13 Offsetting of financial assets and financial liabilities

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

### 3.14 Revenue recognition

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

- Revenue from sale of goods and services is recognized on dispatch of goods where risks and rewards are transferred to the customers and rendering of services to customers, as the case may be."
- Export rebate is recognized on accrual basis at the time of recognizing export sale.
- Interest / mark-up income is accounted on a time proportionate basis using effective interest rate.

### 3.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the respective assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit and loss in the period in which they are incurred.

### 3.16 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the appropriate authority.

### 3.17 Foreign currency translation

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into reporting currency equivalents using foreign currency rates ruling on the balance sheet date. Exchange differences on foreign currency transactions are included in the income currently.

### 3.18 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The Company considers the Board of Directors as the CODM, who is responsible for allocating resources and assessing performance of the operating segments. As disclosed in note 1 to the financial statements, the Company has manufacturing facility located at Lahore/Multan Road, Chunion Industrial Estate, Bhai Pheru, District Kasur in the province of Punjab. Management has determined that the Company has a single reportable segment, as the Board of Directors views the Company's operations as one reportable segment because of the similarity in nature of the products and services, nature of the production processes, type or class of customers for the products and services and the methods used to distribute the products.

### 3.19 Earnings per share

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

### 3.20 Critical judgments and estimates in applying the accounting policies

In the process of applying the Company's accounting policies, the management has not identified any area where significant judgments have been exercised which have material impact on the financial statements, except as mentioned below. Further, there are no key assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date that have significant risks of causing a material adjustment within the next financial year. The Company has used significant judgments and estimates in the following areas:

- Provision for gratuity (notes 3.1 and 7.1)
- Provision for taxation and deferred tax (notes 3.2, 7.2 and 30)
- Provision for doubtful debts (note 3.9)
- Useful lives and residual values of property, plant and equipment (notes 3.5 and 12)
- Net realizable value of stock in trade (notes 3.8 and 16)
- Contingencies and commitments (note 11)

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		2014	2013
Number of shares			Rupees	Rupees
		Ordinary shares of Rs.10 each fully paid		
8,400,000	8,400,000	In cash	84,000,000	84,000,000
1,260,000	1,260,000	As bonus shares	12,600,000	12,600,000
<b>9,660,000</b>	<b>9,660,000</b>		<b>96,600,000</b>	<b>96,600,000</b>

4.1 Shahtaj Sugar Mills Limited (associated company) held 1,150,000 (2013: 1,150,000) fully paid ordinary shares of Rs. 10 each at year end.

4.2 The Company has one class of ordinary shares which carry no right to fixed income. The shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2014	2013
	Rupees	Rupees
Surplus on revaluation of property, plant and equipment as at July 01	230,305,693	60,018,663
Surplus on plant and machinery during the year	-	176,288,896
	<b>230,305,693</b>	<b>236,307,559</b>
Transfer to unappropriated profit on account of:		
- incremental depreciation - net of deferred tax	(20,745,097)	(5,450,445)
- disposal of property, plant and equipment - net of deferred tax	(2,345,272)	-
Related deferred tax liability	(2,517,652)	(551,421)
	<b>(25,608,021)</b>	<b>(6,001,866)</b>
Surplus on revaluation of property, plant and equipment as at June 30	<b>204,697,672</b>	<b>230,305,693</b>
Related deferred tax liability on:		
- revaluation surplus as at July 01	(21,159,336)	(5,975,557)
- (increase) / decrease in deferred tax for change in rate of deferred tax	(1,483,168)	461,342
- surplus on revaluation of plant and machinery realized during the year	-	(16,196,542)
Transfer to unappropriated profit on account of incremental depreciation - net of deferred tax	2,261,936	551,421
Disposal of plant- net of deferred tax	255,716	-
	<b>1,034,484</b>	<b>(15,183,779)</b>
	<b>(20,124,852)</b>	<b>(21,159,336)</b>
	<b>184,572,820</b>	<b>209,146,357</b>

	Note	2014 Rupees	2013 Rupees
<b>6. LONG-TERM FINANCE</b>			
<b>Secured</b>			
From banking companies		276,716,622	312,398,163
Less: Current portion shown under current liabilities		(116,823,541)	(110,681,542)
	6.1	<b>159,893,081</b>	<b>201,716,621</b>

**6.1 Details and movement in loans are as follows:**

	Bank of Punjab				Standard Chartered Bank	Faysal Bank Limited	2014	2013
	Demand Finance - II	Demand Finance - III	Demand Finance - IV	Demand Finance - V	Term Finance	Term Finance	Total	Total
	Rupees							
Balance at July 01	3,226,001	52,903,000	98,545,000	75,222,000	82,502,162	-	312,398,163	464,201,705
Obtained during the year	-	-	-	-	-	75,000,000	75,000,000	-
Repaid during the year	(3,226,001)	(26,454,000)	(35,300,000)	(25,076,000)	(20,625,540)	-	(110,681,541)	(151,803,542)
Payable within next one year	-	26,449,000	63,245,000	50,146,000	61,876,622	75,000,000	276,716,622	312,398,163
Balance at June 30	-	-	27,947,000	25,070,000	41,251,081	65,625,000	159,893,081	201,716,621
Mark up rate (per annum)	SBP rate +200 bps (2013: SBP rate +200 bps)	SBP rate +215 bps (2013: SBP rate +300 bps)	SBP rate +185 bps (2013: SBP rate +250 bps)	SBP rate +185 bps (2013: SBP rate +250 bps)	6 months KIBOR - 3% (2013: 6 months KIBOR-3%)	SBP rate + 185 bps	-	-
Installment repayable	Bi-annually	Bi-annually	Bi-annually	Bi-annually	Bi-annually	Bi-annually		
Mark up payable	Quarterly	Quarterly	Quarterly	Quarterly	Bi-annually	Quarterly		
Loan period	7 years	7 years	5 years	5 years	6 years	5 years		
Grace period	2 years from last drawn date	2 years from last drawn date	1 year from last drawn date	1 year from last drawn date	1 year from last drawn date	1 year from last drawn date		
Sub-note	6.2	6.2	6.3	6.4	6.5	6.6		

**6.2** These loans are secured by first pari passu fixed charge on all present and future plant and machinery through first Supplemental Memorandum of Deposit of Title Deed dated April 9, 2008 duly registered with the SECP with 25% margin.

**6.3** The loan is secured by way of first pari passu fixed charge over all present and future fixed assets of the Company including land, building, plant and machinery for Rs. 200 million with 25% margin by way of second Supplemental Memorandum of Deposit of the Title Deed dated December 30, 2010.

**6.4** The loan is secured by way of first pari passu fixed charge over all present and future fixed assets of the Company including land, building, plant and machinery for Rs. 183.834 million with 25% margin.

**6.5** The loan is secured by way of first pari passu hypothecation charge over the movable fixed assets of the company for Rs. 138 million with 10 % margin.

**6.6** The loan is secured by first pari passu hypothecation and mortgage charge over land building plant and machinery of the Company for Rs. 100 million.

	Note	2014 Rupees	2013 Rupees
<b>7. DEFERRED LIABILITIES</b>			
Staff gratuity	7.1	48,046,959	38,977,558
Deferred taxation	7.2	57,071,470	56,393,387
Leave encashment	7.3	3,628,213	4,127,421
		<b>108,746,642</b>	<b>99,498,366</b>
<b>7.1 Staff gratuity</b>			
Liability recognized in the balance sheet		<b>48,046,959</b>	<b>38,977,558</b>
<b>7.1.1 Movement in liability during the year</b>			
Balance as at July 01		38,977,558	31,619,766
Charge for the year	7.1.5	12,914,121	12,491,992
Total remeasurement recognized in other comprehensive income	7.1.2 & 7.1.6	4,635,613	-
Payments made during the year		(8,480,333)	(5,134,200)
Balance as at June 30		<b>48,046,959</b>	<b>38,977,558</b>
<b>7.1.2</b> It includes losses amounting to Rs 2,656,745 arising in prior years on account of <b>remeasurements</b> recognized in the current year as disclosed in note number 3.1.			
<b>7.1.3 Balance sheet reconciliation as at June 30</b>			
Present value of obligations		48,046,959	41,634,303
Unrecognized actuarial loss		-	(2,656,745)
		<b>48,046,959</b>	<b>38,977,558</b>
<b>7.1.4 Changes in present value of defined benefit obligation</b>			
Present value of defined benefit obligation on July 1		41,634,303	31,130,666
Current service cost for the year	7.1.5	8,987,737	8,133,699
Interest cost for the year	7.1.5	3,926,384	4,358,293
Benefits paid during the year		(8,480,333)	(5,134,200)
Actuarial losses arised during the year	7.1.6	1,978,868	3,145,845
Present value of defined benefit obligation on June 30		<b>48,046,959</b>	<b>41,634,303</b>
<b>7.1.5 Amount recognized in profit or loss</b>			
Current service cost		8,987,737	8,133,699
Interest cost on defined benefit obligation		3,926,384	4,358,293
		<b>12,914,121</b>	<b>12,491,992</b>
<b>7.1.6 Remeasurement (losses) / gains recognized in other comprehensive income</b>			
Unrecognized actuarial (loss) / gain as at July 1		(2,656,745)	489,100
Actuarial losses arised during the year		(1,978,868)	(3,145,845)
Amount recognized through Other Comprehensive Income	7.1.1	4,635,613	-
Unrecognized actuarial losses as at June 30		-	(2,656,745)

7.1.7 The principal assumptions used in the actuarial valuations carried out as of June 30, 2014, using the 'Projected Unit Credit' method, are as follows:

	2014	2013
Discount rate per annum %	13.25%	10.5%
Expected per annum rate of increase in future salaries %	12.25%	9.5%
Expected average remaining working lives	6 Years	6 Years
Expected mortality rate	SLIC (2001-2005) Setback 1 year	EFU (61-66)
Expected withdrawal rate	Age based	Age based

7.1.8 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Increase / (decrease) in defined benefit obligation	
		Increase in assumption	Decrease in assumption
		Rupees	Rupees
Discount rate	1%	(2,503,662)	2,844,838
Future salary increase rate	1%	2,970,024	(2,662,087)

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability for gratuity recognized within the balance sheet.

7.1.9 The Plan expose the Company to the actuarial risks such as:

**Salary risks**

The risks that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

**Mortality / withdrawal risks**

The risks that the actual mortality / withdrawal experience is different. The effect depends upon the beneficiaries' service / age distribution and the benefit.

**Longevity risk**

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

7.1.10 Expected gratuity expense for the year ending June 30, 2015 is Rs. 15,476,051.

7.1.11 The weighted average duration of the defined benefit obligation for the year ended June 30, 2014 is 6 years.

7.1.12 The expected maturity analysis of undiscounted benefit obligation is:

	Undiscounted payments Rupees
Less than a year	15,061,071
Between 1 to 2 years	8,076,236
Between 2 to 3 years	8,232,416
Between 3 to 4 years	7,615,436
Between 4 to 5 years	8,127,376
Between 6 to 10 years	38,080,131
11 years and above	510,905,354

**7.2 Deferred taxation**

	Opening balance	Recognized in profit and loss account	Recognized in other comprehensive income	Recognized in surplus on revaluation of assets	Closing balance
<b>Movement for the year ended June 30, 2014</b>					
----- Rupees -----					
Deferred tax liabilities on taxable temporary differences arising in respect of:					
- property, plant and equipment - owned assets	41,215,132	2,423,042	-	-	43,638,174
- surplus on revaluation of property, plant and equipment	21,159,336	(2,517,652)	-	1,483,168	20,124,852
	<u>62,374,468</u>	<u>(94,610)</u>	<u>-</u>	<u>1,483,168</u>	<u>63,763,026</u>
Deferred tax assets on deductible temporary differences arising in respect of:					
- staff gratuity	(3,256,677)	(1,011,310)	(455,750)	-	(4,723,737)
- doubtful debts	(2,724,404)	756,585	-	-	(1,967,819)
	<u>(5,981,081)</u>	<u>(254,725)</u>	<u>(455,750)</u>	<u>-</u>	<u>(6,691,556)</u>
	<u>56,393,387</u>	<u>(349,335)</u>	<u>(455,750)</u>	<u>1,483,168</u>	<u>57,071,470</u>
<b>Movement for the year ended June 30, 2013</b>					
Deferred tax liabilities on taxable temporary differences arising in respect of:					
- property, plant and equipment - owned assets	47,726,002	(6,510,870)	-	-	41,215,132
- surplus on revaluation of property, plant and equipment	5,975,557	(551,421)	-	15,735,200	21,159,336
	<u>53,701,559</u>	<u>(7,062,291)</u>	<u>-</u>	<u>15,735,200</u>	<u>62,374,468</u>
Deferred tax assets on deductible temporary differences arising in respect of:					
- staff gratuity	(3,148,116)	(108,561)	-	-	(3,256,677)
- provision for doubtful debts	(2,291,457)	(432,947)	-	-	(2,724,404)
	<u>(5,439,573)</u>	<u>(541,508)</u>	<u>-</u>	<u>-</u>	<u>(5,981,081)</u>
	<u>48,261,986</u>	<u>(7,603,799)</u>	<u>-</u>	<u>15,735,200</u>	<u>56,393,387</u>

**7.3 Leave encashment**

	Note	2014 Rupees	2013 Rupees
Balance as at July 01		4,127,421	3,212,773
Provision during the year		3,681,643	4,979,062
Paid during the year		(4,180,851)	(4,064,414)
Balance as at June 30		<u>3,628,213</u>	<u>4,127,421</u>

**8. TRADE AND OTHER PAYABLES**

	Note	2014 Rupees	2013 Rupees
Creditors		126,463,569	106,650,161
Accrued liabilities		68,272,220	58,412,574
Advance from customers		45,236,783	63,131,157
Due to associated undertaking	8.1	102,813	211,224
Workers' Profit Participation Fund	8.2	3,921,061	7,864,691
Workers' Welfare Fund		1,490,003	2,988,583
Unpaid and unclaimed dividend		7,003,643	6,238,977
Retention payable		678,195	1,386,822
Withheld Sales Tax		906,541	1,003,050
Others		1,900,860	1,961,074
		<u>255,975,688</u>	<u>249,848,313</u>

**8.1** This represents payable to Shahnawaz (Private) Limited, a related party, on account of software maintenance charges. Trade payables are non interest bearing and are normally settled between 1 to 30 days credit term.

	Note	2014 Rupees	2013 Rupees
<b>8.2 Workers' Profit Participation Fund</b>			
Balance as at July 01		7,864,691	4,919,484
Interest on funds utilized in the Company's business @ 30% (2013: 26.25%)		212,508	67,222
		<b>8,077,199</b>	4,986,706
Payments made during the year		(8,077,199)	(4,986,706)
		-	-
Allocation for the year		3,921,061	7,864,691
Balance as at June 30		<b>3,921,061</b>	7,864,691
<b>9. INTEREST ACCRUED</b>			
Interest accrued on:			
- long-term finance		8,312,147	9,520,540
- short-term borrowings		5,581,523	4,013,100
		<b>13,893,670</b>	13,533,640
<b>10. SHORT-TERM BORROWINGS</b>			
<b>Banking companies- Secured</b>			
Running finances under markup arrangement	10.1	<b>200,434,419</b>	181,999,934
<b>10.1</b> The facilities are secured by second charge over present and future fixed assets by way of equitable mortgage, hypothecation of stocks and book debts. These are subject to mark-up ranging from KIBOR plus 0.5% to 2% per annum (2013: KIBOR plus 1.25% to 2% per annum). The Company can avail finance facilities from various banks aggregating to Rs. 1,010 million (2013: Rs. 1,110 million). The unavailed facilities as at year end were Rs. 810 million (2013: Rs. 928 million).			
<b>11. CONTINGENCIES AND COMMITMENTS</b>			
<b>Contingencies</b>			
Guarantees issued by banks on behalf of the Company in favor of Sui Northern Gas Pipelines Limited (SNGPL)		20,400,000	20,400,000
Bills discounted with recourse		101,274,567	229,751,167
Tax contingency has been disclosed in note 30.3 to the financial statements.			
<b>Commitments outstanding</b>			
Capital expenditure		11,500,000	66,491,650
Letters of credit other than for capital expenditure		1,896,000	4,199,000
Sales contracts to be executed		538,186,367	505,346,922
<b>11.1</b> Under the Gas Infrastructure Development Cess Act, 2011, Government of Pakistan levied Gas Infrastructure Development (GID) Cess on gas bills at the rate of Rs. 13 per MMBTU on all industrial consumers. In the month of June 2012, the Federal Government revised GID Cess rate from Rs. 13 per MMBTU to Rs. 100 per MMBTU.			
A suit was filed before the Honorable High Court of Sindh, challenging the applicability of Gas Infrastructure Cess Act 2011. The Sindh High Court has restrained the Federation and gas companies from receiving GID Cess over and above Rs. 13 per MMBTU. Subsequent to the year on August 22, 2014, the Supreme Court of Pakistan has concluded a judgment declaring that the levy of GID cess as a tax was not validly levied in accordance with the Constitution.			
On the basis of prudence, the management has already paid Rs. 18.86 million up till June 30, 2014. Management has not reversed the amount to profit and loss in these financial statements.			
<b>12. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	12.1	981,507,506	985,792,604
Capital work in progress	12.6	5,966,170	9,838,956
		<b>987,473,676</b>	995,631,560





12.1 Operating fixed assets

Year ending June 30, 2014

As at July 01

	Buildings on freehold land										Total
	Freehold land	Factory building	Labor colony	Marketing Office and others	Plant and machinery *	Furniture and fixtures	Equipment and installations	Computer equipment	Vehicles	Others - arms	
	Rupees										
Cost / revalued amount	31,121,190	159,445,200	33,383,890	20,464,578	1,367,819,405	5,485,785	5,773,378	7,348,492	31,111,635	80,470	1,662,034,023
Accumulated depreciation	-	(81,339,874)	(20,794,700)	(5,549,831)	(543,819,405)	(3,228,737)	(1,823,641)	(4,723,924)	(14,892,007)	(69,300)	(676,241,419)
Net book value	31,121,190	78,105,326	12,589,190	14,914,747	824,000,000	2,257,048	3,949,737	2,624,568	16,219,628	11,170	985,792,604
Additions / transfer	-	-	-	94,843,072	-	6,035,576	201,457	438,620	305,850	-	101,824,575
Disposals	-	-	-	-	-	-	-	(1,034,000)	(1,912,100)	-	(2,946,100)
Write off	-	-	-	-	(23,439,274)	(1,596,199)	(308,706)	(1,415,948)	-	-	(26,760,127)
Depreciation charge for the year	-	(7,810,703)	(1,258,914)	(745,748)	(86,033,423)	(358,746)	(396,433)	(793,472)	(3,399,658)	(1,117)	(100,798,214)
Accumulated depreciation on disposals	-	-	-	-	19,290,028	1,247,103	2,41,834	2,093,531	1,522,272	-	24,394,768
<b>Closing net book value</b>	<b>31,121,190</b>	<b>70,294,623</b>	<b>11,330,276</b>	<b>14,168,999</b>	<b>828,660,403</b>	<b>7,584,782</b>	<b>3,687,889</b>	<b>1,913,299</b>	<b>12,735,992</b>	<b>10,053</b>	<b>981,507,506</b>
As at June 30											
Cost / revalued amount	31,121,190	159,445,200	33,383,890	20,464,578	1,439,223,203	9,925,162	5,666,129	5,337,164	29,505,385	80,470	1,734,152,371
Accumulated depreciation	-	(89,150,577)	(22,053,614)	(6,295,579)	(610,562,800)	(2,340,380)	(1,978,240)	(3,423,865)	(16,769,393)	(70,417)	(752,644,865)
<b>Net book value</b>	<b>31,121,190</b>	<b>70,294,623</b>	<b>11,330,276</b>	<b>14,168,999</b>	<b>828,660,403</b>	<b>7,584,782</b>	<b>3,687,889</b>	<b>1,913,299</b>	<b>12,735,992</b>	<b>10,053</b>	<b>981,507,506</b>
Depreciation rate	-	10%	10%	5%	10%	10%	10%	30%	20%	10%	

\* Carried at revalued amount.

Year ending June 30, 2013

As at July 01

Cost / revalued amount	31,121,190	158,091,786	33,383,890	20,376,434	1,361,413,519	4,821,446	4,051,978	6,088,266	32,291,592	80,470	1,651,720,571
Accumulated depreciation	-	(72,783,340)	(19,395,901)	(4,769,103)	(648,532,880)	(3,035,347)	(1,447,517)	(3,995,798)	(12,942,460)	(68,059)	(766,970,405)
Net book value	31,121,190	85,308,446	13,987,989	15,607,331	712,880,639	1,786,099	2,604,461	2,092,468	19,349,132	12,411	884,750,166
Additions / transfer	-	1,353,414	-	88,144	6,405,886	664,339	1,721,400	1,260,226	1,028,297	-	12,521,706
Disposals / write off	-	-	-	-	-	-	-	-	(2,208,254)	-	(2,208,254)
Revaluation during the year - accumulated depreciation	-	-	-	-	176,288,896	-	-	-	-	-	176,288,896
Depreciation charge for the year	-	(8,556,534)	(1,398,799)	(780,728)	(71,575,421)	(193,390)	(376,124)	(728,126)	(3,871,529)	(1,241)	(87,481,892)
Accumulated depreciation on disposals	-	-	-	-	-	-	-	-	1,921,982	-	1,921,982
<b>Closing net book value</b>	<b>31,121,190</b>	<b>78,105,326</b>	<b>12,589,190</b>	<b>14,914,747</b>	<b>824,000,000</b>	<b>2,257,048</b>	<b>3,949,737</b>	<b>2,624,568</b>	<b>16,219,628</b>	<b>11,170</b>	<b>985,792,604</b>
As at June 30											
Cost / revalued amount	31,121,190	159,445,200	33,383,890	20,464,578	1,367,819,405	5,485,785	5,773,378	7,348,492	31,111,635	80,470	1,662,034,023
Accumulated depreciation	-	(81,339,874)	(20,794,700)	(5,549,831)	(543,819,405)	(3,228,737)	(1,823,641)	(4,723,924)	(14,892,007)	(69,300)	(676,241,419)
<b>Net book value</b>	<b>31,121,190</b>	<b>78,105,326</b>	<b>12,589,190</b>	<b>14,914,747</b>	<b>824,000,000</b>	<b>2,257,048</b>	<b>3,949,737</b>	<b>2,624,568</b>	<b>16,219,628</b>	<b>11,170</b>	<b>985,792,604</b>
Depreciation rate	-	10%	10%	5%	10%	10%	10%	30%	20%	10%	

\* Carried at revalued amount.

	Note	2014 Rupees	2013 Rupees
<b>12.2</b>	The depreciation charge for the year has been allocated as follows:		
Cost of goods sold	24	95,227,857	81,662,131
Distribution cost	25	620,931	649,352
Administrative expenses	26	4,949,426	5,170,409
		<b>100,798,214</b>	<b>87,481,892</b>

**12.3** The Company had its plant and machinery revalued by independent valuers M/s Minhas Associates, M/s Projects (Private) Limited and M/s Joseph Lobo (Private) Limited in February 2003, March 2008 and June 2013 respectively on the basis of depreciated replacement value. The revaluation surplus, net of deferred tax, is credited to 'Surplus on revaluation of property, plant and equipment'.

An amount equal to incremental depreciation net of deferred tax for the year is transferred from "Surplus on revaluation of property, plant and equipment" account to "Unappropriated profit" for recording realization of surplus to the extent of incremental depreciation net of deferred tax charged during the year.

**12.4** Had there been no revaluation, the carrying amount of the relevant plant and machinery would have been as follows:

	2014 Rupees	2013 Rupees
Cost	1,287,771,089	1,209,417,258
Accumulated depreciation	(663,808,358)	(615,722,951)
Written down value	<b>623,962,731</b>	<b>593,694,307</b>

**12.5 Disposal of property, plant and equipment**

Particulars	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Mode of Disposal	Name
Vehicle	1,071,850	820,765	251,085	695,000	Negotiation	Mr. Shamz Khan
Vehicle	235,000	229,412	5,588	245,000	Negotiation	Mr. Riaz Ahmad
Vehicle	605,250	472,095	133,155	300,000	Company's policy	Mr. Nisar Khan
Computer equipment	1,034,000	737,704	296,296	341,220	Company's policy	Various staff
<b>June 30, 2014</b>	<b>2,946,100</b>	<b>2,259,976</b>	<b>686,124</b>	<b>1,581,220</b>		
June 30, 2013	2,208,254	1,921,982	286,272	852,904		

**12.6 Capital work in progress**

	Civil work	Plant and machinery Rupees	Total
As at July 1, 2012	-	-	-
Additions	1,441,558	12,678,816	14,120,374
Transferred to fixed assets	(1,441,558)	(2,839,860)	(4,281,418)
As at June 30, 2013	-	9,838,956	9,838,956
Additions	-	89,411,786	89,411,786
Transferred to fixed assets	-	(93,284,572)	(93,284,572)
As at June 30, 2014	-	5,966,170	5,966,170

	Note	2014 Rupees	2013 Rupees
<b>13. LONG-TERM LOANS</b>			
Considered good - unsecured		<b>909,428</b>	895,543
Less: Recoverable within one year shown under current assets			
Loan to employees	18	<b>(244,353)</b>	(292,752)
	13.1	<b>665,075</b>	602,791
<b>13.1</b> Reconciliation of carrying amount of long term loans given is as follows:			
Balance at July 1,		<b>895,543</b>	968,935
Disbursements during the year		<b>557,009</b>	300,000
		<b>1,452,552</b>	1,268,935
Received during the year		<b>(543,124)</b>	(373,392)
Balance at June 30,		<b>909,428</b>	895,543
Current portion of long term loans		<b>(244,353)</b>	(292,752)
		<b>665,075</b>	602,791
<b>13.2</b> Unsecured loans are provided to employees as per the Company's policy. These include both interest bearing and non-interest bearing loans, repayable in 60 equal monthly installments. Interest is charged at the rate of 10% (2013: 10%) per annum.			
<b>14. LONG-TERM DEPOSITS</b>			
Security deposits against:			
Utilities		<b>27,232,444</b>	27,223,944
Others		<b>85,000</b>	86,393
		<b>27,317,444</b>	27,310,337
<b>15. STORES, SPARES AND LOOSE TOOLS</b>			
Stores		<b>23,921,477</b>	20,492,154
Spares		<b>17,284,314</b>	19,005,418
Loose tools		<b>3,203,839</b>	2,308,733
		<b>44,409,630</b>	41,806,305
Provision for obsolete stores and spares			
Provision made during the year		<b>1,893,021</b>	1,033,737
Written off during the year		<b>(1,893,021)</b>	(1,033,737)
		<b>-</b>	-
Balance as at June 30		<b>44,409,630</b>	41,806,305

	Note	2014 Rupees	2013 Rupees
<b>16. STOCK-IN-TRADE</b>			
Raw and packing materials in hand	16.1	97,398,845	80,530,535
in transit		381,924	-
Work-in-process		40,983,908	39,470,045
Finished goods	16.2	168,009,080	179,911,840
		306,773,757	299,912,420
Provision for obsolete stock in trade-(Raw material)			
Provision made during the year		232,872	98,796
Written off during the year		(232,872)	(98,796)
Balance as at June 30		-	-
		306,773,757	299,912,420

**16.1** Net realizable value of raw and packaging materials were lower than their cost which resulted in write down of Rs. 3,906,650 charged to cost of sales.

**16.2** Net realizable value of finished goods were lower than their cost which resulted in write down of Rs. 5,175,080 charged to cost of sales.

	Note	2014 Rupees	2013 Rupees
<b>17. TRADE DEBTS</b>			
Secured - considered good			
Export	17.1	57,370,909	81,316,277
Local	17.1	2,657,262	5,028,277
		60,028,171	86,344,554
Unsecured - considered good			
Local		217,460,875	236,111,004
Unsecured - considered doubtful			
Local		20,015,452	26,122,642
Provision for doubtful debts	17.3	(20,015,452)	(26,122,642)
		-	-
	17.2	277,489,046	322,455,558

**17.1** These are secured against letters of credit in favor of the Company.

**17.2** Trade debts are non-interest bearing and are generally on 7 days to 120 days credit terms.

**17.3 Movement of provision for doubtful debts**

Balance as at July 01		26,122,642	23,015,453
Provision made during the year		15,515,511	59,604,040
Reversal during the year		-	(3,000,000)
Provision for doubtful debts - net		15,515,511	56,604,040
Written off during the year		(21,622,701)	(53,496,851)
Balance as at June 30		20,015,452	26,122,642

As at June 30, 2014, trade debts aggregating Rs. 125.77 million (2013: Rs. 135.2 million) were past due for which the Company has not made any provision. Based on past experience, past track record of recoveries, management believes that the said past due trade debts do not require any provision for impairment. The ageing of these past due trade debts is disclosed in note 37.3.

	Note	2014 Rupees	2013 Rupees
<b>18. LOANS AND ADVANCES</b>			
Advances - considered good			
Employees		729,992	203,746
Suppliers and contractors		4,299,630	10,277,933
		<b>5,029,622</b>	10,481,679
Current portion of long-term loans			
Employees	13	244,353	292,752
		<b>5,273,975</b>	10,774,431
<b>19. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Trade deposits against container		120,000	129,520
<b>Short-term prepayments</b>			
Import prepayments		6,929	4,205,808
Subscription		48,060	50,760
		<b>54,989</b>	4,256,568
		<b>174,989</b>	4,386,088
<b>20. OTHER RECEIVABLES</b>			
<b>Considered good</b>			
Export rebate		5,298,634	4,073,407
Due from associated undertaking	20.1	-	5,400
Others		429,934	469,632
		<b>5,728,568</b>	4,548,439
<b>20.1</b>	This represents amounts due from Shahtaj Sugar Mills Limited (associated company) of Rs. Nil (2013: Rs. 5,400) in respect of secretarial services provided by the Company.		
<b>21. OTHER FINANCIAL ASSETS</b>	Note		
Investment - held-to-maturity			
- Treasury Bills	21.1	6,085,466	5,984,397
<b>21.1</b>	This represents investment made in 6 months treasury bills having maturity date July 9, 2014 with a mark-up rate of 9.66% per annum (2013: 8.82% per annum).		
<b>22. CASH AND BANK BALANCES</b>			
Cash at bank			
- current accounts		17,043,166	4,262,716
- savings account	22.1	17,512	258,915
Cash in hand		61,190	68,484
		<b>17,121,868</b>	4,590,115
<b>22.1</b>	This carries mark-up rate of 5% per annum (2013: 5% per annum).		

	Note	2014 Rupees	2013 Rupees
<b>23. SALES - NET</b>			
Local		1,106,041,029	1,139,802,091
Indirect export		1,771,166,399	2,029,266,830
Export		1,260,000,060	1,067,539,993
		<b>4,137,207,488</b>	4,236,608,914
Less sales tax		(82,929,219)	(21,503,981)
Export rebate		1,316,292	1,953,148
Waste sales		11,049,639	13,290,550
		<b>4,066,644,200</b>	4,230,348,631
Commission		(30,546,999)	(21,596,353)
		<b>4,036,097,201</b>	4,208,752,278
<b>24. COST OF GOODS SOLD</b>			
Raw and packing materials	24.1	3,048,143,649	3,202,218,406
Stores and spares	24.2	35,242,295	43,776,958
<b>Manufacturing expenses</b>			
Salaries, wages and benefits	24.3	147,759,645	132,092,541
Director's remuneration		3,915,600	3,438,900
Fuel and power		387,313,218	297,602,895
Repairs and maintenance		4,034,974	3,657,689
Insurance		4,105,724	3,990,353
Depreciation	12.2	95,227,857	81,662,131
Plant and machinery written off		4,149,247	-
Others		952,416	383,021
		<b>3,730,844,625</b>	3,768,822,894
Work-in-process			
Opening stock		39,470,045	53,262,873
Closing stock	16	(40,983,908)	(39,470,045)
		<b>(1,513,863)</b>	13,792,828
Cost of goods manufactured		3,729,330,762	3,782,615,722
Finished goods			
Opening stock		179,911,840	147,907,743
Closing stock	16	(168,009,080)	(179,911,840)
		<b>11,902,760</b>	(32,004,097)
		<b>3,741,233,522</b>	3,750,611,625
Outside processing charges		2,523,847	25,216,189
		<b>3,743,757,369</b>	3,775,827,814
<b>24.1 Raw and packing materials consumed</b>			
Opening stock		80,530,535	115,041,157
Purchases		3,065,011,959	3,167,707,784
		<b>3,145,542,494</b>	3,282,748,941
Closing stock	16	(97,398,845)	(80,530,535)
		<b>3,048,143,649</b>	3,202,218,406

	Note	2014 Rupees	2013 Rupees
<b>24.2 Stores and spares consumed</b>			
Opening stock		41,806,305	42,295,212
Purchases and purchase expenses		37,845,620	43,288,051
		<b>79,651,925</b>	85,583,263
Closing stock	15	<b>(44,409,630)</b>	(41,806,305)
		<b>35,242,295</b>	43,776,958
<b>24.3</b>	Salaries, wages and benefits include Rs. 8,085,564 (2013: Rs. 8,126,572) in respect of staff gratuity.		
<b>25. DISTRIBUTION COST</b>	Note	2014 Rupees	2013 Rupees
<b>Export related</b>			
Ocean freight		40,125,994	31,012,138
Insurance		584,325	254,931
Forwarding		203,000	163,000
Export duty		3,283,088	2,932,011
Entertainment		89,519	-
Postage and courier		345,851	383,189
Fees and subscription		1,257,716	25,504
Travelling and conveyance		2,741,029	2,412,522
Other		1,034,897	612,970
		<b>49,665,419</b>	37,796,265
<b>Local</b>			
Salaries and benefits	25.1	13,256,896	12,925,275
Local freight		1,495,884	1,318,054
Travelling and conveyance		223,615	955,919
Sales promotion		566,363	690,715
Marketing office		2,369,516	2,342,963
Depreciation	12.2	620,931	649,352
Insurance		30,948	48,162
Other		127,935	249,038
		<b>18,692,088</b>	19,179,478
		<b>68,357,507</b>	56,975,743
<b>25.1</b>	Salaries and benefits include Rs. 1,325,620 (2013: Rs. 1,386,538) in respect of staff gratuity.		

	Note	2014 Rupees	2013 Rupees
<b>26. ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits	26.1	39,832,080	35,371,970
Director's remuneration		6,820,000	6,820,000
Provision for doubtful debts - net		15,515,511	56,604,040
Travelling and conveyance		1,652,476	1,202,198
Vehicles running and maintenance		5,116,218	5,057,357
Telephone and fax		838,512	717,199
Postage and courier		345,855	385,433
Printing and stationery		1,992,544	2,207,798
Computer expenses		750,891	1,155,558
Rent, rates and taxes		347,576	340,032
Repairs and maintenance		2,039,937	562,049
Insurance		959,480	980,347
Auditors' remuneration	26.2	667,200	648,571
Legal and professional		787,191	1,786,300
Advertising		-	131,700
Entertainment		203,225	185,242
Fees and subscription	26.4	2,309,464	1,276,404
Donations	26.3	100,000	100,000
Depreciation	12.2	4,949,426	5,170,409
Share registrar services		114,173	126,566
Other		1,649,496	1,526,740
		<b>86,991,255</b>	<b>122,355,913</b>
<b>26.1</b>	Salaries and benefits include Rs. 3,502,937 (2013: Rs. 2,978,882) in respect of staff gratuity .		
<b>26.2 Auditors' remuneration</b>			
Audit fee		500,000	500,000
Half yearly review fee		50,000	50,000
Out of pocket expenses		117,200	98,571
		<b>667,200</b>	<b>648,571</b>
<b>26.3</b>	No director or his / her spouse had any interest in the donee institutions.		
<b>26.4</b>	This includes fee paid to non-executive directors during the year amounting to Rs. 950,000 (2013: Rs. 720,000) on account of meeting fee.		
<b>27. OTHER OPERATING EXPENSES</b>			
Workers' Profit Participation Fund	8.2	3,921,061	7,864,691
Workers Welfare Fund		1,490,003	2,988,583
Exchange loss		883,868	-
Property and equipment written off		476,088	-
Stores and spares written off		1,893,021	1,033,737
		<b>8,664,041</b>	<b>11,887,011</b>
<b>28. FINANCE COST</b>			
Mark-up on:			
Long-term finance		28,441,656	40,507,505
Short-term borrowings		22,169,161	41,803,641
Discounting charges		2,478,057	9,600,626
Interest on Workers' Profit Participation Fund	8.2	212,508	67,222
Bank charges and commission		3,358,108	4,916,202
		<b>56,659,490</b>	<b>96,895,196</b>



	Note	2014 Rupees	2013 Rupees
<b>29. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Return on bank deposits		1,324	4,335
Interest on Treasury Bills		499,104	360,476
<b>Income from other than financial assets</b>			
Net (loss) / income from trading	29.1	(52,921)	195
Exchange gain		-	698,312
Gain on disposal of property, plant and equipment		895,096	566,632
		<b>1,342,603</b>	<b>1,629,950</b>
<b>29.1 Net (loss) / income from trading</b>			
Sales - Local		5,599,471	187,395
Cost - Purchases and related expenses		(5,652,392)	(187,200)
		<b>(52,921)</b>	<b>195</b>
<b>30. TAXATION</b>			
Current			
for the year		20,133,648	36,558,100
for prior years		(17,951,755)	4,588,273
Deferred		(349,335)	(7,603,799)
	30.1	<b>1,832,558</b>	<b>33,542,574</b>
<b>30.1 Relationship between tax expense and accounting profit</b>			
Accounting profit before tax		73,010,142	146,440,551
Tax rate %		34	35
Tax on accounting profit		24,823,448	51,254,193
Income tax for prior years		(17,951,755)	4,588,273
Effect of income subject to final tax regime		8,716,512	(29,395,985)
Effect of income subject to minimum tax		5,950,918	(1,702,237)
Effect of tax credits		(21,213,781)	7,429,966
Effect on deferred tax balances due to change in rate		1,483,168	1,061,764
Others		24,048	306,600
Tax charge for the year		<b>1,832,558</b>	<b>33,542,574</b>
<b>30.2</b>	The return of income for the tax year 2013, has been filed as per the provision of section 120 of the Income Tax Ordinance, 2001. Under this section when a complete return of income is filed with the Commissioner, it results in deemed assessment of taxable income / loss and tax payable / refundable on the date return is filed.		
<b>30.3</b>	The Company received an amended order on June 29, 2012 under section 124 of the Income Tax Ordinance 2001, pertaining to the tax year 2009 from the Deputy Commissioner Inland Revenue raising an additional demand of Rs. 18.4 million by amending the original demand of Rs. 49.79 million. The Company has filed an appeal to the Income Tax Appellate Tribunal (ITAT) for rectification of the said order; the decision of which is pending. The Company has not made any provision against the said demand based on the tax advisor's opinion who expects a favorable outcome.		

**31. EARNINGS PER SHARE - BASIC AND DILUTED**

		<b>2014</b>	2013
Profit after taxation for the year	<b>Rupees</b>	<b>71,177,584</b>	112,897,977
Weighted average number of ordinary shares in issue	<b>Number</b>	<b>9,660,000</b>	9,660,000
Earnings per share - basic and diluted	<b>Rupees</b>	<b>7.37</b>	11.69

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

**32. CASH AND CASH EQUIVALENTS**

	Note	<b>2014 Rupees</b>	2013 Rupees
Cash and bank balances	22	<b>17,121,868</b>	4,590,115
Short-term borrowings	10	<b>(200,434,419)</b>	(181,999,934)
		<b>(183,312,551)</b>	(177,409,819)

**33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	<b>2014</b>			2013		
	Chief Executive	Executive Director	Executives	Chief Executive	Executive Director	Executives
	..... Rupees .....					
Remuneration	<b>2,640,000</b>	<b>1,792,800</b>	<b>11,786,694</b>	2,640,000	1,552,800	9,952,409
Bonus	<b>440,000</b>	<b>194,100</b>	<b>1,240,000</b>	440,000	169,100	1,119,600
Retirement benefits	<b>440,000</b>	<b>224,100</b>	<b>1,520,000</b>	440,000	169,100	1,223,600
House rent	<b>1,200,000</b>	<b>537,840</b>	<b>3,536,039</b>	1,200,000	465,840	2,985,109
Ex-gratia	<b>660,000</b>	<b>408,200</b>	<b>2,493,267</b>	660,000	371,500	2,405,140
Medical	<b>720,000</b>	<b>179,280</b>	<b>1,178,670</b>	720,000	155,280	995,241
Utilities	<b>720,000</b>	<b>179,280</b>	<b>1,178,670</b>	720,000	155,280	995,241
Performance reward	-	<b>400,000</b>	<b>2,360,000</b>	-	400,000	2,360,000
Leave encashment	-	-	<b>448,781</b>	-	-	478,408
	<b>6,820,000</b>	<b>3,915,600</b>	<b>25,742,121</b>	6,820,000	3,438,900	22,514,748
Number of persons	<b>1</b>	<b>1</b>	<b>13</b>	1	1	12

33.1 In addition, the Chief Executive is provided with Company owned and maintained car for personal and official use.

33.2 In addition, the Executive Directors and Executives are provided with Company's owned and maintained cars for official use.

33.3 In addition to above, fee paid to other non-executive directors during the year amounted to Rs. 950,000 (2013: Rs. 720,000) on account of meeting fee (Note 26.4).

**34. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise associated undertakings, key management personnel and post employment benefit plans. The transactions between the Company and the related parties are carried out as per agreed terms. Amounts due from and to related parties have been disclosed in the notes to the financial statement as follows:

- Due from associated undertakings under other receivables in note 20,
- Due to associated undertakings under payables in note 8,
- Remuneration of key management personnel is disclosed in note 33.

Other significant transactions with related parties are as follows:

Relationship with the Company	Name	Nature of transactions	2014 Rupees	2013 Rupees
Associated undertakings	Shahtaj Sugar Mills Limited	Services rendered	360,000	360,000
	Shahnawaz (Private) Limited	Computers, computer supplies and others purchases	1,900,338	7,068,211
		Services received for office facility	713,583	675,532
		Software development charges	295,000	780,400
		Services received for vehicle repairs and other computer related	41,950	62,669
	Shezan International Limited	Purchase of goods	294,094	304,074

**35. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

Subsequent to year end, the directors propose to pay cash dividend of Rs. 2.50 (2013: Rs. 4) per ordinary share of Rs. 10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been reflected as a liability in these financial statements, which will be accounted for subsequently after the approval of shareholders.

**36. FINANCIAL INSTRUMENTS BY CATEGORY**

**Financial assets as per balance sheet**

**Held to maturity**

	2014 Rupees	2013 Rupees
Other financial assets	6,085,466	5,984,397

**Loans and receivables at amortized cost**

Long-term loans	665,075	602,791
Long-term deposits	27,317,444	27,310,337
Trade debts	277,489,046	322,455,558
Loans and advances	974,345	496,498
Trade deposits	120,000	129,520
Other receivables	439,834	475,032
Cash and bank balances	17,121,868	4,590,115

	<b>324,127,612</b>	<b>356,059,851</b>
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**Financial liabilities as per balance sheet**

**Financial liabilities measured at amortized cost**

Long-term financing	276,716,622	312,398,163
Trade and other payables	205,327,841	175,863,882
Interest accrued	13,893,670	13,533,640
Short-term borrowings	200,434,419	181,999,934

	<b>696,372,552</b>	<b>683,795,619</b>
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### 36.1 Fair values of financial assets and liabilities

- (a) Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

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

- (b) Fair Value Estimation

The Company discloses the financial instruments measured in the balance sheet at fair value in accordance with the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2014, other financial assets was categorized in level 2 (2013: Level 2).

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 37.1 Financial risk factors

#### Introduction and overview

The Company has exposure to the following risks from financial instruments:

- market risk
- credit risk
- liquidity risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, Company's objectives, policies and processes for measuring and managing risk, fair value of financial instruments and the Company's management of capital.

The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

The Company's objective in managing risk is the creation and protection of shareholders' value. Risk is inherent in Company's activities but it is managed through monitoring and controlling activities which are based on internal controls set on different activities of the Company by the Board of Directors. These controls reflect the business strategy and market environment of the Company as well as the level of the risk that the Company is willing to accept.

The Board along with the Company's finance department oversees the management of the financial risks reflecting changes in the market conditions and also the Company's risk taking activities providing assurance that these activities are governed by appropriate procedures and that the financial risk are identified, measured and managed in accordance with the Company risk appetite.

- 37.2 The Company's principal financial liabilities comprise long-term finances, short-term borrowings, accrued markup/interest and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company's financial assets comprise of trade debts, loans and advances, trade deposits, other receivables, other financial assets and cash and bank balances that arrive directly from its operations.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, and price risk), credit risk and liquidity risk.

### 37.2.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates, foreign exchange rates or the equity prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Under market risk the Company is exposed to currency risk, interest rate risk and other price risk (equity price risk).

#### (a) 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. The Company exports fabric to local and foreign customers which exposes it to currency risk. As at June 30, 2014, financial assets include Rs. 72.89 million (2013: Rs. 81.3 million) equivalent to US\$ 0.74 million (2013: US\$ 0.82 million) and financial liabilities include foreign commission payable amounting to Rs. 10.48 million (2013: Rs. 6.16 million) equivalent to US\$ 0.11 million (2013: US\$ 0.06 million). The average rates applied during the year is Rs. 102.09 / US \$ (2013: Rs. 95.95 / US \$) and the spot rate as at June 30, 2014 was Rs. 98.55 / US\$ (2013: Rs. 98.6 / US\$).

At June 30, 2014, if the Pakistani Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, profit for the year would have been lower / higher by Rs. 6.2 million (2013: Rs. 7.5 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar-denominated trade debts and Trade payables.

#### (b) Interest rate risk management

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

The Company's interest rate risk arises from bank deposit accounts, long term finance and short term borrowings amounting to Rs. 477 million (financial liabilities on a net basis) (2013: Rs. 494 million). These are benchmarked to variable rates which exposes the Company to cash flow interest rate risk only.

<i>Variable rate instruments</i>	Carrying amount	
	2014	2013
Financial assets		
- Bank balances - Saving accounts	17,512	258,915
Financial liabilities		
- Long term finance	276,716,622	312,398,163
- Short term borrowings	200,434,419	181,999,934
	477,151,041	494,398,097
Net financial liabilities at variable interest rates	(477,133,529)	(494,139,182)

#### *Cash flow sensitivity analysis for variable rate instrument*

A change of 100 basis points in interest rates at the year end would have increased or decreased the profit / loss for the year and shareholder's equity by Rs. 4.85 million (2013: Rs. 3.24 million). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 2013.

#### *Fixed rate instruments*

The Company does not have any fixed rate instrument as at June 30, 2014.

#### (c) Equity price risk

Equity price risk is 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 currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at year end, there are no financial instruments of the Company which are subject to equity price risk.

**37.3 Credit risk and concentration of credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Out of the total financial assets of Rs. 324.12 million (2013: Rs. 356.06 million), the financial assets which are subject to credit risk amounted to Rs. 324.06 million (2013: Rs. 355.99 million).

The Company is exposed to credit risk from its operating activities (primarily balances with banks, trade debts and loans and advances) and from its investing activities, including deposits with banks and financial institutions and other financial instruments. The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating. The names and credit rating of major banks where the Company maintains its bank balances are as follows:

**Credit risk related to cash and bank balances**

Name of bank	Rating agency	Credit rating	
		Short-term	Long-term
Habib Bank Limited	JCR-VIS	A-1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
Bank of Punjab	PACRA	A1+	AA-
Bank Alfalah Limited	PACRA	A1+	AA
Allied Bank Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA

**Credit risk related to receivables**

The Company's main credit exposure is with trade receivables. The Company has adopted a policy of only dealing with creditworthy counterparties and majority of the transactions are made through post dated cheques. Further, the Company's credit exposure is continuously monitored and the aggregate value of transactions are spread amongst approved counterparties, and overdue counterparties are pursued efficiently by the management for recovery. 20% (2013: 25%) of the credit exposure of the Company at year end is secured against letters of credit.

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate. The major credit exposure of the Company from its top six customers is 59% of the total trade receivables as at year end.

The total exposure of the Company in trade debts is Rs. 297.6 million (2013: Rs. 348.58 million), which has been discussed as follows:

The Company has the policy to grant credit of 7 days to 120 days to their customers. The exposure of the Company in trade receivables, which are neither overdue nor impaired, is Rs. 151.71 million (2013: Rs. 187.25 million)

Trade receivables, which have crossed their credit days limits, amounting to Rs. 145.78 million (2013: Rs. 161.3 million) for which the company has provided Rs. 20.015 million (2013: 26.1 million) and the remaining amounts are still considered recoverable.

The aging of such overdue but not impaired trade receivables is as follows:

	2014 Rupees	2013 Rupees
Less than 1 month	37,779,791	38,327,457
1 - 3 months	6,677,283	-
3 - 6 months	44,647	411,912
6 months - 1 year	10,050	90,332,299
1 - 3 years	81,254,717	6,129,555
	<b>125,766,488</b>	<b>135,201,223</b>
	<b>20,015,452</b>	<b>26,122,642</b>

The aging of overdue and impaired trade receivables is as follows:

1 - 3 years

	2014				
	Long-term finance	Short-term borrowings	Trade and other payables	Interest accrued	Total
	..... Rupees .....				
With in 1 year	140,607,802	200,434,419	205,327,841	13,893,670	560,263,732
1 - 5 years	181,170,749	-	-	-	181,170,749
	<b>321,778,551</b>	<b>200,434,419</b>	<b>205,327,841</b>	<b>13,893,670</b>	<b>741,434,481</b>
Weighted average effective rate of interest	9.62%	11.06%	-	-	-

	2013				
	Long-term finance	Short-term borrowings	Trade and other payables	Interest accrued	Total
	..... Rupees .....				
With in 1 year	137,924,273	181,999,934	175,864,966	13,533,640	509,322,813
1 - 5 years	224,887,458	-	-	-	224,887,458
	<b>362,811,731</b>	<b>181,999,934</b>	<b>175,864,966</b>	<b>13,533,640</b>	<b>734,210,271</b>
Weighted average effective rate of interest	12.08%	12.08%	-	-	-

### 37.5 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities, either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operation behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its business objective and generating returns for investors.

Primary responsibility for the development and implementation of controls over operational risk rests with the management of the company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.
- operational and qualitative track record of the plant and equipment supplier and related service providers.

### 38. CAPITAL RISK MANAGEMENT

The objectives of the Company when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The capital structure of the Company consists of share capital and reserves as well as debts of the Company. Share capital and reserves consist of share capital, reserves and unappropriated profit and debts consist of short-term borrowings and long-term financing. The Company manages its capital structure by monitoring return on total capital employed and makes adjustments to it in the light of changes in economic conditions and monitoring its gearing ratio. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders, issue new shares or adjust its debts. The Company's overall strategy is to reduce the gearing ratio gradually. The gearing ratio analysis is as follows:



	<b>2014 Rupees</b>	2013 Rupees
Total borrowings	<b>477,151,041</b>	494,398,097
Less: Cash and bank balances	<b>(17,121,868)</b>	(4,590,115)
Net debt	<b>460,029,173</b>	489,807,982
Total equity	<b>762,806,362</b>	721,324,849
Total capital employed	<b>1,222,835,535</b>	1,211,132,831
Gearing ratio	<b>38%</b>	40%

The Company is not subject to any externally imposed capital requirements.

### 39. OPERATING SEGMENT

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

39.2 Revenue from sales of fabric represents 99.86% (2013: 99.96% ) of total revenue whereas, remaining represents revenue from trading.

39.3 All non current assets of the Company as at June 30, 2014 are located in Pakistan.

39.4 69% (2013: 75%) of sales of fabric are local and indirect export sales whereas 31% (2013: 25% ) of sales are export / foreign sales. All sales were made to external customers.

39.5 Revenue from three major customers of the Company represent 35 % (2013: 28% ) of total revenue of the Company.

	<b>Note</b>	<b>2014</b>	2013
<b>40. PLANT CAPACITY AND ACTUAL PRODUCTION</b>			
Number of looms installed		<b>188</b>	188
Number of looms worked		<b>188</b>	188
100% Plant capacity at 60 picks (Sq. Meters)		<b>69,430,650</b>	69,430,650
Actual production converted to 60 picks (Sq. Meters)	40.1	<b>55,655,168</b>	56,904,976
Shifts per day		<b>3</b>	3
Number of days worked during the year		<b>365</b>	365

40.1 Calculation of rated capacity is based on a fixed fabric width and looms speed. In actual these factors vary with the ever changing qualities under production. Further, 100% efficiency level is notional and in practice elusive. Hence, actual production figure is less than the rated capacity.

### 41. NUMBER OF PERSONS EMPLOYED

As on the year end	<b>585</b>	581
Average number of employees during the year	<b>583</b>	580

### 42. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and to reflect the substance of the transactions. No significant rearrangements or reclassifications were made in these financial statements except the following:

<b>Description</b>	<b>Reclassified</b>		<b>2013 Rupees</b>
	<b>From</b>	<b>To</b>	
Waste sales	Other income	Sales - Net	13,290,550






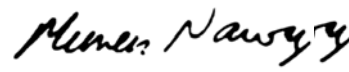
43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on September 29, 2014.

44. GENERAL

Figures have been rounded off to the nearest Rupee.

  
(M. Naeem)  
Chief Executive

  
(Muneer Nawaz)  
Chairman



**PROXY FORM**

Please quote

Folio No.	Shares Held

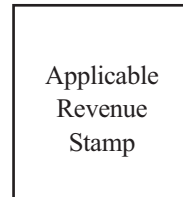
I/We \_\_\_\_\_ of \_\_\_\_\_  
in the district of \_\_\_\_\_ being a member of SHAHTAJ TEXTILE LIMITED  
hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
as my/our proxy to vote for me/us and on my/our behalf at the 25th Annual General Meeting of the Company to be held on 31st October, 2014 and at any adjournment thereof.

As witnessed given under my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2014.

Witness Signature

Name: \_\_\_\_\_

C.N.I.C. No. \_\_\_\_\_



Member's Signature

**Notes:**

1. This form of Proxy must be deposited duly completed, at the company's Registered Office, not less than 48 hours before the meeting
2. A Proxy of individual members must be a member of the Company.
3. In case of corporates the Board of Directors' resolution/power of attorney with the specimen signature shall be submitted along with proxy form to the company
4. Signature should agree with the specimen signature registered with the Company.
5. For CDC account holders/corporates in addition to the above following requirements have to be met:
  - i) Attested copy of C.N.I.C. or the passport of the beneficial owner shall be provided with proxy form.
  - ii) Proxy shall produce his/her original C.N.I.C. or original passport at the time of meeting.

