Mission Statement

The Mission of Sally Textile Mills Limited is to be the finest organization, and to conduct business responsibly and in a straight forward way.

Our basic aim is to benefit the customers, employees and shareholders and to fulfill our commitments to the society.

Our hallmark is honesty, innovation, teamwork of our people and our ability to respond effectively to change in all aspects of life including technology, culture and environment.

We will create a work environment, which motivates, recognizes and rewards achievements at all levels of the organization because

In Allah We Believe & In People We Trust

We will always conduct ourselves with integrity and strive to be the best

CONTENTS

Company Information

Board Of Directors

Mian Iqbal Salahuddin	Chief Executive Officer
Mst. Munira Salahuddin	
Mian Yousaf Salahuddin	
Mian Asad Salahuddin	
Mian Sohail Salahuddin	
Sheikh Abdul Salam	
Syed Abid Raza Zaidi	

Audit Committee

Sheikh Abdul Salam	Chairman
Mian Asad Salahuddin	Member
Mian Sohail Salahuddin	Member
Syed Abid Raza Zaidi	Secretary

Human Resources & Remuneration Committee

Sheikh Abdul Salam	Chariman
Mst. Munira Salahuddin	Member
Mian Sohail Salahuddin	Member

Chief Financial Officer

Mr. Hasan Shahnawaz

Company Secretary

Syed Abid Raza Zaidi

Auditors

M/s Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Bankers

National Bank Of Pakistan
Habibmetropolitan Bank Limited
KASB Bank Limited
Meezan Bank Limited
Habib Bank Limited

Registered Office

4-F, Gulberg II, Lahore.
Phones : (042) 35754371, 35754373
E-mail : sallytex@hotmail.com
Fax : (042) 35754394

Mills

Muzaffargarh Road, Jauharabad
Phones: (0454) 720645, 720546, 720311

Vision and Mission Statement

Vision

To achieve consistent superior performance in all respects, provide quality products to our valued customer and run the company purely on professional grounds

Mission

- Continuous improvement in total quality performance by achieving high standards in our products and providing these to our customers without error, on time and every time.
- We are dedicated to supply the product of highest quality and standards, yet at a reasonable cost for our national and international customer's satisfaction.
- All of our commitments, actions and products must be recognized as an expression of quality.
- We are committed to improve our skills and know-how, competency, practical experience and training of employees by implementing quality system.
- We continuously improve the performance of quality standards through practical participation of our employees at all levels.
- Our mission is to meet National and International Standards, Customers' Satisfaction and Continuous Improvements in our standards through use of latest methods and employees satisfaction.

Statement of Ethics and Business Practices

We believe that a complete code of ethics is essential for the maintenance of integrity and professionalism in the day-to-day functioning of Sally Textile Mills Limited. We always place the Company's interest first through resource management namely human, financial and other infra structural facilities and to ensure reasonable return to all the shareholders. Conduct business as a responsible and law abiding corporate member of society to achieve its legitimate commercial objective and supports unconditionally the Compliance with best Practices of Corporate Governance for the betterment of corporate culture. We develop and observe cost effective practices in our activities and strive for excellence and quality. We encourage initiative and self-realization in employees through meaningful empowerment.

Notice of Annual General Meeting

Notice is hereby given that 46th Annual General Meeting of the company will be held on Friday 31st October, 2014 at 10:00 a.m. at Four Seasons Hall, 34-Shahrah-e-Fatima Jinnah, Queens Road, Mozang, Lahore to transact the following business.

1. To confirm the minutes of 45th Annual General Meeting held on 31-10-2013.
2. To receive and adopt the audited accounts of the company along with the Directors and auditor's report for the year ended June 30, 2014.
3. To discuss and approve the contracts / agreements made during the year with suppliers and other parties.
4. To appoint the auditors and fix their remuneration for the next financial year 2014-2015.
5. To elect the seven Directors including Chief Executive for three years in accordance with Companies Ordinance, 1984 under section 158 of (Amendment) ordinance 2002. However the existing board will complete the tenure. The retiring Directors are as under:

1.	Mian Iqbal Salahuddin (CEO)	2.	Mrs. Munira Salahuddin
3.	Mian Yousaf Salahuddin	4.	Mian Asad Salahuddin
5.	Mian Sohail Salahuddin	6.	Sheikh Abdul Salam
7.	Syed Abid Raza Zaidi		

The retiring Directors are eligible for re-election.

6. Any other matter with the permission of the chair.

By the order of the Board

Date : October 10, 2014
Place : LAHORE

(SYED ABID RAZA ZAIDI)
Company Secretary

NOTES:

I. Any member who seeks to contest election to the Office of Director shall file a Notice of his / her intention at the registered office in term of Section 178(3) of the Companies Ordinance 1984 at least 14 days before the date of meeting.

II. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his/her behalf. Proxies in order to be executive must be received to Shares Registrar M/S Scarlet IT Systems (Pvt) Ltd 24, Ferozpur Road, Near Mozang Chungi, Lahore not later than 48 hours before commencement of the meeting.

III. The Proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

IV. Attested copies of NIC / Passport of the beneficial owners and the proxy shall be furnished with the proxy form.

V. The proxy shall produce his original NIC/Passport at the time of the meeting.

VI. The shares transfer books of the company will remain closed for fifteen days from 30-10-2014 to 13-10-2014. (Both days inclusive)

VII. Share holders whose shares are deposited with Central Depositary System (CDS) are requested to bring their National Identity Card (NIC) along with their Account Number in CDS for verification. In case of corporate entity, the Board of Directors Resolution / Power of Attorney with specimen signatures of the nominee shall be produced (unless provided earlier) at the time of meeting.

VIII. Shareholders are advised to notify change in their addresses, if any and send their e-mail addresses for easily correspondence.

Key Operating and Financial Data

	2014	2013	2012	2011	2010	2009	2008
	Rupees in million						
OPERATING PERFORMANCE							
Sales	3796	3647	2887	2843	1746	1181	1076
Gross profit	182	398	241	304	257	70	111
Profit / (loss) before tax	7	210	98	248	146	4	23
Tax	29	56	62	29	11	-	5
(Loss) / Profit after tax	(22)	154	36	219	135	4	18
FINANCIAL POSITION							
Assets							
Non-current assets	1141	1050	995	862	759	550	556
Current assets	828	757	670	606	447	367	476
Total assets	**1969**	**1807**	**1665**	**1468**	**1206**	**917**	**1032**
Equity & liabilities							
Share capital & reserves	336	353	211	166	(52)	(190)	(198)
Surplus on revaluation	248	262	277	196	203	87	91
Total equity	584	615	488	362	151	(103)	(107)
Non-current liabilities	416	391	352	260	352	244	236
Current liabilities	969	801	825	846	703	776	903
Total liabilities	1385	1192	1,177	1,106	1,055	1,020	1,139
Total	**1969**	**1807**	**1665**	**1468**	**1206**	**917**	**1032**

Directors' Report

The Directors of Sally Textile Mills Limited ("the Company") are pleased to present 46th annual report of the Company together with audited accounts and auditor's report thereon for the year ended June 30, 2014.

Overview

Textile spinning industry in Punjab continued facing numerous challenges during the period under review. Rising power tariff, extensive load shedding, limited gas supply, geo-political uncertainty and depressed international economy severely affected our bottom line. During the period under review, many units in spinning sector faced severe financial and operational difficulties and eventually closed down their operations.

Performance review

In addition to the adversities mentioned above, many spinning units faced tremendous pressure on yarn competitiveness as carrying cost of raw material was very high. Sharp decline in yarn prices from January onwards squeezed our margins substantially. Your company too was affected by these factors and posted an after tax loss of Rs. (22.21) million. The Company maintained sales turnover of Rs. 3,796 million as compared to Rs. 3,647 million in 2013. The Company posted gross profit of Rs.182 million as compared to Rs. 398 million the corresponding year - witnessing a decline of 45%. However, directors of the Company continue to show determination and aim to surpass these difficult times through leaner operational strategies and improved product line.

The financial results in a summarized form are given hereunder:

Description	June 30, 2014 Rs. in million	June 30, 2013 Rs. in million
Turnover - net	3,796.15	3,646.82
Gross Profit	181.67	397.57
Profit before tax	6.84	210.55
(Loss)/Profit after tax	(22.21)	154.41

Earnings per Share

Earnings per share of your company for the year ended June 30, 2014 is Rs. (2.53) as compared to (June 30, 2013 Rs. 17.60) during the previous year's review.

Balance Sheet

Balance sheet footing increased to Rs. 1,968 million (2013: Rs. 1,807 million). Liquidity position of the Company was tightened due to delays in recovery from sale of yarn and increase in tariff rates of utilities. Your Company repaid long term debt in its entirety during the period under review and is now a debt (long term) free unit.

Cash Flow Management

Board of directors places great importance for an effective cash flow management so as to ensure smooth running of the business. For this purpose cash inflows and outflows are projected on regular basis and verified periodically. Working capital requirements have been planned to be financed through internal cash generation and short term financing from external sources.

Business, Risk, Challenges and Future Outlook

The industry is still facing energy crises and it seems that this power shortage will continue to hit the industry in the coming years. Increasing trend in the power tariff will lead to increase in cost of production. It is expected that inflationary pressure will continue to rise in the coming year which may necessitate further increase in the discount rate by the Regulator. Another factor that remains to be a key variable is fluctuating price and quality of cotton.

Corporate Social Responsibility (CSR)

Your company gives high priority to its social responsibilities and is committed to the highest standards of corporate behavior. The company's CSR responsibilities are fulfilled through monetary contributions in the areas of healthcare, education, environment protection, water and sanitation, child welfare, infrastructure development and other social welfare activities. Our CSR includes contributions to hospitals and education programs engaged in assisting the under privileged patients students and children's of various walks of life.

Health Safety and Environment

Your company is well aware of the importance of skilled workers and staff therefore the company is strongly committed towards all aspects of safety, health and environment connected with our business.

Financial Statements

The Financial statements for the year ended June 30, 2014 were approved by the Board of Directors on October 09, 2014 and authorized for their issuance. Operating and financial data of last seven years is annexed.

Code of corporate governance

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their listing regulations, relevant for the year ended June 30, 2014 have been adopted by the company and have been duly complied with. Statement to this effect is annexed to the report.

Pattern of Shareholding

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately.

No trade in the shares of company was carried out by CEO, CFO and Company Secretary and their spouses and minor children except those that have been duly reported as per law.

Board Meeting and Attendance

During the year four meetings of the Board of Directors of the company were held attendance by each director is narrated below:-

Sr. No.	Name	Attendance
1	Mian Iqbal Salahuddin	4
2	Mian Yousaf Salahuddin	4
3	Mian Asad Salahuddin	4
4	Mst. Munira Salahuddin	4
5	Mian Sohail Salahuddin	4
6	Sh. Abdul Salam	4
7	Syed Abid Raza Zaidi	4

Audit Committee Meeting and Attendance

During the year four meetings of the audit committee of the company were held; attendance by each member is as under.

Sr. No.	Name	Attendance
1	Sh. Abdul Salam	4
2	Mian Asad Salah-ud-din	4
3	Mian Sohail Salah-ud-din	4

HR and Remuneration Committee

During the year, one meeting of HR and Remuneration Committee of the company was held; attendance by each member is as under.

Sr. No.	Name	Attendance
1	Mian Iqbal Salah-ud-din	1
2	Mst. Munera Salah-ud-din	1
3	Mian Sohail Salah-ud-din	1

Auditors

The present auditors M/S. Rehman Sarfraz Rahim Iqbal Rafique Chartered Accountants retire and being eligible offer themselves for re-appointment as auditors of the company for the year 2014-15. The audit committee has recommended the appointment of aforesaid auditors M/S. Rehman Sarfraz Rahim Iqbal Rafique Chartered Accountants, as external auditor for the year ended June 30, 2015. The External auditors, M/S. Rehman Sarfraz Rahim Iqbal Rafique Chartered Accountants have been given satisfactory rating under the quality review program of the Institute of Chartered Accountants of Pakistan and the firm and its entire partner are in compliance with the International Federation of Accountants' guidelines on the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

Acknowledgement

Yours directors record with appreciation, the efforts of the company's managers, technicians, staff and workers who have vigorously to meet the target. Your directors also extend their appreciation to the company's banker, buyers and suppliers for their cooperation.

For and on behalf of the Board

MIAN IQBAL SALAHUDDIN
Chief Executive Officer

Lahore : October 09, 2014

Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi 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 of Corporate Governance in the following manner:

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

Category	Names
Independent Director	Sheikh Abdul Salam
Executive Directors	Mian Iqbal Salahuddin
	Mian Yousaf Salahuddin
	Syed Abid Raza Zaidi
Non-Executive Directors	Mst. Munira Salahuddin
	Mian Asad Salahuddin
	Mian Sohail Salahuddin

   The independent directors meets the criteria of independence under clause i (b) of the Code of Corporate Governance

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

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

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

5. The board has developed 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.

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

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

8. None of the Directors have obtained certification under any Directors Training Program during the year.

9. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

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

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

13. The company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.

14. The board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors and the chairman of the committee is an independent director.

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

16. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a executive director.

17. The board has set up an effective internal audit function

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

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

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

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

22. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

For and on behalf of the Board

MIAN IQBAL SALAHUDDIN
Chief Executive Officer

Lahore : October 09, 2014

Review Report on Statement of Compliance with Best practices of Code of Corporate Governance

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with 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:

Reference	Description
Paragraph 8	None of the Directors have obtained certification in any Directors Training Program.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Engagement Partner: ***ZUBAIR IRFAN MALIK***

Date: ***October 09, 2014***
Place: ***Lahore***

Auditor's Report to the Members

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

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

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

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

b) in our opinion-

   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied, with the exception of the change referred to in note 5 with which we concur;

   ii. the expenditure incurred during the year was for the purpose of the Company's business; and

   iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

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

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

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Engagement Partner: ***ZUBAIR IRFAN MALIK***

Date: ***October 09, 2014***
Place: ***Lahore***

Balance Sheet
as at June 30, 2014

	Note	2014	2013
		Rupees	*Rupees*
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
20,000,000 ordinary shares of Rs. 10 each		**200,000,000**	200,000,000
Issued, subscribed and paid-up capital	*7*	**87,750,000**	87,750,000
Accumulated profit		**248,277,750**	265,441,409
TOTAL EQUITY		**336,027,750**	353,191,409
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	*8*	**248,450,696**	262,486,457
LOAN FROM SPONSORS - UNSECURED	*9*	**163,677,658**	144,847,485
NON-CURRENT LIABILITIES			
Long term finances - *Secured*	*10*	**-**	-
Employees retirement benefits	*11*	**105,745,315**	87,054,828
Deferred taxation	*12*	**145,943,334**	159,266,653
		251,688,649	246,321,481
Current liabilities			
Trade and other payables	*13*	**434,952,291**	317,443,284
Short term borrowings - *Secured*	*14*	**519,649,299**	428,687,558
Accrued interest/mark-up		**14,416,707**	13,301,463
Current portion of non-current liabilities	*15*	**-**	18,329,999
Current taxation	*16*	**-**	23,054,370
		969,018,297	800,816,674
TOTAL LIABILITIES		**1,220,706,946**	1,047,138,155
CONTINGENCIES AND COMMITMENTS	*17*	**-**	-
TOTAL LIABILITIES		**1,968,863,050**	1,807,663,506

The annexed notes 1 to 49 form an integral part of these financial statements.

Lahore
Date : October 09, 2014

MIAN IQBAL SALAHUDDIN
Chief Executive

	Note	2014	2013
		Rupees	*Rupees*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*18*	**1,129,968,941**	1,038,842,206
Long term deposits - *Unsecured, Considered good*	*19*	**11,243,604**	11,243,604
		1,141,212,545	1,050,085,810
CURRENT ASSETS			
Stores, spares and loose tools	*20*	**53,685,045**	44,805,907
Stock in trade	*21*	**518,834,924**	477,252,489
Trade debts	*22*	**179,493,786**	175,991,238
Advances, prepayments and other receivables	*23*	**47,884,660**	38,679,546
Current tax asset	*24*	**3,954,361**	-
Cash and bank balances	*25*	**23,797,729**	20,848,516
		827,650,505	757,577,696
TOTAL ASSETS		**1,968,863,050**	1,807,663,506

MIAN YOUSAF SALAHUDDIN
Director

Profit and loss account
for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees (Restated)
Turnover - *net*	26	**3,796,146,003**	3,646,821,259
Cost of sales	27	**(3,614,475,615)**	(3,249,247,208)
Gross profit		**181,670,388**	397,574,051
Selling and distribution expenses	28	**(39,013,526)**	(42,788,197)
Administrative and general expenses	29	**(53,755,371)**	(41,944,322)
		(92,768,897)	(84,732,519)
Other income	30	**882,541**	745,603
Operating profit		**89,784,032**	313,587,135
Finance cost	31	**(57,065,902)**	(59,658,879)
Notional interest	32	**(18,830,173)**	(21,830,062)
Other charges	33	**(7,051,340)**	(21,542,795)
Profit before taxation		**6,836,617**	210,555,399
Taxation	34	**(29,046,825)**	(56,146,729)
(Loss)/profit after taxation		**(22,210,208)**	154,408,670
(Loss)/earnings per share - *basic and diluted*	35	**(2.53)**	17.60

The annexed notes 1 to 49 form an integral part of these financial statements.

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : October 09, 2014

Statement of profit or loss and other comprehensive Income

for the year ended June 30, 2014

	Note	2014	2013
		Rupees	*Rupees*
			(Restated)
Items that may be reclassified subsequently to profit or loss		**-**	-
Items that will not be reclassified to profit or loss			
Incremental depreciation	*8*	**13,958,298**	14,732,988
Revaluation surplus realized on disposal of property, plant and equipment	*8*	**77,463**	-
Remeasurements of defined benefit obligation	*11.4*	**(272,660)**	(23,532,693)
Taxation relating to items that will not be reclassified to profit or loss	*12.1*	**58,448**	5,600,781
		13,821,549	(3,198,924)
Other comprehensive income		**13,821,549**	(3,198,924)
(Loss)/profit after taxation		**(22,210,208)**	154,408,670
Total comprehensive (loss)/income		**(8,388,659)**	151,209,746

The annexed notes 1 to 49 form an integral part of these financial statements.

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : October 09, 2014

Cash flow statement

for the year ended June 30, 2014

	Note	2014	2013
		Rupees	*Rupees*
			(Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	36	**217,703,763**	302,674,036
Payments for:			
Employees retirement benefits		**(8,767,009)**	(8,736,547)
Interest/markup on borrowings		**(54,049,399)**	(61,901,957)
Income tax		**(69,320,427)**	(31,205,943)
Dividend on ordinary shares		**(10,695,867)**	(6,600,000)
Net cash generated from operating activities		**74,871,061**	194,229,589
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(147,553,590)**	(103,919,014)
Proceeds from disposal of property, plant and equipment		**3,000,000**	1,761,500
Long term deposits		**-**	(645,690)
Net cash used in investing activities		**(144,553,590)**	(102,803,204)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term finances		**(18,329,999)**	(20,044,985)
Net increase/(decrease) in short term borrowings		**90,961,741**	(66,543,176)
Net cash generated from/(used in) financing activities		**72,631,742**	(86,588,161)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,949,213**	4,838,224
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR		**20,848,516**	16,010,292
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR	37	**23,797,729**	20,848,516

The annexed notes 1 to 49 form an integral part of these financial statements.

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : October 09, 2014

Statement of changes in equity
for the year ended June 30, 2014

	Issued subscribed and paid-up capital	Accumulated profit	Total equity
	Rupees	*Rupees*	*Rupees*
Balance as at July 01, 2012	87,750,000	123,006,663	210,756,663
Comprehensive income			
Profit after taxation	-	154,408,670	154,408,670
Other comprehensive income	-	(3,198,924)	(3,198,924)
Total comprehensive income	-	151,209,746	151,209,746
Transaction with owners			
Interim dividend @ 10% i.e. Rs. 1 per ordinary share	-	(8,775,000)	(8,775,000)
Balance as at June 30, 2013	87,750,000	265,441,409	353,191,409
Comprehensive income			
Loss after taxation	**-**	**(22,210,208)**	**(22,210,208)**
Other comprehensive income	**-**	**13,821,549**	**13,821,549**
Total comprehensive loss	**-**	**(8,388,659)**	**(8,388,659)**
Transaction with owners			
Final dividend @ 10% i.e. Rs. 1 per ordinary share	**-**	**(8,775,000)**	**(8,775,000)**
Balance as at June 30, 2014	**87,750,000**	**248,277,750**	**336,027,750**

The annexed notes 1 to 49 form an integral part of these financial statements.

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : October 09, 2014

Notes to and forming part of financial statements
for the year ended June 30, 2014

1 REPORTING ENTITY

Sally Textuile Mills Limited ('the Company') is incorporated in Pakistan as a Public Limited Company under the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited. The Company is a spinning unit engaged in the manufacture and sale of yarn. The registered office of the Company is situated at 4 F, Gulberg II, Lahore. The manufacturing facility, including the power generation unit, is located at Joharabad District Khushab in the Province of Punjab.

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 and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the Companies Ordinance, 1984 prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employee retirement benefits liabilities measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgements made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.3.1 Depreciation method, rates and useful lives of property, plant and equipment

The Company reassesses useful lives, depreciation method and rates for each item of property and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

2.3.2 Recoverable amount of assets/cash generating units and impairment

The management of the Company reviews carrying amounts of its assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.3.3 Taxation

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

2.3.4 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.3.5 Obligation under defined benefit plan

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent actuaries.

2.3.6 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

2.4 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.

3.1 The following new and revised standards, interpretations and amendments are effective during the year and are relevant to the Company.

Amendments to IAS 1 - Presentation of Financial Statements (as part of the Annual Improvements 2009-2011 Cycle)

The annual improvements to IFRS 2009-2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Company are the amenments to IAS 1 - Presentation of Financial Statements regarding when a balance sheet as at the beginning of the preceding period (third balance sheet) is required to be presented. The amendments specify that a third balance sheet is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements and that retrospective application, restatement or reclassification has a material effect on the information in the third balance sheet. The amendments specify that the related notes are not required to accompany the third balance sheet.

During the year, the Company has applied IAS 19 – Employee Benefits (Revised 2011), however, **a third balance sheet as at June 30, 2012 has not been presented as the retrospective application has no effect on the balance sheet.**

IAS 19 – Employee Benefits (Revised 2011)

The revised standard:

- Requires the recognition of changes in the net defined benefit liability/asset including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of re-measurements in other comprehensive income, plan amendments, curtailments and settlements, and eliminates the option that allowed entities to defer the recognition of changes in net defined benefit liability under the '10% Corridor Approach'.

- Introduces enhanced disclosures about defined benefit plans.

- Modifies accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination.

- Clarifies various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features.

The Company has adopted and applied the revised standard which has resulted in change in accounting policy as referred to in note 5.

3.2 The following new and revised standards, interpretations and amendments are effective during the year and are either not relevant to the Company or do not have any material impact on these financial statements.

IAS 27 - Separate Financial Statements (Revised 2011)

The revised standard supersedes IAS 27 - Consolidated and Separate Financial Statements (Revised 2008). The revised standard carries forward existing accounting and disclosure requirements for separate financial statements with some minor clarifications. The revised standard is not relevant to the Company.

IAS 28 - Investments in Associates and Joint Ventures (Revised 2011)

The revised standard supersedes IAS 28 - Investments in Associates (Revised 2008) and makes amendments to apply IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations to investment, or a portion thereof, in an associate or joint venture, that meets the criteria to be classified as held for sale. The revised standard is not relevant to the Company.

Annual Improvements 2009-2011

The 2009-2011 cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

- ***IFRS 1 – First-time Adoption of International Financial Reporting Standards***

  The amendments clarify that an entity may apply IFRS 1 if its most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with International Financial Reporting Standards even if the entity applied IFRS 1 in the past. The amendments are not relevant to the Company.

- ***IAS 16 - Property, Plant and Equipment***

  The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments do not have any material impact on the Company's financial statements.

- ***IAS 32 - Financial Instruments: Presentation***

  The amendments clarify that IAS 12 - Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendments remove a perceived inconsistency between IAS 32 and IAS 12. The amendments do not have any material impact on the Company's financial statements.

- ***IAS 34 - Interim Financial Reporting***

  The amendments align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 - Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments do not have any material impact on the Company's financial statements.

Government Loans (Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards)

The amendments address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to International Financial Reporting Standards. The amendments are not relevant to the Company.

Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7 - Financial Instruments: Disclosures)

The amendments contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments do not have any material impact on the Company's financial statements.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 - Financial Instruments: Presentation)

The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments do not have any material impact on the Company's financial statements.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities)

The amendments provide transitional relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period. The amendments are not relevant to the Company.

IFRIC 20 - Stripping Cost in the Production Phase of a Surface Mining (2011)

The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The interpretation is not relevant to the Company.

3.3 The following new standards are effective during the year but have been notified for adoption by the Securities and Exchange Commission of Pakistan under section 234 of the Companies Ordinance, 1984 for annual periods beginning on or after January 01, 2015.

IFRS 10 – Consolidated Financial Statements (2011)

The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities.

IFRS 11 - Joint Arrangements (2011)

The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers.

IFRS 12 - Disclosure of Interests in Other Entities (2011)

The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 - Fair Value Measurement (2011)

The standard replaces the guidance on fair value measurement in various existing standards with a single standard.

4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT EFFECTIVE.

The following new and revised standards, interpretations and amendments are in issue, which are not effective as at the reporting date. These are not expected to have any significant impact on the financial statements of the Company, except for enhanced disclosures in certain cases.

IFRS 9 – Financial Instruments: Classification and Measurement (2014)

The revised standard incorporates new requirements for the classification and measurement of financial instruments and carries over existing derecognition requirements from IAS 39 - Financial Instruments: Recognition and Measurement. The standard is effective for annual periods beginning on or after January 01, 2018.

IFRS 14 – Regulatory Deferral Accounts (2014)

The standard allows first-time adoptors of IFRS to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. The standard is effective for annual periods beginning on or after January 01, 2017.

IFRS 15 – Revenue from Contracts with Customers (2014)

The standard provides a single, principles based five-step model to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard is effective for annual periods beginning on or after January 01, 2017.

Investment Entities (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements

The amendments provide exemption from consolidation of particular subsidiaries by certain entities defined as "Investment Entities" and require additional disclosures where such subsidiaries are excluded from consolidation pursuant to exemption. The amendments are effective for annual periods beginning on or after January 01, 2014.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 – Impairment of Assets)

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and introduce an explicit requirement to disclose the discount rate used in determining impairment or reversals where recoverable amount is determined using a present value technique. The amendments are effective for annual periods beginning on or after January 01, 2014.

Novation of Derivative and Continuation of Hedge Accounting (Amendments to IAS 39 – Financial Instruments: Recognition and Measurement)

The amendments clarify that there is no need to discontinue hedge accounting if a hedge derivative is novated provided certain criteria are met. The amendments are effective for annual periods beginning on or after January 01, 2014.

Contributions from employees or third parties (Amendments to IAS 19 – Employee Benefits)

The amendments narrow scope amendments applicable to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective for annual periods beginning on or after July 01, 2014.

Offsetting financial assets and financial liabilities (Amendments to IAS 32 – Financial Instruments: Presentation)

The amendments update the application guidance in IAS 32 to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendments are effective for annual periods beginning on or after January 01, 2014.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 – Joint Arrangements)

The amendments update the application guidance in IAS 32 to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendments are effective for annual periods beginning on or after January 01, 2016.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets)

The amendments clarify the use of certain acceptable methods of depreciation and amortization. The amendments are effective for annual periods beginning on or after January 01, 2016.

Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture)

The amendments allows bearer plants; living plants that are used in the production or supply of agricultural produce, which are expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, to be accounted for under IAS 16 – Property, Plant and Equipment, and clarify that the produce growing on bearer plants remains within the scope of IAS 41 - Agriculture. The amendments are effective for annual periods beginning on or after January 01, 2016.

Annual Improvements 2010-2012 (applicable to annual periods beginning on or after July 01, 2014)

The 2010-2012 cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

- ***IFRS 2 – Share-based Payment***

  The amendments amend the definition of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

- ***IFRS 3 – Business Combinations***

  The amendments require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

- ***IFRS 8 –Operating Segments***

  The amendments require disclosure of the judgements made by the management in applying the aggregation criteria to operating segments and clarify that reconciliations of segment assets are required only if segment assets are reported regularly.

- ***IFRS 13 – Fair Value Measurement***

  The amendments clarify that issuing IFRS 13 – Fair Value Measurement and amending IFRS 9 – Financial Instruments: Disclosures and IAS 39 – Financial Instruments: Recognition and Measurement did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis.

- ***IAS 16 – Property, Plant and Equipment***

  The amendments clarify that the amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

- ***IAS 24 – Related Parties***

  The amendments clarify how payments to entities providing management services are to be disclosed.

Annual Improvements 2011-2013 (applicable to annual periods beginning on or after July 01, 2014)

The 2011-2013 cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

- ***IFRS 1 – First-time Adoption of International Financial Reporting Standards***

  The amendments clarify which versions of IFRSs can be used on initial adoption.

- ***IFRS 3 – Business Combinations***

  The amendments clarify that the standard exludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- ***IFRS 13 – Fair Value Measurement***

  The amendments clarify the scope of portfolio exception.

- *IAS 40 – Investment Property*

  The amendments clarifying the interrelationship of IFRS 13 – Fair Value Measurement and IAS 40 – Investment Property when classifying property as investment property or owner-occupied property.

5 CHANGE IN ACCOUNTING POLICY

During the year, the Company has adopted and applied IAS 19 – Employee Benefits (Revised 2011) which has resulted in change accounting policy of the Company for Defined Benefit Plans. Earlier actuarial gains/losses were recognized in profit or loss in the period in which they occurred as allowed by the previous version of the standard. Following the application of the revised standard all remeasurements of defined benefit obligation are recognized in other comprehensive income in the period in which they occur. The change has been applied retrospectively. The impact of retrospective application is as follows:

	2014	2013
	Rupees	*Rupees*
Impact on profit or loss		
Decrease in cost of sales	**250,018**	21,578,509
Decrease in selling and distribution expenses	**2,332**	201,287
Decrease in administrative and general expenses	**20,310**	1,752,897
Increase in deferred tax expense	**(58,448)**	(5,600,781)
Increase in profit after taxation	**214,212**	17,931,912
Impact on other comprehensive income		
Decrease in remeasurement of defined benefit obligation	**272,660**	23,532,693
Increase in deferred tax income on remeasurement of defined benefit obligation	**(58,448)**	(5,600,781)
Decrease in other comprehensive income	**214,212**	17,931,912
Impact on earnings per share		
Increase in earnings per share	**0.02**	2.04
Impact on liabilities	**-**	-
Impact on equity	**-**	-
Impact on assets	**-**	-

6 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, with the exception of change referred to in note 5.

6.1 Property, plant and equipment

6.1.1 Operating fixed assets

Operating fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is stated at revalued amount, and buildings on freehold land, plant and machinery, electric installation, laboratory equipment and fire fighting equipment which are carried at revalued amounts less accumulated depreciation. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Major renewals and improvements to operating fixed assets are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

6.1.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

6.2 Surplus / deficit arising on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is carried on balance sheet after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously carried on balance sheet, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit every year, through statement of other comprehensive income.

6.3 Stores, spares and loose tools

These are generally held for internal use and are valued at cost. Cost is determined on the basis of moving average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil. Stores and spares held exclusively for capitalization are recognized as capital work in progress.

6.4 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

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

6.5 Employee benefits

Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

Post-employment benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss with the exception of remeasurements which are recognized in other comprehensive income. The amount recognized on balance sheet represents the present value of defined benefit obligation. The details of the scheme are referred to in note 11 to the financial statements.

6.6 Financial instruments

6.6.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

6.6.2 Classification

The Company classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities at initial recognition.

6.6.2(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets.

6.6.2(b) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

6.6.3 Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

6.6.4 De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

6.6.5 Off-setting

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

6.7 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

6.8 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

6.9 Trade and other payables

6.9.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

6.9.2 Non-financial liabilities

These, on initial recognition and subsequently, are measured at cost.

6.10 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

6.11 Trade and other receivables

6.11.1 Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

6.11.2 Non-financial assets

These, on initial recognition and subsequently, are measured at cost.

6.12 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer. Transfer of risks and rewards vary depending on the individual terms of the contract of sale. For local sales transfer usually occurs on dispatch of goods to customers. For export sales transfer occurs upon loading the goods onto the relevant carrier.

Interest income is recognized using effective interest method.

6.13 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of profit or loss and other comprehensive income'.

6.14 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 added to the cost of those 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 asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

6.15 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

6.15.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

6.15.2 Deferred taxation

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

6.16 Earnings per share ('EPS')

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 calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

6.17 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. These are classified as 'loans and receivables' and are carried at cost.

6.18 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

6.19 Impairment

6.19.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset’s carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

6.19.2 Non-financial assets

The carrying amount of the Company’s non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determine the recoverable amount. An impairment loss is reversed only to that extent that the asset’s carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

6.20 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company’s financial statements in the year in which the dividends are approved by the Company’s shareholders.

	Note	2014 Rupees	2013 Rupees
7 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
8,775,000 (2013: 8,775,000) ordinary shares of Rs. 10 each issued for cash		**87,750,000**	87,750,000
8 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
As at beginning of the year		**262,486,457**	277,219,445
Surplus recognized during the year		**-**	-
Incremental depreciation recognized in other comprehensive income			
Incremental depreciation for the year		**(21,474,304)**	(22,666,135)
Deferred taxation		**7,516,006**	7,933,147
		(13,958,298)	(14,732,988)
Surplus realized on disposal of property, plant and equipment			
Surplus realized		**(119,174)**	-
Deferred taxation		**41,711**	-
		(77,463)	-
As at end of the year		**248,450,696**	262,486,457
9 LOAN FROM DIRECTORS AND SPONSORS - UNSECURED			
Face value		**209,000,000**	209,000,000
Less: unamortized notional interest	*9.2*	**(45,322,342)**	(64,152,515)
		163,677,658	144,847,485

9.1 This loan has been obtained from sponsors of the Company, and is interest free. As per the loan agreement, the loan is payable by June 30, 2016. However, the Company has the option to make early repayments. The loan has been carried at amortized cost which has been determined using a discount rate of 13% , being the average effective borrowing rate of the Company on the date of initial measurement at amortized cost.

	Note	2014 Rupees	2013 Rupees
9.2 Unamortized notional interest			
As at beginning of the year		**64,152,515**	80,816,385
Amortization for the year	*32*	**(18,830,173)**	(16,663,870)
As at end of the year		**45,322,342**	64,152,515
10 LONG TERM FINANCES - SECURED			
These represent long term finances utilized under interest/markup arrangements from banking companies			
Demand Finance		**-**	18,329,999
Current maturity presented under current liabilities	*15*	**-**	(18,329,999)
		-	-

10.1 The finance represents frozen mark-up of another finance facility obtained from National Bank of Pakistan which has been fully repaid during the previous years. The finance did not carry any interest/mark-up and was secured by charge over operating fixed assets and current assets of the Company, and personal guarantee of the Company's Directors. The finance has been fully repaid during the year.

11 EMPLOYEES RETIREMENT BENEFITS

The amount recognized on balance sheet represents present value of defined benefit obligation.

	Note	2014 Rupees	2013 Rupees
11.1 Movement in present value of defined benefit obligation			
As at beginning of the year		**87,054,828**	51,647,765
Charged to profit or loss for the year	*11.2*	**27,184,836**	20,610,917
Benefits paid during the year		**(8,767,009)**	(8,736,547)
Remeasurements recognized in other comprehensive income	*11.4*	**272,660**	23,532,693
As at end of the year		**105,745,315**	87,054,828
11.2 Charge to profit or loss			
Current service cost		**18,091,045**	14,413,185
Interest cost		**9,093,791**	6,197,732
	11.1	**27,184,836**	20,610,917
11.3 The charge to profit or loss has been allocated as follows			
Cost of sales	*27*	**23,774,394**	18,899,360
Selling and distribution expenses	*28*	**63,952**	176,296
Administrative and general expenses	*29*	**3,346,490**	1,535,261
		27,184,836	20,610,917
11.4 Remeasurements recognized in other comprehensive income			
Actuarial loss arising from changes in:			
Demographic assumptions		**-**	-
Financial assumptions		**-**	-
Experience adjustments		**272,660**	23,532,693
		272,660	23,532,693

11.5 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liabilitiy as at the reporting date is based on actuarial valuation carried out by independent actuaries. The principal assumptions used in determining present value of defined benefit obligation are:

	2014	2013
Discount rate	**13.25%**	11%
Expected rates of increase in salary	**12.25%**	10%
Expected average remaining working lives of employees	**7 years**	6 years

11.6 Sensitivity analysis

An analysis of sensitivity for discount rate and expected rate of increase in salary used to determine the present value of defined benefit obligation as at the reporting date showing how the defined benefit obligation would have been affected by changes in relevant actuarial assumption that were reasonably possible at that date is as follows:

	Change in actuarial assumption	Defined benefit obligation
		Rupees
Discount rate	+ 1%	115,653,569
	- 1%	97,031,725
Expected rate of increase in salary	+ 1%	97,174,914
	- 1%	115,653,569

A change in expected remaining working lives of employees is not expected to have a material impact on the present value of defined benefit obligation. Accordingly, the sensitivity analysis for the same has not been carried out.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of defined benefit obligation as at the reporting date has been calculated using projected unit credit method, which is the same as that applied in calculating the defined benefit obligation to be recognized in these financial statements.

11.7 Risk factors

The defined benefit plan exposes the Company to the following actuarial risks:

Interest risk: The discount rate used in determination of present value of defined benefit obligation has been determined by reference to market yield at the reporting date on Pakistan Investment Bonds since there is no deep market in long term corporate bonds in Pakistan. An increase in market yield resulting in a higher discount rate will decrease in the defined benefit liability.

Longevity risk: The present value of defined benefit obligation is calculation by reference to the best estimate of the expected remaining working lives of the employees. An increase in the expected remaining working lives will increase the defined benefit obligation. However, the increase is not expected to be material.

Salary risk: The present value of defined benefit obligation is calculation by reference to fututre salaries of employees. An increase in salary of employees will increase the defined benefit obligation.

	Note	**2014**	2013
		Rupees	*Rupees*
12 DEFERRED TAXATION			
Deferred tax liability on taxable temporary differences	*12.1*	**168,611,297**	180,014,471
Deferred tax asset on deductible temporary differences	*12.1*	**(22,667,963)**	(20,747,818)
		145,943,334	159,266,653

12.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2014			
	As at July 01, 2013	**Recognized in profit or loss**	**Recognized in equity**	**As at June 30, 2014**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Deferred tax liabilities				
Operating fixed assets	**180,014,471**	**(11,403,174)**	**-**	**168,611,297**
Deferred tax assets				
Employees retirement benefits	**(20,747,818)**	**(1,861,697)**	**(58,448)**	**(22,667,963)**
Unused tax losses and credits	**-**	**-**	**-**	**-**
	(20,747,818)	**(1,861,697)**	**(58,448)**	**(22,667,963)**
	159,266,653	**(13,264,871)**	**(58,448)**	**145,943,334**

	2013			
	As at July 01, 2012 *Rupees*	Recognized in profit or loss *Rupees*	Recognized in equity *Rupees*	As at June 30, 2013 *Rupees*
		(Restated)	*(Restated)*	
Deferred tax liabilities				
Operating fixed assets - owned	228,537,144	(48,522,673)	-	180,014,471
Deferred tax assets				
Employees retirement benefits	(18,007,073)	2,860,036	(5,600,781)	(20,747,818)
Unused tax losses and credits	(50,783,236)	50,783,236	-	-
	(68,790,309)	53,643,272	(5,600,781)	(20,747,818)
	159,746,835	5,120,599	(5,600,781)	159,266,653

12.2 Revenue from export sales of the Company is subject to taxation under the final tax regime, while the remaining portion of revenue attracts assessment under normal provisions of the Ordinance. Deferred tax is provided for only that portion of timing differences that represent income taxable under normal provisions of the Ordinance. These differences are calculated at that proportion of total timing differences that the local sales, other than the indirect exports taxable under section 154 (3) of the Ordinance, bear to the total sales revenue based on historical and future trends. Deferred tax has been calculated at 33% (2013: 35%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

	Note	2014 *Rupees*	2013 *Rupees*
13 TRADE AND OTHER PAYABLES			
Trade creditors - *Unsecured*		**281,355,831**	123,020,076
Accrued liabilities		**64,248,277**	84,951,423
Advances from customers - *Unsecured*	*13.1*	**67,973,489**	80,913,392
Workers' Profit Participation Fund	*13.2*	**1,635,907**	11,519,778
Workers' Welfare Fund	*13.3*	**10,373,322**	9,309,147
Unclaimed dividend		**5,241,063**	7,161,930
Other payables - *Unsecured*		**4,124,402**	567,538
		434,952,291	317,443,284

13.1 These represent advances received from customers adjustable against future sales.

13.2 Workers' Profit Participation Fund

As at beginning of the year		**11,519,778**	5,420,518
Interest on funds utilized by the Company	*13.2.1*	**555,904**	270,071
Charged to profit or loss for the year	*33*	**1,635,907**	11,519,778
Paid during the year		**(12,075,682)**	(5,690,589)
As at end of the year		**1,635,907**	11,519,778

13.2.1 Interest is charged at 15% (2013: 15%) per annum.

13.3 Workers' Welfare Fund

As at beginning of the year		**9,309,147**	6,614,650
Charged to profit or loss for the year	*33*	**1,064,175**	2,694,497
Paid / adjusted during the year		**-**	-
As at end of the year		**10,373,322**	9,309,147

	Note	2014	2013
		Rupees	*Rupees*

14 SHORT TERM BORROWINGS

These represent short term finances obtained from

	Note	2014 Rupees	2013 Rupees
Banking companies - *secured*	14.1	516,177,349	425,215,608
Directors and sponsors - *unsecured*	14.2	3,471,950	3,471,950
		519,649,299	428,687,558

14.1 Banking companies

These represent short term finances utilized under interest/mark-up arrangements

	Note	2014 Rupees	2013 Rupees
Cash finance	14.1.1	519,649,299	425,215,608
		519,649,299	425,215,608

14.1.1 The facility has been obtained from various banking companies for working capital requirements and is secured by charge over current assets and operating fixed assets of the Company, pledge of stock and personal guarantees of the Company's Directors. The facility carries interest/markup at three to six months KIBOR plus 2% to 2.5% per annum (2013: three months KIBOR plus 3% per annum), payable quarterly.

The aggregate available short term funded facilities amounts to Rs. 688 million (2013: Rs. 718 million) out of which Rs. 172 million (2013: Rs. 293 million) remained unavailed as at the reporting date.

14.1.2 For restrictions on title, and assets pledged as security, refer to note 42 to the financial statements.

14.2 Directors and sponsors

These represent interest free loans obtained from directors and sponsors of the Company and are payable on demand.

	Note	2014	2013
		Rupees	*Rupees*

15 CURRENT MATURITY OF NON-CURRENT LIABILITIES

	Note	2014 Rupees	2013 Rupees
Long term finances	10	-	18,329,999
		-	18,329,999

16 CURRENT TAX LIABILITY

	Note	2014 Rupees	2013 Rupees
Provision for taxation	34	-	48,892,323
Advance income tax		-	(25,837,953)
		-	23,054,370

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

The Company may have to indemnify its Directors for any losses that may arise due to personal guarantees given by them for securing the debts of the Company, in case the Company defaults.

	2014	2013
	Rupees	*Rupees*

17.2 Commitments

	2014 Rupees	2013 Rupees
17.2.1 Commitments under irrevocable letters of credit for:	7,544,880	4,104,152

17.2.2 The Company is committed to pay Rs. 220,000 for every month it occupies the office premises owned by a director of the Company.

17.2.3 The Company has acquired a production facility subject to operating lease. Lease agreement covers a period of ten years and is renewable/extendable on mutual consent. Lease rentals are payable monthly in arears. Commitments for payments in future periods under the lease agreement are as follows:

	Note	**2014**	2013
		Rupees	*Rupees*
- payments not later than one year		**4,800,000**	4,800,000
- payments later than one year but not later than five years		**19,200,000**	19,200,000
- payments later than five years		**13,600,000**	18,400,000
		37,600,000	42,400,000

18 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	*18.1*	**1,129,476,945**	1,019,882,286
Capital work in progress	*18.2*	**491,996**	18,959,920
		1,129,968,941	1,038,842,206

18.1 Operating fixed assets

	2014										
	COST/REVALUED AMOUNT						DEPRECIATION				Net book value as at June 30, 2014
	As at July 01, 2013	Additions	Disposals	Transfers	As at June 30, 2014	Rate	As at July 01, 2013	For the year	Adjustment	As at June 30, 2014	
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	%	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Freehold land	71,417,500	-	-	-	71,417,500	-	-	-	-	-	71,417,500
Buildings on freehold land	315,564,819	-	-	11,597,468	327,162,287	5	146,499,852	8,848,174	-	155,348,026	171,814,261
Plant and machinery	1,196,101,420	-	(1,101,332)	146,549,587	1,341,549,675	5	495,648,812	37,317,665	(351,332)	532,615,145	808,934,530
Electric installations	78,812,248	881,310	-	-	79,693,558	5	29,311,387	2,480,902	-	31,792,289	47,901,269
Tools and equipment	1,578,897	7,245	-	-	1,586,142	10	1,119,809	46,271	-	1,166,080	420,062
Laboratory equipment	21,228,180	-	-	-	21,228,180	10	15,863,141	536,504	-	16,399,645	4,828,535
Fire fighting equipment	2,791,329	-	-	-	2,791,329	10	1,447,261	134,407	-	1,581,668	1,209,661
Office equipment	3,987,809	364,275	-	-	4,352,084	10	2,168,213	198,892	-	2,367,105	1,984,979
Furniture and fixtures	8,367,254	220,700	-	-	8,587,954	10	4,882,893	357,742	-	5,240,635	3,347,319
Arms and ammunitions	506,989	-	-	-	506,989	10	328,563	17,843	-	346,406	160,583
Vehicles	36,346,239	6,400,929	(2,514,220)		40,232,948	20	19,550,467	4,196,598	(972,363)	22,774,702	17,458,246
	1,736,702,684	7,874,459	(3,615,552)	158,147,055	1,899,108,646		716,820,398	54,134,998	(1,323,695)	769,631,701	1,129,476,945

	2013										
	COST/REVALUED AMOUNT						DEPRECIATION				Net book
	As at July 01, 2012	Additions	Disposals	Transfers	As at June 30, 2013	Rate	As at July 01, 2012	For the year	Adjustment	As at June 30, 2013	value as at June 30, 2013
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	%	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Freehold land	71,417,500	-	-	-	71,417,500	-	-	-	-	-	71,417,500
Buildings on freehold land	304,727,400	215,928	-	10,621,491	315,564,819	5	138,115,079	8,384,773	-	146,499,852	169,064,967
Plant and machinery	1,083,382,041	77,462,078	-	35,257,301	1,196,101,420	5	462,787,618	32,861,194	-	495,648,812	700,452,608
Electric installations	78,812,248	-	-		78,812,248	5	26,706,079	2,605,308	-	29,311,387	49,500,861
Tools and equipment	1,570,147	8,750	-	-	1,578,897	10	1,069,690	50,119	-	1,119,809	459,088
Laboratory equipment	21,228,180	-	-	-	21,228,180	10	15,267,026	596,115	-	15,863,141	5,365,039
Fire fighting equipment	2,791,329	-	-	-	2,791,329	10	1,297,920	149,341	-	1,447,261	1,344,068
Office equipment	3,523,605	464,204	-	-	3,987,809	10	1,986,007	182,206	-	2,168,213	1,819,596
Furniture and fixtures	7,880,022	487,232	-	-	8,367,254	10	4,523,947	358,946	-	4,882,893	3,484,361
Arms and ammunitions	474,289	32,700	-	-	506,989	10	311,766	16,797	-	328,563	178,426
Vehicles	31,985,137	6,288,202	(1,927,100)		36,346,239	20	16,523,649	3,930,272	(903,454)	19,550,467	16,795,772
	1,607,791,898	84,959,094	(1,927,100)	45,878,792	1,736,702,684		668,588,781	49,135,071	(903,454)	716,820,398	1,019,882,286

18.1.1 Disposal of property, plant and equipment

	2014						
	Cost/revalued amount *Rupees*	**Accumulated depreciation** *Rupees*	**Net book value** *Rupees*	**Disposal proceeds** *Rupees*	**Gain/(loss) on disposal** *Rupees*	**Mode of disposal**	**Particulars of buyer**
Plant and machinery							
Drawing machine	**1,101,332**	**351,332**	**750,000**	**750,000**	**-**	**Negotiation**	**Tuseef Brothers**
Vehicles							
Suzuki Cultus LEC - 8114	**1,019,220**	**167,322**	**851,898**	**900,000**	**48,102**	**Company policy**	**Shoaib Saleem *(employee)***
Toyotta ATT - 573	**1,495,000**	**805,041**	**689,959**	**1,350,000**	**660,041**	**Negotiation**	**Tuseef Brothers**
	2,514,220	**972,363**	**1,541,857**	**2,250,000**	**708,143**		
	3,615,552	**1,323,695**	**2,291,857**	**3,000,000**	**708,143**		

	2013						
	Cost/revalued amount *Rupees*	Accumulated depreciation *Rupees*	Net book value *Rupees*	Disposal proceeds *Rupees*	Gain/(loss) on disposal *Rupees*	Mode of disposal	Particulars of buyer
Vehicles							
Suzuki Cultus LED - 7378	769,100	407,479	361,621	725,000	363,379	Negotiation	Tuseef Brothers
Suzuki Cultus LEF - 5390	787,800	417,387	370,413	725,000	354,587	Negotiation	Tuseef Brothers
Honda 125 LER - 7273	94,700	12,627	82,073	85,000	2,927	Stolen	Insurance claim
Honda 125 LEX - 9583	101,500	6,682	94,818	95,000	182	Stolen	Insurance claim
Honda 125 LER - 7273	100,500	1,675	98,825	96,500	(2,325)	Stolen	Insurance claim
Honda 125 LWB - 5288	73,500	57,604	15,896	35,000	19,104	Company Policy	Liaqat Ali *(employee)*
	1,927,100	903,454	1,023,646	1,761,500	737,854		

18.1.2 Transfers represent transfers from capital work in progress on related assets becoming available for use.

	Note	**2014** *Rupees*	2013 *Rupees*
18.1.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	*27*	**49,363,923**	44,646,850
Administrative and selling expenses	*29*	**4,771,075**	4,488,221
		54,134,998	49,135,071

18.1.4 Last revaluation of property, plant and equipment was carried out by independent valuers, Empire Enterprises (Private) Limited, as at March 12, 2012. Had there been no revaluation, the cost, accumulated depreciation and net book value of revalued items would have been as follows:

	2014		
	Cost *Rupees*	**Accumulated depreciation** *Rupees*	**Net book value** *Rupees*
Freehold land	**144,868**	**-**	**144,868**
Buildings on freehold land	**115,889,766**	**42,703,913**	**73,185,853**
Plant and machinery	**840,710,082**	**310,684,727**	**530,025,355**
Electric installation	**49,797,491**	**21,858,560**	**27,938,931**
Laboratory equipment	**3,848,276**	**2,998,713**	**849,563**
Fire fighting equipment	**343,461**	**199,300**	**144,161**

	2013		
	Cost	Accumulated depreciation	Net book value
	Rupees	*Rupees*	*Rupees*
Freehold land	144,868	-	144,868
Buildings on freehold land	104,292,297	39,046,708	65,245,589
Plant and machinery	694,646,826	288,388,022	406,258,805
Electric installation	48,916,181	20,428,308	28,487,873
Laboratory equipment	3,848,276	2,904,317	943,959
Fire fighting equipment	343,461	183,282	160,179

The basis of revaluation used by the valuer are as follows:

Land

Revalued amount of land has been determined by reference to local market values of land taking into account prevailing fair market prices under the position and circumstances present on the date of revaluation and current market scenario for properties of similar nature in the immediate neighbourhood and adjoining areas.

Building

Revalued amount of building has been determined by reference to present depreciated replacement values after taking into consideration covered area and type of construction, age of civil and ancillary structures, physical condition and level of preventive maintenance carried out by the Company.

Plant and machinery

Revalued amount of plant and machinery has been determined by reference to present depreciated replacement values after taking in to consideration present physical condition, remaining useful economic lives, technological obsolescence and level of preventive maintenance carried out by the Company.

18.2 Capital work in progress

	2014			
	As at July 01, 2013	**Additions**	**Transfers**	**As at June 30, 2014**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Building	**9,242,761**	**2,846,703**	**(11,597,468)**	**491,996**
Plant and machinery	**9,717,159**	**136,832,428**	**(146,549,587)**	**-**
	18,959,920	**139,679,131**	**(158,147,055)**	**491,996**

	2013			
	As at July 01, 2012	Additions	Transfers	As at June 30, 2013
	Rupees	*Rupees*	*Rupees*	*Rupees*
Building	10,621,491	9,242,761	(10,621,491)	9,242,761
Plant and machinery	35,257,301	9,717,159	(35,257,301)	9,717,159
	45,878,792	18,959,920	(45,878,792)	18,959,920

19 LONG TERM DEPOSITS

These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

	Note	2014	2013
		Rupees	*Rupees*
20 STORES, SPARES AND LOOSE TOOLS			
Stores		**8,840,363**	4,111,953
Spares and loose tools		**44,844,682**	40,693,954
		53,685,045	44,805,907

20.1 It is impracticable to distinguish spares and loose tools each from the other.

20.2 There no stores and spares held exculsively for capitalization.

	Note	2014	2013
21 STOCK IN TRADE			
Raw material		**393,900,755**	374,299,446
Work in process		**36,909,183**	44,537,348
Finished goods	*21.1*	**88,024,986**	58,415,695
		518,834,924	477,252,489

21.1 Stock of finished goods include stock of waste valued at net realizable value ofRs. 2,146,510 (2013: Rs. 1,568,992).

21.2 Details of stock pledged as security are referred to in note 42 to the financial statements.

	Note	2014	2013
		Rupees	*Rupees*
22 TRADE DEBTS			
Local - *unsecured*		**179,493,786**	160,420,068
Foreign - *secured*	*22.1*	**-**	15,571,170
		179,493,786	175,991,238

22.1 These are secured against letters of credit

	Note	2014	2013
23 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to suppliers - *unsecured, considered good*		**7,684,097**	4,072,018
Advances to employees - *unsecured, considered good*	*23.1*	**8,343,383**	3,829,622
Security deposits		**5,858,811**	5,838,811
Prepayments		**4,496,864**	2,390,974
Letters of credit		**6,907**	29,423
Sales tax refundable		**21,076,950**	21,352,835
Insurance claims receivable		**177,648**	249,648
Other receivables - *unsecured, considered good*		**240,000**	916,215
		47,884,660	38,679,546

23.1 These represent advances to employees for purchases and expenses on behalf of the Company and those against future salaries and post employment benefits in accordance with the Company policy. No advances have been given to any of the directors or executives of the Company.

	Note	2014	2013
		Rupees	*Rupees*
24 CURRENT TAX ASSET			
Advance income tax		**27,199,362**	-
Provision for taxation	*34*	**(23,245,001)**	-
		3,954,361	-

25 CASH AND BANK BALANCES

Cash in hand		**1,010,188**	599,114
Cash at banks			
current accounts		**22,767,182**	20,198,760
deposit/saving accounts	*25.1*	**20,359**	50,642
		22,787,541	20,249,402
		23,797,729	20,848,516

25.1 Effective mark-up rate in respect of deposit/saving accounts, for the year, ranges from 6% to 7% (2013: 6% to 7%).

26 TURNOVER - NET

	2014		
	Local *Rupees*	**Export** *Rupees*	**Total** *Rupees*
Yarn	**2,461,663,707**	**1,330,218,318**	**3,791,882,025**
Waste	**87,593,487**	**-**	**87,593,487**
	2,549,257,194	**1,330,218,318**	**3,879,475,512**
Sales tax	**(83,329,509)**		**(83,329,509)**
	2,465,927,685	**1,330,218,318**	**3,796,146,003**

	2013		
	Local *Rupees*	Export *Rupees*	Total *Rupees*
Yarn	2,431,401,767	1,163,539,472	3,594,941,239
Waste	77,289,859	-	77,289,859
	2,508,691,626	1,163,539,472	3,672,231,098
Sales tax	(25,409,839)	-	(25,409,839)
	2,483,281,787	1,163,539,472	3,646,821,259

26.1 Yarn export sales include indirect exports amounting to Rs. 1,297,027,798 (2013: Rs. 1,053,031,524).

	Note	2014 Rupees	2013 Rupees (Restated)
27 COST OF SALES			
Raw material consumed	27.1	**2,439,807,590**	2,276,369,862
Stores, spares and loose tools consumed		**162,375,071**	130,136,940
Salaries, wages and benefits	27.2	**337,321,197**	278,724,676
Power and fuel		**623,959,129**	499,712,589
Insurance		**4,770,016**	4,926,519
Vehicle running and maintenance		**3,701,768**	3,407,494
Rent, rates and taxes	27.3	**6,600,000**	4,800,000
Depreciation	18.1.3	**49,363,923**	44,646,850
Others		**8,558,047**	8,059,423
Manufacturing cost		**3,636,456,741**	3,250,784,353
Work in process			
As at beginning of the year		**44,537,348**	32,680,780
As at end of the year		**(36,909,183)**	(44,537,348)
		7,628,165	(11,856,568)
Cost of goods manufactured		**3,644,084,906**	3,238,927,785
Finished goods			
As at beginning of the year		**58,415,695**	68,735,118
As at end of the year		**(88,024,986)**	(58,415,695)
		(29,609,291)	10,319,423
		3,614,475,615	3,249,247,208

27.1 Raw material consumed

	2014	2013
As at beginning of the year	**374,299,446**	354,465,990
Purchased during the year	**2,459,408,899**	2,298,490,266
Sold during the year	**-**	(2,286,948)
As at end of the year	**(393,900,755)**	(374,299,446)
	2,439,807,590	2,276,369,862

27.2 These include charge in respect of employees retirement benefits amounting to Rs. 23,774,394 (2013: Rs. 18,899,360).

27.3 This represents rent of production facility acquired subject to operating lease. See note 17.2.3.

	Note	2014 Rupees	2013 Rupees (Restated)
28 SELLING AND DISTRIBUTION EXPENSES			
Salaries wages and benefits	28.1	**2,327,377**	2,136,696
Inland transportation		**11,815,297**	12,100,234
Ocean freight and forwarding		**1,774,066**	4,289,674
Traveling		**96,181**	550,779
Communication		**153,289**	339,657
Insurance		**101,219**	119,496
Commission		**21,941,500**	22,873,381
Vehicle running and maintenance		**618,432**	229,685
Others		**186,165**	148,595
		39,013,526	42,788,197

28.1 These include charge in respect of employees retirement benefits amounting to Rs. 63,952 (2013: Rs. 176,296).

	Note	2014 Rupees	2013 Rupees (Restated)
29 ADMINISTRATIVE AND GENERAL EXPENSES			
Directors' remuneration		**8,552,639**	9,042,534
Salaries and benefits	*29.1*	**19,934,436**	13,557,752
Traveling, conveyance and entertainment		**2,844,231**	423,564
Printing and stationery		**588,718**	714,704
Electricity, water and gas		**2,081,464**	1,612,330
Communication		**1,206,589**	1,158,324
Vehicles running and maintenance		**4,260,196**	3,188,626
Legal and professional charges		**809,850**	693,520
Auditors' remuneration	*29.2*	**810,000**	660,000
Fee and subscription		**2,315,402**	921,500
Rent rates and taxes		**2,640,000**	2,640,000
Insurance		**1,158,021**	1,017,561
Repair and maintenance		**1,248,482**	420,488
Depreciation	*18.1.3*	**4,771,075**	4,488,221
Others		**534,268**	1,405,198
		53,755,371	41,944,322

29.1 These include charge in respect of employees retirement benefits amounting to Rs. 3,346,490 (2013: Rs. 1,535,261).

	Note	2014 Rupees	2013 Rupees
29.2 Auditor's remuneration			
Annual statutory audit		**650,000**	500,000
Half yearly review		**100,000**	100,000
Review report under Code of Corporate Governance		**50,000**	50,000
Out of pocket expenses		**10,000**	10,000
		810,000	660,000
30 OTHER INCOME			
Gain on financial instruments			
Return on bank deposits		**174,398**	7,749
Other income			
Gain on disposal of operating fixed assets	*18.1.1*	**708,143**	737,854
		882,541	745,603
31 FINANCE COST			
Interest / mark-up on short term borrowings:		**55,164,643**	58,300,985
Interest on workers' profit participation fund		**555,904**	270,071
Bank charges and commission		**1,345,355**	1,087,823
		57,065,902	59,658,879
32 NOTIONAL INTEREST			
Loan from sponsors	*9.2*	**18,830,173**	16,663,870
Demand finance		**-**	5,166,192
		18,830,173	21,830,062

	Note	2014	2013
		Rupees	*Rupees*
33 OTHER CHARGES			
Workers' Profit Participation Fund	*13.2*	**1,635,907**	11,519,778
Workers' Welfare Fund	*13.3*	**1,064,175**	2,694,497
Donations	*33.1*	**4,351,258**	7,328,520
		7,051,340	21,542,795

33.1 None of the directors or their spouses had any interest in donations made by the Company.

	Note	2014	2013
		Rupees	*Rupees*
			(Restated)
34 PROVISION FOR TAXATION			
Current taxation			
current year	*34.1*	**23,245,001**	48,892,323
prior year		**19,066,695**	2,133,807
		42,311,696	51,026,130
Deferred taxation (income)/expense			
for the year	*12*	**(4,163,919)**	5,120,599
adjustment attributable to changes in tax rates		**(9,100,952)**	-
		(13,264,871)	5,120,599
		29,046,825	56,146,729

34.1 Provision for taxation has been made under section 113 and section 169 (2013: section 18) of the Income Tax Ordinance, 2001 ("the Ordinance").

34.2 Reconciliation between average effective tax rate and applicable tax rate

	Unit	2013
Profit before taxation	***Rupees***	210,555,399
Provision for taxation	***Rupees***	56,146,729
Average effective tax rate	***%***	26.67
Tax effects of:		
Items not included in determination of taxable income	***%***	(3.26)
Admissible deductions, losses and tax credits	***%***	18.70
Income taxable under final tax regime	***%***	(6.22)
Provision for deferred taxation	***%***	0.26
Others	***%***	(1.14)
Applicable tax rate	***%***	35.00

As the provision for current tax for the year ended June 30, 2014 has made under section 113 and section 169 of the Ordinance, there is no relationship between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented for the year ended June 30, 2014.

34.3 Assessments for the tax years up to 2012 are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filled by the Company.

	Unit	2014	2013
			(Restated)
35 EARNINGS PER SHARE			
Profit attributable to ordinary shareholders	*Rupees*	**(22,210,208)**	154,408,670
Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**8,775,000**	8,775,000
Earnings per share - *Basic*	*Rupees*	**(2.53)**	17.60

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

	Note	2014	2013
		Rupees	*Rupees*
			(Restated)
36 CASH GENERATED FROM OPERATIONS			
Profit before taxation		**6,836,617**	210,555,399
Adjustments for non-cash and other items			
Interest / markup on borrowings		**55,164,643**	58,300,985
Notional interest		**18,830,173**	21,830,062
Gain on disposal of operating fixed assets		**(708,143)**	(737,854)
Provision for employees retirement benefits		**27,184,836**	20,610,917
Depreciation		**54,134,998**	49,135,071
		154,606,507	149,139,181
Operating profit before changes in working capital		**161,443,124**	359,694,580
Changes in working capital			
Stores, spares and loose tools		**(8,879,138)**	(14,153,019)
Stock in trade		**(41,582,435)**	(21,370,601)
Trade debts		**(3,502,548)**	(78,539,627)
Advances, prepayments and other receivables		**(9,205,114)**	31,018,041
Trade and other payables		**119,429,874**	26,024,662
		56,260,639	(57,020,544)
Cash generated from operations		**217,703,763**	302,674,036
37 CASH AND CASH EQUIVALENTS			
Cash and bank balances	*25*	**23,797,729**	20,848,516
		23,797,729	20,848,516

38 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise key management personnel and sponsors of the Company. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company. Transactions with sponsors are limited to provision of interest free loans to the Company and rental payments for office premises used by the Company. Details of transactions and balances with related parties is as follows:

		2014	2013
		Rupees	*Rupees*
38.1 Transactions with related parties			
Nature of relationship	**Nature of transactions**		
Key management personnel	Short term employee benefits	**8,552,639**	9,042,534
Sponsors	Rent paid	**2,640,000**	2,640,000

38.2 Balances with related parties

Nature of relationship	Nature of balances		
Key management personnel	Short term employee benefits payable	**650,000**	520,000
Sponsors	Borrowings	**212,471,950**	212,471,950

39 FINANCIAL INSTRUMENTS

39.1 Financial instruments by class and category

	Note	**2014**		2013	
		Loans and receivables *Rupees*	**Financial liabilities at amortized cost** *Rupees*	Loans and receivables *Rupees*	Financial liabilities at amortized cost *Rupees*
Financial assets					
Long term deposits	*19*	**11,243,604**	**-**	11,243,604	-
Trade debts	*22*	**179,493,786**	**-**	175,991,238	-
Security deposits	*23*	**5,858,811**	**-**	5,838,811	-
Insurance claims receivable	*23*	**177,648**	**-**	249,648	-
Cash and bank balances	*25*	**23,797,729**	**-**	20,848,516	-
		220,571,578	**-**	214,171,817	-
Financial liabilities					
Loan from sponsors	*9*	**-**	**163,677,658**	-	144,847,485
Long term finances	*10*	**-**	**-**	-	18,329,999
Short term borrowings	*14*	**-**	**519,649,299**	-	425,215,608
Accrued interest/mark-up		**-**	**14,416,707**	-	13,301,463
Trade creditors	*13*	**-**	**281,355,831**	-	123,020,076
Accrued liabilities	*13*	**-**	**64,248,277**	-	84,951,423
		-	**1,043,347,772**	-	809,666,054
		220,571,578	**1,043,347,772**	214,171,817	809,666,054

39.2 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or liability be settled between knowledgeable willing parties in an arm's length transaction. As at the reporting date, fair values of all financial instruments are considered to approximate their carrying amounts.

39.2.1 Methods of determining fair values

Fair values of financial instruments for which prices are available from the active market are measured by reference to those market prices. Fair values of financial assets and liabilities with no active market are determined in accordance with generally accepted pricing models based on discounted cash flow analysis based on inputs from other than observable market.

39.2.2 Discount/interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

40 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. These risks affect revenues, expenses and assets and liabilities of the Company.

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

40.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

	Note	2014	2013
		Rupees	*Rupees*
40.1.1 Maximum exposure to credit risk			
The maximum exposure to credit risk as at the reporting date is as follows:			
Loans and receivables			
Trade debts	*22*	**179,493,786**	175,991,238
Security deposits	*23*	**5,858,811**	5,838,811
Insurance claims receivable	*23*	**177,648**	249,648
Cash at banks	*25*	**22,787,541**	20,249,402
		208,317,786	202,329,099

40.1.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2014	2013
	Rupees	*Rupees*
Customers	**179,493,786**	175,991,238
Banking companies and financial institutions	**28,824,000**	26,337,861
	208,317,786	202,329,099

40.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

40.1.3(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to cash deposits. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company.

40.1.3(b) Counterparties without external credit ratings

These include customers which are counter parties to trade debts. The Company is exposed to credit risk in respect of trade debts. The analysis of ages of trade debts as at the reporting date is as follows:

	2014		2013	
	Gross carrying amount	**Accumulated Impairment**	Gross carrying amount	Accumulated Impairment
	Rupees	*Rupees*	*Rupees*	*Rupees*
Neither past due nor impaired	**141,444,511**	**-**	74,471,476	-
Past due by 0 to 6 months	**27,751,775**	**-**	82,948,271	-
Past due by 6 to 12 months	**1,715,202**	**-**	340,758	-
Past due by over one year	**8,582,298**	**-**	18,230,733	-
	179,493,786	**-**	175,991,238	-

The Company's four (2013: three) significant customers account for Rs. 50.26 million (2013: Rs. 37.80 million) of trade debts as at the reporting date, apart from which, exposure to any single customer does not exceed 5% of trade debts as at the reporting date. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected. Further, trade debts amounting to Rs. nil (2013: Rs. 15.571 million) secured through confirmed letters of credit and thus do not carry any significant credit risk. The Company believes that no impairment allowance is necessary for receivables past due by upto 12 months based on historical default rates. No impairment allowance has been made for amounts past due by over one year as the same has been recovered subsequent to the reporting period.

40.1.4 Collateral held

The Company does not hold any collateral to secure its financial assets with the exception of trade debts, which are partially secured through confirmed letters of credit.

40.1.5 Credit risk management

As mentioned in note 40.1.3(b) to the financial statements, the Company's financial assets do not carry significant credit risk, with the exception of trade debts, which are exposed to losses arising from any non-performance by customers. In respect of trade debts, the Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit.

40.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

40.2.1 Exposure to liquidity risk

The followings is the analysis of contractual maturities of financial liabilities, including estimated interest payments.

	2014				
	Carrying amount	**Contractual cash flows**	**One year or less**	**One to five years**	**More than five years**
	Rupees	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Loan from sponsors	**163,677,658**	**209,000,000**	**-**	**209,000,000**	**-**
Long term finances	-	-	-	-	-
Short term borrowings	**519,649,299**	**519,649,299**	**519,649,299**	-	-
Accrued interest/mark-up	**14,416,707**	**14,416,707**	**14,416,707**	-	-
Trade creditors	**281,355,831**	**281,355,831**	**281,355,831**	-	-
Accrued liabilities	**64,248,277**	**64,248,277**	**64,248,277**	-	-
	1,043,347,772	**1,088,670,114**	**879,670,114**	**209,000,000**	**-**
	2013				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Loan from sponsors	144,847,485	209,000,000	-	209,000,000	-
Long term finances	18,329,999	18,329,999	18,329,999	-	-
Short term borrowings	425,215,608	425,215,608	425,215,608	-	-
Accrued interest/mark-up	13,301,463	13,301,463	13,301,463	-	-
Trade creditors	123,020,076	123,020,076	123,020,076	-	-
Accrued liabilities	84,951,423	84,951,423	84,951,423	-	-
	809,666,054	873,818,569	664,818,569	209,000,000	-

40.2.2 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also maintains various lines of credit with banking companies. The Company also has continued financial support from its sponsors in the form of interest free loans for any short term or long term liquidity requirements.

40.3 Market risk

40.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency.

40.3.1(a) Exposure to currency risk

The Company's exposure to currency risk as at the reporting date is as follows:

	2014	2013
	Rupees	*Rupees*
Financial liabilities	**-**	-
Financial assets		
Trade debts	**-**	15,571,170

40.3.1(b) Exchange rates applied during the year

All foreign currency balances are denominated in United States Dollars (US $). Exchange rates applied during the year are as follows:

	2014	2013
	Rupees	*Rupees*
Financial assets	**98.55**	98.75
Financial liabilities	**98.75**	98.95

40.3.1(c) Sensitivity analysis

A ten percent depreciation in Pak Rupee against the US $ would have increased profit for the year by Rs. nil (2013: Rs. 1.56 Million). A ten percent appreciation in Pak Rupee would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

40.3.1(d) Currency risk management

The Company manages its exposure to currency risk through continuous monitoring of expected/forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly basis, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities/payments to assets/receipts and using source inputs in foreign currency.

40.3.2 Interest rate risk

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

40.3.2(a) Interest/mark-up bearing financial instruments

The effective interest/mark-up rates for interest/mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest/mark-up bearing financial instruments as at the reporting date are as follows:

	2014	2013
	Rupees	*Rupees*
Fixed rate instruments		
Financial assets	**20,359**	50,642
Financial liabilities	**163,677,658**	144,847,485

	2014	2013
	Rupees	*Rupees*
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**519,649,299**	425,215,608

40.3.2(b) **Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for fixed rate financial assets and liabilities at fair value through profit or loss.

40.3.2(c) **Cash flow sensitivity analysis for variable rate instruments and cash flow hedges**

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 5.16 million (2013: Rs. 4.25 million). A decrease of 100 basis points wound have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

40.3.2(d) **Interest rate risk management**

The Company manages interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

40.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Company is not exposed to price risk since the fair values of the Company's financial instruments are not based on market prices.

41 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Any temporary shortfall is met through interest free loans from sponsors. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders and seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances and loan from sponsors, including current maturity. Total capital employed includes total equity (as shown in the balance sheet plus surplus on revaluation of property, plant and equipment) plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

	Unit	**2014**	2013
Total debt	*Rupees*	**163,677,658**	163,177,484
Total equity	*Rupees*	**584,478,446**	615,677,866
		748,156,104	778,855,350
Gearing	*% age*	**21.88%**	20.95%

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance.

	2014	2013
	Rupees	*Rupees*

42 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY

Mortgages and charges		
Charge over current assets	**783,282,000**	1,194,782,000
Charge over fixed assets	**1,179,782,000**	1,179,782,000
Pledge		
Raw material	**394,553,911**	374,299,446
Finished goods	**77,081,411**	24,748,755

43 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	2014		
	Chief Executive	**Directors**	**Executives**
	Rupees	***Rupees***	***Rupees***
Managerial remuneration	**2,940,000**	**4,080,000**	**7,095,400**
Allowances and perquisites	**1,532,639**	**-**	**132,000**
Post employment benefits	**-**	**-**	**1,031,494**
	4,472,639	**4,080,000**	**8,258,894**
Number of persons	**1**	**3**	**8**

	2013		
	Chief Executive	Directors	Executives
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	2,625,000	3,315,000	4,154,400
Allowances and perquisites	3,102,534	-	39,000
Post employment benefits	-	-	1,214,515
	5,727,534	3,315,000	5,407,915
Number of persons	1	3	5

Additionally the chief executive, directors and executives are also provided company maintained vehicles.

44 SEGMENT INFORMATION

44.1 The Company is a single reportable segment.

44.2 All non-current assets of the Company are situated in Pakistan.

44.3 All sales of the Company have originated from Pakistan.

44.4 Sales include Rs. 493 million (2013: Rs. nil) representing revenue derived from sales to a single customer. There is no other single significant external customer to whom sales in excess of 10% of the Company's total sales were made during the year.

45 NUMBER OF EMPLOYEES

Total number of employees of the Company as at the reporting date are 1,649 (2013: 1,334). Average number of persons employed by the Company during the year are 1,492 (2013: 1,325).

46 RECOVERABLE AMOUNTS AND IMPAIRMENT

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

47 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	**2014**	2013
Owned			
Number of spindles installed	*No.*	**56,076**	56,076
Plant capacity on the basis of utilization converted into 40s count	*Kgs*	**8,555,000**	8,555,000
Actual production converted into 40s count	*Kgs*	**6,644,991**	6,916,412
Leased			
Number of spindles installed	*No.*	**14,400**	14,400
Plant capacity on the basis of utilization converted into 40s count	*Kgs*	**2,591,500**	2,591,500
Actual production converted into 40s count	*Kgs*	**1,520,878**	1,713,571

It is difficult to precisely compare production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist etc. It would also vary according to the pattern of production adopted in a particular year.

48 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 09, 2014 by the Board of Directors of the Company.

49 GENERAL

Figures have been rounded off to the nearest rupee.

Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : October 09, 2014

PATTERN OF SHAREHOLDING OF ORDINARY SHARES AS AT ON JUNE 30, 2014

Sr.	Shareholding		No. of shareholders	Total shares held
	From	To		
1	1	100	941	61,927
2	101	500	332	91,256
3	501	1000	119	104,018
4	1001	5000	161	440,903
5	5001	10000	33	252,165
6	10001	15000	11	143,995
7	15001	20000	8	138,205
8	20001	25000	5	122,500
9	25001	30000	1	27,500
10	30001	35000	2	65,841
11	35001	40000	1	36,500
12	40001	50000	2	88,393
13	55001	85000	1	65,100
14	85001	90000	1	88,000
15	90001	165000	2	238,500
16	170001	345000	1	217,500
17	345001	350000	1	348,279
18	350001	1550000	3	4,631,468
19	1550001	1650000	1	1,612,950
		Total:	**1,626**	**8,775,000**

CATEGORIES WISE PATTERN OF SHAREHOLDING

Categories of shareholders	No. of shareholders	Total shares held	Percentage
FINANCIAL INSTITUTIONS	4	148,551	1.69
INDIVIDUALS	1604	8,145,120	92.82
JOINT STOCK COMPANIES	10	11,201	0.13
MUTUAL FUND	1	348,279	3.97
INVESTMENT COMPANIES	3	86,095	0.98
OTHERS	4	35,754	0.41
	1,626	**8,775,000**	**100.00**

Information as Required Under
Code of Corporate Governance at June 30, 2014

Categories of shareholders		Shareholding	Percentage
Directors, CEO, and their spouse and minor children			
Main Iqbal Salahuddin	Chief Executive Officer	1,543,820	17.59
Mst. Munira Salahuddin	Director	1,612,950	18.38
Mian Asad Salahuddin	Director	1,543,828	17.59
Mian Yousaf Salahuddin	Director	1,543,820	17.59
Mian Sohail Salahuddin	Director	7,500	0.09
Sheikh Abdul Salam	Director	2,500	0.03
Syed Abid Raza Zaidi	Director	2,500	0.03
Executive		Nil	Nil
Associated Companies		Nil	Nil
NIT		Nil	Nil
ICP		12,495	0.14
Public Sector Companies & Corporation		Nil	Nil
Banks, DFIs, NBFI & Insurance Companies, Takaful, Modarabas and Mutual Funds		581,631	6.63
Others		35,754	0.41
Public		1,888,202	21.52
Total		**8,775,000**	**100.00**

Shareholding 5% and More

Name	Shares held	Percentage
Mian Iqbal Salahuddin	1,543,820	17.59
Mst. Munira Salahuddin	1,612,950	18.38
Mian Asad Salahuddin	1,543,828	17.59
Mian Yousaf Salahuddin	1,543,820	17.59
	6,244,418	**71.16**

FORM OF PROXY

Sally Textile Mills Limited

4 - F, Gulberg II, Lahore.

I/We ____

of ____

being a member of SALLY TEXTILE MILLS LIMITED, hereby appoint

(NAME)

of ____

or failing him ____

(NAME)

of ____

(being a member of the Company) as my/our proxy to attend, act and vote for me/us and on my/our behalf, at the 46th Annual General Meeting of the Company to be held at the FOUR SEASONS HALL, Queens Road, Lahore on Friday, October 31st 2014 at 10:00 a.m. and at every adjournment thereof.

As witness my hand this ____________ day of __________________ 2014

Signed by the said in the presence of ______________________________

____

Signature

Witness

____

Signature

Affix
Revenue Stamp

Note: Proxies on order to be effective, mut be received at the Company's Registered Office not less than forty-eight hours before the time for holding the meeting and mut be duly stamped, signed and witnessed.

AFFIX
CORRECT
POSTAGE

The Company Secretary
SALLY TEXTILE MILLS LIMITED
4-F, Gulberg II, Lahore.