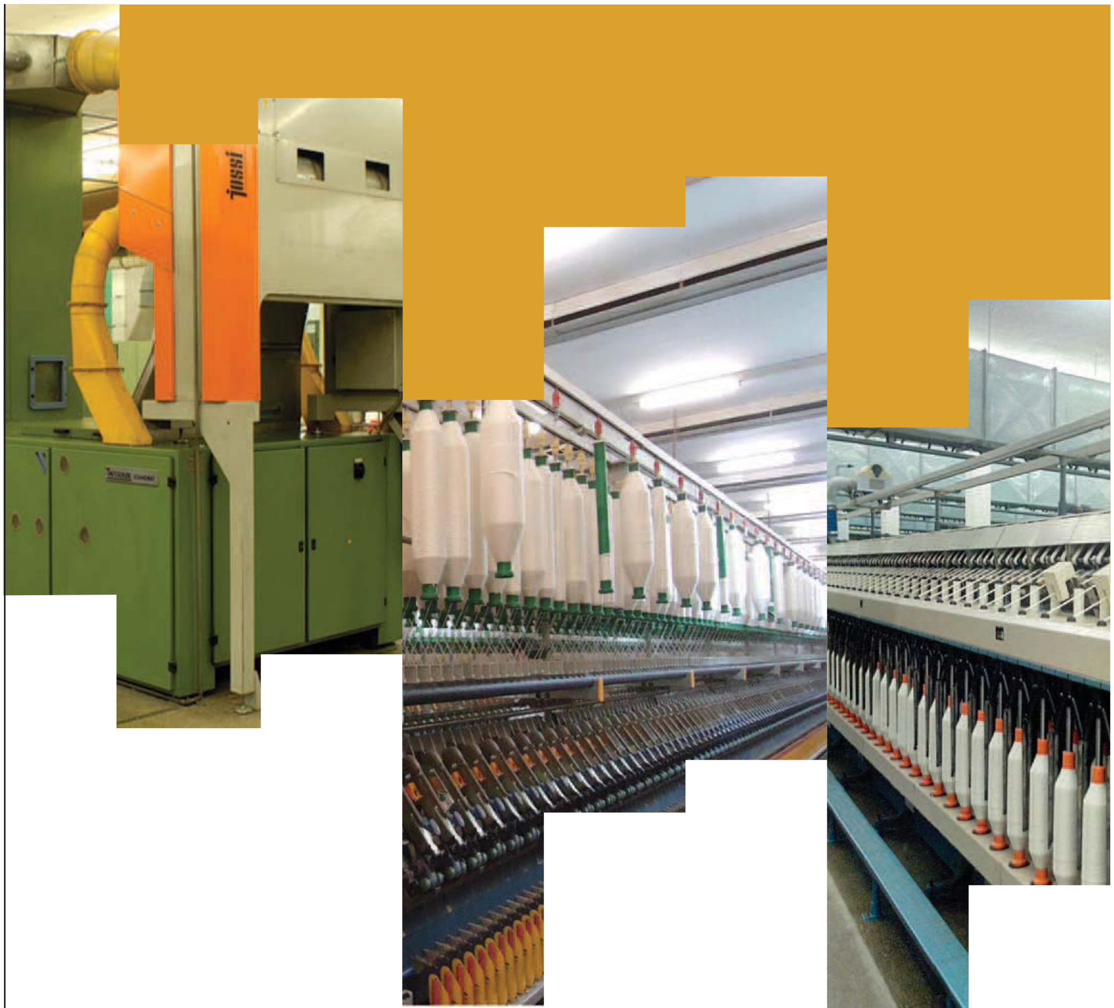


TATA
PAKISTAN

SALFI TEXTILE MILLS LIMITED

Annual
Report **2015**

CONTENTS

TATA PAKISTAN

COMPANY INFORMATION

BOARD OF DIRECTORS	
CHAIRMAN:	Mr. Anwar Ahmed Tata
CHIEF EXECUTIVE:	Mr. Adeel Shahid Anwar Tata
DIRECTORS:	Mr. Shahid Anwar Tata Mr. Aijaz Ahmed Tariq Mr. Bilal Shahid Anwar Mr. Muhammad Naseem Sheikh Kausar Ejaz
AUDIT COMMITTEE CHAIRMAN:	Mr. Muhammad Naseem
MEMBERS:	Mr. Bilal Shahid Anwar Sheikh Kausar Ejaz
SECRETARY	Mr. Owais Ahmed Abbasi
HUMAN RESOURCE & REMUNERATION COMMITTEE	
CHAIRMAN	Mr. Muhammad Naseem
MEMBERS	Mr. Adeel Shahid Anwar Tata Mr. Bilal Shahid Anwar
SECRETARY	Mr. Umar Khawajah
COMPANY SECRETARY & CHIEF FINANCIAL OFFICER:	Mr. Farooq Advani
BANKERS:	Dubai Islamic Bank (Pakistan) Limited Bank Alfalah Limited Meezan Bank Limited Habib Metropolitan Bank Limited The Bank of Punjab MCB Bank Limited National Bank of Pakistan Soneri Bank Limited Allied Bank Limited Bank Islami Pakistan Limited JS Bank Limited Askari Bank Limited
AUDITORS:	M/s. Deloitte Yousuf Adil Chartered Accountants
LEGAL ADVISOR:	Ameen Bandukda & Co. Advocates
SHARE REGISTRAR:	Central Depository Company of Pakistan Limited CDC House, 99 – B, Block ‘B’, S.M.C.H.S., Main Shahra-e-Faisal Tel# (Toll Free) 0800-CDCPL (23275) Fax: (92-21) 34326053
REGISTERED OFFICE:	6th Floor Textile Plaza, M.A Jinnah Road Karachi. Tel# 32412955-3 Lines 32426761-2-4 Fax# 32417710
WEB SITE ADDRESS:	www.tatatex.com
E- MAIL ADDRESS:	stm.corporate@tatatex.com
MILLS:	HX-1, Landhi Industrial Area, Landhi, Karachi

Annual Report 2015

Vision Statement

We shall build upon our recognition as a socially and environmentally responsible organization known for its principled and honest business practices we shall remain committed to exceeding the highest expectations of our stakeholders by maintaining the highest quality standards and achieving sustained growth in our capacity.

Mission Statement

We are committed to the higher expectations of our customers. We strive for the production of best quality yarns for high value products.

ICA Membership Certificate 2015

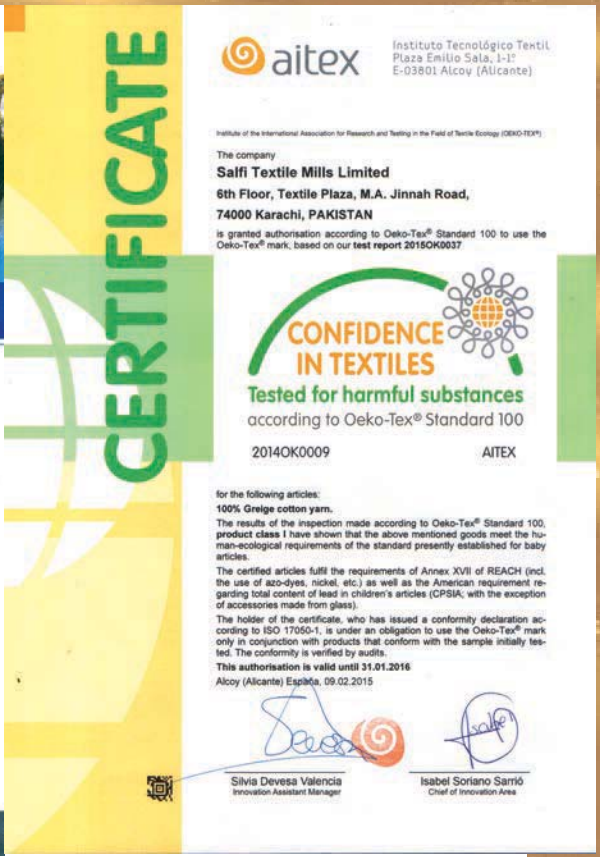
This is to certify that

Salfi Textile Mills Ltd

is a member of the International Cotton Association

Jordan Lea
President, International Cotton Association

www.ica-ltd.org
t: +44 151 236 6041
e: info@ica-ltd.org



CERTIFICATE

aitex
Instituto Tecnológico Textil
Plaza Emilio Sala, 1-1º
E-03801 Alcoy (Alicante)

Institute of the International Association for Research and Testing in the Field of Textile Ecology (OEKO-TEX®)

The company

Salfi Textile Mills Limited

6th Floor, Textile Plaza, M.A. Jinnah Road,

74000 Karachi, PAKISTAN

is granted authorisation according to Oeko-Tex® Standard 100 to use the Oeko-Tex® mark, based on our **test report 2015OK0037**

CONFIDENCE IN TEXTILES
Tested for harmful substances
according to Oeko-Tex® Standard 100
2014OK0009 AITEX

for the following articles:

100% Greige cotton yarn.

The results of the inspection made according to Oeko-Tex® Standard 100, **product class I** have shown that the above mentioned goods meet the human-ecological requirements of the standard presently established for baby articles.

The certified articles fulfil the requirements of Annex XVII of REACH (incl. the use of azo-dyes, nickel, etc.) as well as the American requirement regarding total content of lead in children's articles (CPSIA; with the exception of accessories made from glass).

The holder of the certificate, who has issued a conformity declaration according to ISO 17050-1, is under an obligation to use the Oeko-Tex® mark only in conjunction with products that conform with the sample initially tested. The conformity is verified by audits.

This authorisation is valid until 31.01.2016

Alcoy (Alicante) España, 09.02.2015

Silvia Devesa Valencia
Innovation Assistant Manager

Isabel Soriano Sarrió
Chief of Innovation Area

COTTON USA

COTTON COUNCIL INTERNATIONAL

CERTIFIES THAT

Salfi Textile Mills Ltd.

IS A CERTIFIED

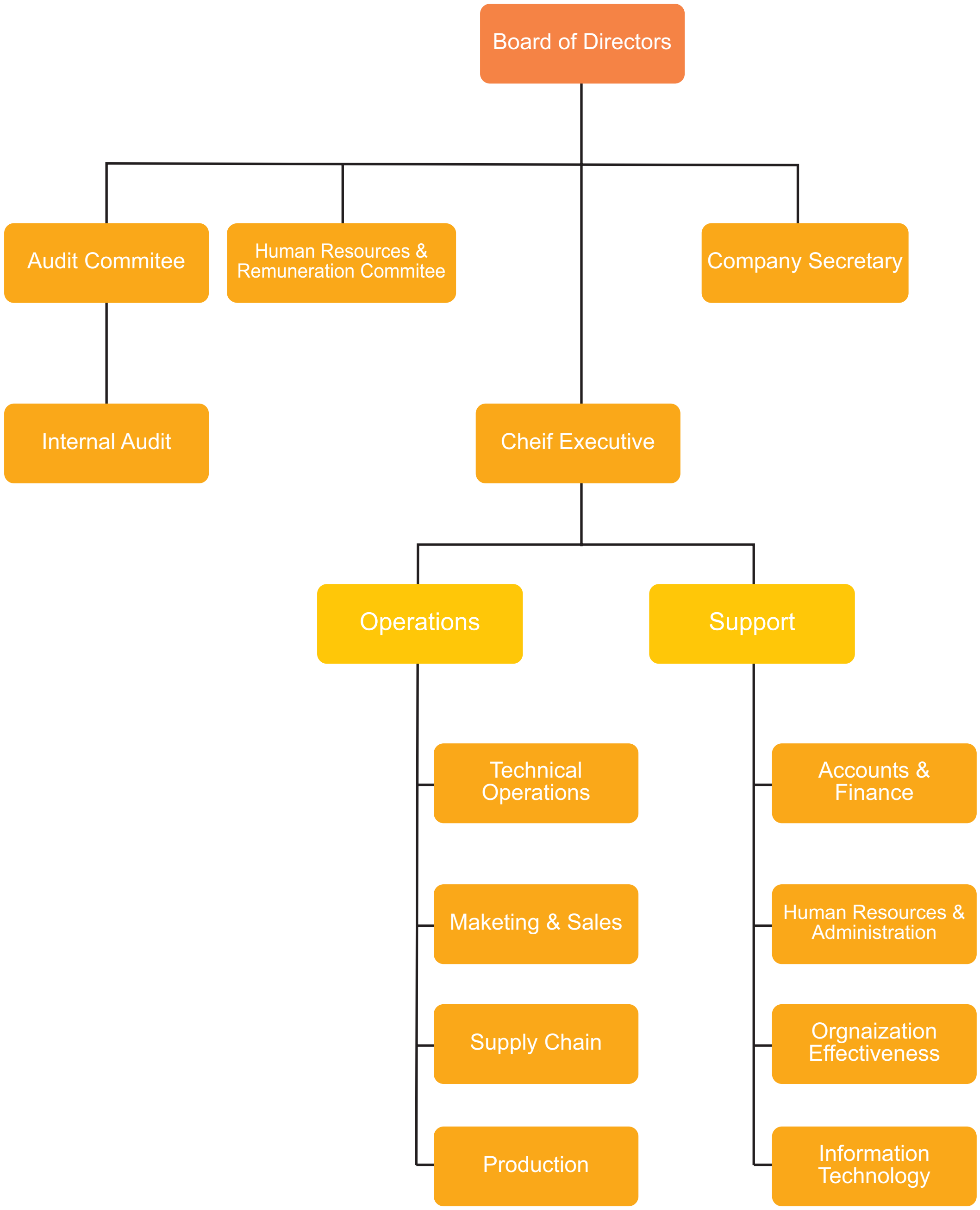
COTTON USA LICENSEE

This licensee has complied with the necessary licensing requirements and has been granted the right to use CCI's registered trademark on all qualifying labels, print and promotional materials for one calendar year from the date of the certificate.

Issued this 1st day of January 2015

Manager, Global Operations
Cotton Council International

Orgnization Chart



CHAIRMAN'S REVIEW

Assalam-o-Alaikum,

As Chairman of Salfi Textile Mills Limited, I am pleased to present the Annual Audited Accounts along with the auditor's report thereon for the year ended June 30, 2015. During the period under review, the Company has incurred a pretax loss of Rs.103.411 million.

TEXTILE INDUSTRY

The Textile Industry in Pakistan is the largest Manufacturing Sector and the second largest employment generating Sector in Pakistan and it is also a huge contributor to the national revenue. However, the current year has been one of the most difficult years for Textile Industry in Pakistan and it seems that in the coming year the Textile Industry is yet to confront a more miserable situation and this is seriously on account of apathy and indifferent attitude of the Government. The country's share in the global market has declined due to rising cost of doing business, withholding Tax, rising energy costs, labor cost, deprivation of Gas and Power and security issues. During this difficult period, the share of regional competitors, like India, Sri Lanka, Bangladesh, Indonesia and Vietnam have witnessed a growth in the overall Textile Sectors. They have increased their manufacturing capacities as their Government is supporting the Textile Industry through capital investment subsidies, interest rate subsidies and export rebates, thus, contributing to the rise of export share of the competitors' in the Global market.

We support APTMA in putting up the following points for the Government's consideration, for restoration of the viability and growth of the Textile Industry in Pakistan.

a. Withdrawal of various surcharges on Electricity for Textile Industry.
b. Withdrawal of GIDC and proposed increase in Gas Tariff.
c. Zero rated export oriented Textile Industry from all incidentals of taxes, duties, surcharges, levies and Cess.
d. Long Term Finance (LTF) scheme of SBP to be extended to the Spinning Industry to encourage BMR & new investment initiatives to catchup with regional competitors in technology related advantages.
e. 5% export incentive be announced to capture non-traditional markets through Focus Market Scheme and Focus Product Scheme to Export Oriented Textile Industry.

As indicated in the Prime Analytical Report on Regulation, Taxation and Economic Policy, the number of people filing Tax Returns in 2006-2007 was 1.8 Million, which has now come down to 0.85 Million in 2013-2014. The Withholding Tax holds significant importance to the Government's Revenue, whereby, 80% of the Withholding Tax burden is on the Corporate Sector, especially on the Manufacturing Sector.

COTTON SITUATION

There has been a sharp decline in the global commodity prices, whereas, Cotton is holding on to its price, because globally, in every cotton producing country there is a support mechanism. Due to the decline in global oil prices, the local price of Polyester Fibre have come down and now the difference between price of Polyester Fiber and Cotton is more than 50% which will hit the Cotton consumption. Moreover, we have not heard of any good news with regard to Pakistani Cotton crop and it is expected to be much less than last year. The Crop Assessment Committee of Pakistan has also revised its estimate downwards. Due to decline in the cotton crop, yet again, the prices of cotton vis-a-vis import of cotton price will be narrow and this will be another negative factor which the Textile Industry in Pakistan will confront, because purchasing of cotton would be done at import parity instead of export parity.

MILL PERFORMANCE

The performance of Salfi Textile Mills in terms of production, yields and quality issues have been very good during the year. The Plant installed capacity utilization remained at 93% and the actual production achieved was around 95% of the target set (17,915 tons against the target of 18,790 tons) The major contribution of not achieving the target was the gas curtailment on Sundays.

The yarn realization of Pakistani Cotton remained at 85%.

The quality issues confronted during the year was dead cotton in the hosiery yarns for which immediate measures were taken and the machine manufacturers have been involved to guide us on proper settings to avoid these complaints.

POWER ISSUES

Energy shortages have continued this year as well, beside this, the Government has also raised power tariffs which will put extra financial burden. However we are hopeful that the current government will take these power related issues very seriously and will endeavor to rectify it.

PROJECTS

Our commitment to quality is very high; therefore most of our investments have remained in quality and product diversification. We have plans to expand more in spindleage and to enhance the production capacity.

ENTERPRISE RESOURCE PLANNING

After successful implementation of Oracle based Enterprise Resource Planning System of Financial Module, the Management now plans to implement Oracle ERP Manufacturing Module which will serve as a central source of data. This will ensure smooth flow of reliable information in real-time to all key managers and will result in improved business processes management and decision-making.

HUMAN RESOURCE MANAGEMENT.

Human Resources planning, development and management are the essential functions that gain the sustainable competitive advantage over competitors in the longer run. It leads to the Leadership Development, Sophisticated Compensation and Benefits, Organization Design, Performance Management and Career and Succession Planning.

MANAGEMENT BY OBJECTIVES:

The company has started focusing upon 'Management by Objective', involving its human resources in the objective setting exercise and delegating empowerment and ownership down the line to the individuals to carryout necessary actions to achieve organizational goals. The idea is to make every team member achieving something over and above one's routine responsibilities or in some cases raising the bar in the routine jobs and then being rewarded at year end according to their performances. As such, a great deal of efforts is put in by HR function to train managers and leaders as to how to set objectives for departments and employees, so that all objectives are aligned with the vision of the organization. The HRRC (Human Resources and Remuneration Committee) is aimed at improving its policies, procedures and practices by keeping abreast with the market's "Better Practices" and ensures to discuss and implement these in an attempt to remain ahead of the competition at all times.

The preceding as well as for the upcoming year, the management has and will continue to endeavor to uphold its core values in the best of spirits and has put in a great deal of efforts to instill their essence in its employees.

OUR CORE VALUES

1. INTEGRITY - "We do what we say":
   Contribute to support family orientated work environment founded on trust, honesty, transparency, with open communication and fair dealing.

2. RESPECT - "We value people as our greatest resource"
   Value and treat others as we would want others to treat/value us.

3. TEAMWORK - "To be a business partner and not just as employee"
   Work effectively with each other to achieve organizational goals with a helping and a positive attitude

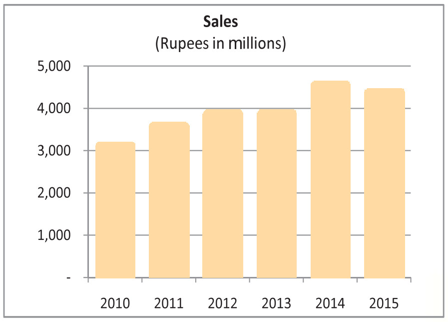
4. ACCOUNTABILITY - "To deliver excellence in results with commitment to all stakeholders"
   Take responsibility for the success of business marked by continuous development whilst achieving shareholders objectives.

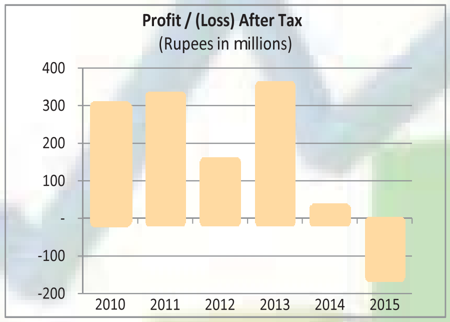
ACKNOWLEDGMENT

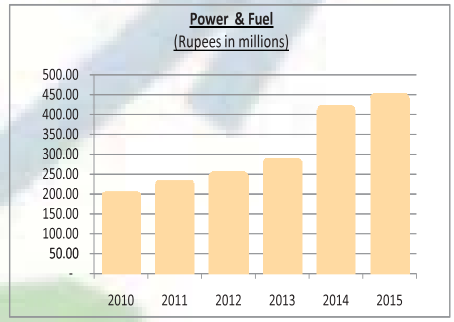
We whole heartedly acknowledge the untiring endeavors of our various teams who are constantly engaged in upholding their commitment to make this organization surpass all the benchmarks of quality and productivity set by the giants of the Industry. As a team we stand highly grateful towards our vendors, bankers and business associates for siding us during the crests and toughs of the business and socioeconomic conditions all around. Above all, we would like to extend highest order gratitude towards our customers who have continued to value and rely their credence in our product line.

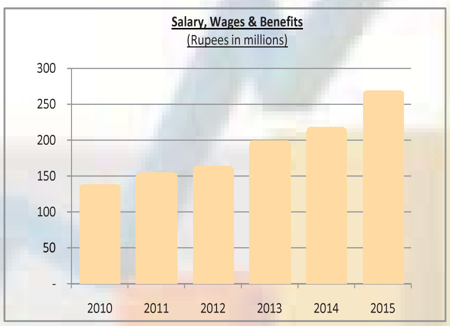
Anwar Ahmed Tata
Chairman

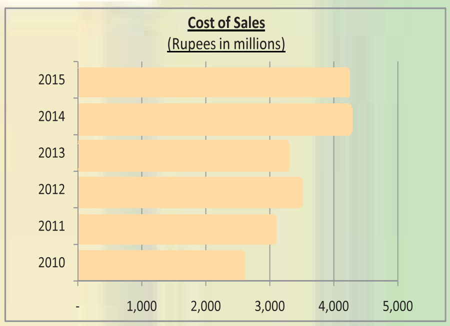
Karachi.
Dated: **September 30, 2015**

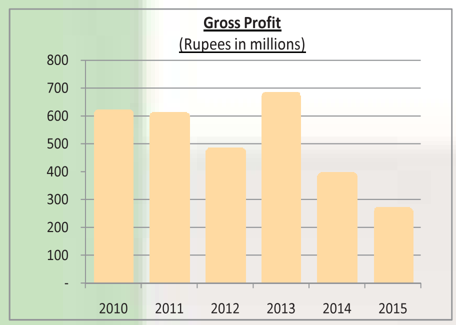

Sales
(Rupees in millions)
5,000
4,000
3,000
2,000
1,000
-
2010 2011 2012 2013 2014 2015

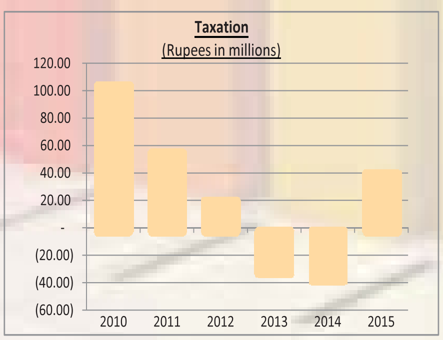

Profit / (Loss) After Tax
(Rupees in millions)
400
300
200
100
-
-100
-200
2010 2011 2012 2013 2014 2015

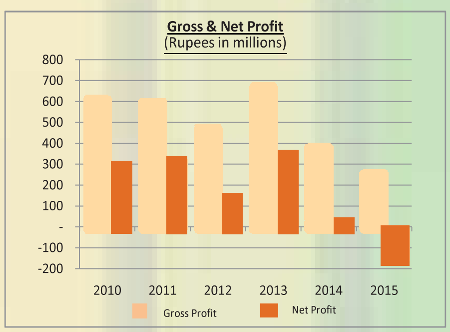

Power & Fuel
(Rupees in millions)
500.00
450.00
400.00
350.00
300.00
250.00
200.00
150.00
100.00
50.00
-
2010 2011 2012 2013 2014 2015

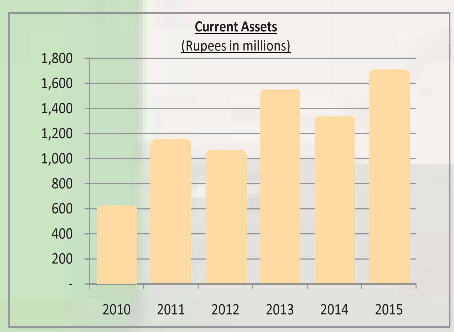

Salary, Wages & Benefits
(Rupees in millions)
300
250
200
150
100
50
-
2010 2011 2012 2013 2014 2015

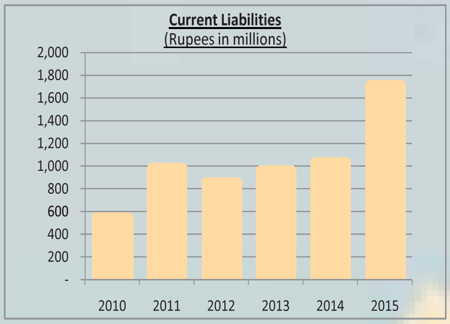

Cost of Sales
(Rupees in millions)
2015
2014
2013
2012
2011
2010
- 1,000 2,000 3,000 4,000 5,000

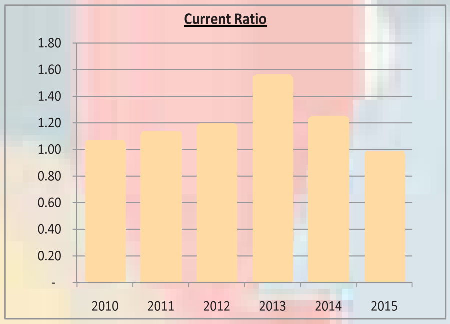

Gross Profit
(Rupees in millions)
800
700
600
500
400
300
200
100
-
2010 2011 2012 2013 2014 2015

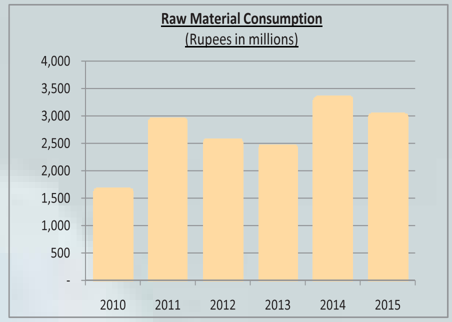

Taxation
(Rupees in millions)
120.00
100.00
80.00
60.00
40.00
20.00
-
(20.00)
(40.00)
(60.00)
2010 2011 2012 2013 2014 2015

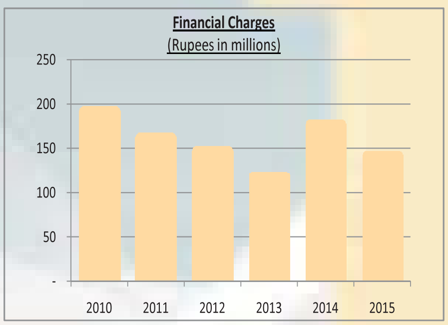

Gross & Net Profit
(Rupees in millions)
800
700
600
500
400
300
200
100
-
-100
-200
2010 2011 2012 2013 2014 2015
Gross Profit
Net Profit

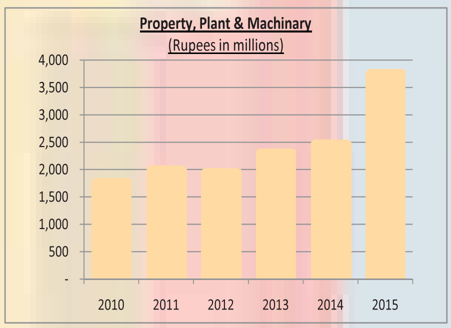

Current Assets
(Rupees in millions)
1,800
1,600
1,400
1,200
1,000
800
600
400
200
-
2010 2011 2012 2013 2014 2015

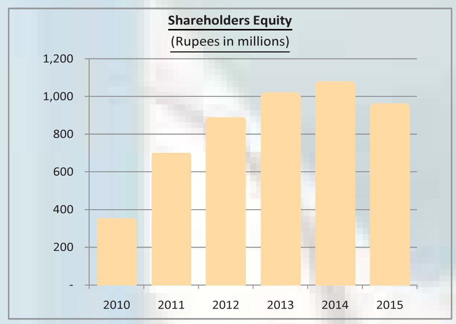

Current Liabilities
(Rupees in millions)
2,000
1,800
1,600
1,400
1,200
1,000
800
600
400
200
-
2010 2011 2012 2013 2014 2015

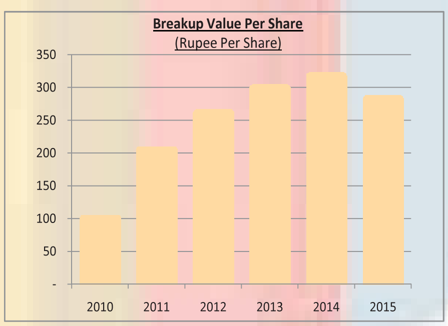

Current Ratio
1.80
1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
-
2010 2011 2012 2013 2014 2015

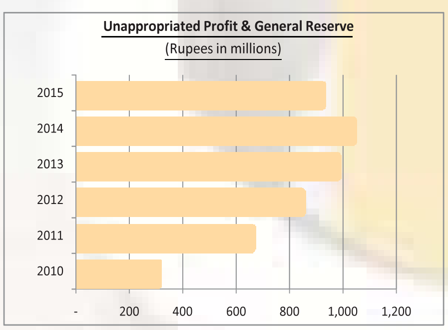

Raw Material Consumption
(Rupees in millions)
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
-
2010 2011 2012 2013 2014 2015

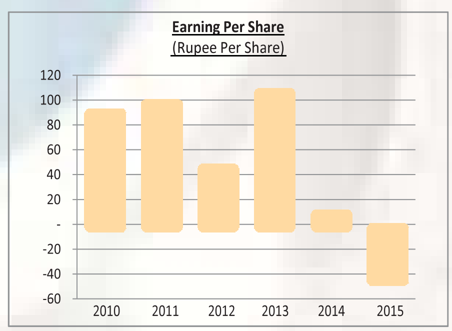

Financial Charges
(Rupees in millions)
250
200
150
100
50
-
2010 2011 2012 2013 2014 2015


Property, Plant & Machinary
(Rupees in millions)
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
-
2010 2011 2012 2013 2014 2015


Shareholders Equity
(Rupees in millions)
1,200
1,000
800
600
400
200
-
2010 2011 2012 2013 2014 2015


Breakup Value Per Share
(Rupee Per Share)
350
300
250
200
150
100
50
-
2010 2011 2012 2013 2014 2015


Unappropriated Profit & General Reserve
(Rupees in millions)
2015
2014
2013
2012
2011
2010
- 200 400 600 800 1,000 1,200


Earning Per Share
(Rupee Per Share)
120
100
80
60
40
20
-
-20
-40
-60
2010 2011 2012 2013 2014 2015

DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting before you the 48th Annual Report together with the Audited Accounts for the year ended June 30, 2015.

FINANCIAL RESULTS

The Company made a Pre-tax loss of Rs.103.41 million after charging costs, expenses and depreciation for the year.

	(Rupees)
Pre-tax loss for the year	(103,410,858)
Taxation	(42,310,249)
Loss after taxation	(145,721,107)
Other Comprehensive income	(289,509)
Accumulated Profit Brought Forward	280,531,072
Less: Dividend Paid	(5,013,855)
	129,506,601
Transfer from Surplus on Revaluation of Property Plant & Equipment	34,591,097
Accumulated Profit Carried Forward	164,097,698

CHAIRMAN'S REVIEW

The Directors of the Company endorse the contents of the Chairman's review, which is deemed to be a part of the Directors' report.

DIVIDEND

Since the results for the year under review are not encouraging, therefore your directors recommend to pass on the dividend for the year.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

a. The financial statements, prepared by the management of the Company, present its state of affairs fairly, the results of its operations, cash flows and changes in equity.

b. Proper books of account of the Company have been maintained.

c. Appropriate accounting policies as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d. The International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.

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

f. The system of internal control is sound in design and has been effectively implemented and monitored.

g. Key operating and financial data of last six years in a summarized form is annexed.

h. Outstanding duties, statutory charges and taxes if any have been adequately disclosed in the annexed audited financial statements.

i. During the year under review, four Board of Directors Meetings, four Audit Committee Meetings and four Human Resource & Remuneration committee meeting were held. The attendance of the directors is as follow:

Name of Director	Number of Meeting Attended		
	Board Meeting	Audit Committee	Human Resource & Remuneration Committee
Mr. Anwar Ahmed Tata	2	N/A	N/A
Mr. Shahid Anwar Tata	4	N/A	N/A
Mr. Adeel Shahid Anwar Tata	4	N/A	4
Mr. Bilal Shahid Anwar	2	2	4
Mr. Muhammad Naseem	4	4	4
Mr. Aijaz Ahmed Tariq	3	N/A	N/A
Mr. Kausar Ejaz	4	4	N/A

(However, leave of absence was granted to the Directors who could not attend the Meetings due to their pre-occupations)

j. Mr. Adeel Shahid Anwar Tata and Mr. Bilal Shahid Anwar have completed the Directors Training Program and become the certified director from Pakistan Institute of Corporate Governance. In addition, Mr. Anwar Ahmed Tata, Mr. Shahid Anwar Tata, Mr. Aijaz Ahmed Tariq and Mr. Kausar Ejaz met the criteria of exemption under clause 5.19.7 of Code of Corporate Governance and were accordingly exempted from directors' training program.

k. The statement of pattern of share holding of the Company as at June 30, 2015 is annexed. This statement is prepared in accordance with the Code of Corporate Governance.

l. During the year the Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children did not carry out any transaction in the shares of the Company.

Abstract Under Section 218(1) of the Companies Ordinance, 1984

The Board of Directors in their meeting held on August 26, 2015, has approved the amendment/variation in term of appointment of Chief Executive Mr. Adeel Shahid Anwar Tata with effective from March 01, 2015. The resolution has already been circulated to shareholders under section 218(3) of the Companies Ordinance 1984.

"Resolved that As per revised terms and conditions, monthly Remuneration of Mr. Adeel Shahid Anwar Tata Chief Executive of the Company would be Rs.460,000/- (Rupees four hundred sixty thousand only) with effective from 1st March 2015. In addition, it has also been approved and authorized the provision of company's maintained cars to him, disbursement of utility bills, club bills and other entertainment bills at actual, four annual bonus equivalent of four gross monthly salary, retirement benefit, medical and leave fare facilities for him and his family and other benefits under his term of employment with the company."

AUDITORS

The Auditors Messer Deloitte Yousuf Adil Chartered Accountants retire at the conclusion of the Annual General Meeting and being eligible; offer themselves for reappointment for the financial year ending June 30, 2016.

ON BEHALF OF THE BOARD OF DIRECTORS

ADEEL SHAHID ANWAR TATA
CHIEF EXECUTIVE

Karachi:
Date: September 30, 2015

KEY OPERATING AND FINANCIAL DATA

Description		2015	2014	2013	2012	2011	2010
OPERATING DATA							
Sales	Rs.'000'	4,448,356	4,612,764	3,925,774	3,927,483	3,640,287	3,160,366
Cost of Goods Sold	Rs.'000'	4,179,356	4,216,657	3,243,068	3,442,401	3,027,956	2,537,320
Gross Profit	Rs.'000'	269,000	396,107	682,706	485,082	612,331	623,046
(Loss)/ Profit Before Taxation	Rs.'000'	(103,411)	(1,185)	329,209	178,470	389,480	411,463
(Loss)/ Profit After Taxation	Rs.'000'	(145,721)	34,822	360,187	156,922	332,528	305,931
FINANCIAL DATA							
Equity Balance	Rs.'000'	953,520	1,069,953	1,010,900	884,371	697,351	346,612
Property, Plant & Equipment	Rs.'000'	3,359,644	2,520,999	2,356,478	2,003,448	2,035,309	1,812,686
Current Assets	Rs.'000'	1,698,031	1,320,929	1,538,821	1,053,121	1,140,265	613,593
Current Liabilities	Rs.'000'	1,736,002	1,064,409	993,303	887,716	1,011,095	578,795
RATIOS							
PROFITABILITY RATIOS							
Gross Profit Margin	%	6.05	8.59	17.39	12.35	16.82	19.71
Operating Profit Margin	%	(2.50)	(0.83)	6.96	4.10	8.66	9.77
Net Profit Margin	%	(2.32)	(0.03)	8.39	4.54	10.70	13.02
LIQUIDITY RATIOS							
Current Ratio	Times	0.98	1.24	1.55	1.19	1.13	1.06
Quick Ratio	Times	0.40	0.41	0.46	0.44	0.34	0.61
ACTIVITY / TURNOVER RATIOS							
Days in Receivables	Days	30.35	19.17	26.32	21.87	14.53	29.50
Accounts Receivable Turnover	Times	11.86	18.78	13.68	16.46	24.78	12.20
Inventory Turnover	Times	4.37	4.96	3.09	5.36	3.90	10.39
Working Capital Turnover	Times	(117.15)	17.98	7.20	23.74	28.18	90.82
Total Assets Turnover	Times	0.88	1.20	1.01	1.11	1.00	1.12
Return on Total Assets	%	(2.88)	0.90	9.23	4.43	9.15	10.84
Return on Equity	%	(5.74)	1.59	17.23	7.07	16.66	20.51
LEVERAGE RATIOS							
Long Term Debt to Equity Ratio	%	31.13	27.06	39.08	19.59	31.42	50.35
Total Debt to Equity Ratio	%	99.57	75.65	86.58	59.57	82.09	89.16
Long Term Debt to Total Assets	Times	0.16	0.15	0.21	0.12	0.17	0.27
Total Debt to Total Assets	Times	0.50	0.43	0.46	0.37	0.45	0.47
Equity to Total Assets	Times	0.50	0.57	0.54	0.63	0.55	0.53
Interest Coverage Ratio	Times	0.29	0.99	3.70	2.19	3.37	3.12
OTHERS							
Earning per Shares	Rs	(43.60)	10.42	107.76	46.95	99.48	91.53
Breakup Value of Shares w/o Revaluation Surplus	Rs	285.27	320.10	302.43	264.58	208.63	103.70
Breakup Value of Shares with Revaluation Surplus	Rs	758.86	655.40	625.58	664.30	596.98	446.22
Cash Dividend	%	-	15.00	20.00	30.00	30.00	25.00

ANALYSIS OF THE FINANCIAL STATEMENT BALANCE SHEET

Description	2015	2014	2013	2012	2011	2010
	-------- Rupees in '000' --------					
Assets						
Non Current Assets						
Property, plant and equipment	3,359,644	2,520,999	2,356,478	2,003,448	2,035,309	1,812,686
Intangible assets	2,985	4,359	5,276	5,332	3,437	-
Long Term Investments	489	609	417	480,834	454,211	394,727
Long Term Deposit	1,012	1,012	463	463	295	295
Total Non Current Assets	**3,364,130**	**2,526,979**	**2,362,634**	**2,490,077**	**2,493,252**	**2,207,708**
Current Assets						
Stores, Spares and loose tools	39,353	36,067	34,570	22,050	16,299	16,270
Stock in Trade	956,771	849,720	1,049,400	642,292	775,930	244,289
Trade Debtors	375,037	245,653	287,022	238,579	146,892	258,970
Loans and Advances	210,158	130,201	80,906	66,837	93,096	47,444
Trade Deposit & Short Term Prepayment	2,392	1,409	1,464	1,834	938	424
Other Receivables	403	1,345	2,430	493	2,666	2,406
Other Financial Assets	21,036	4,135	17,212	9,629	8,066	6,606
Sales Tax Refundable	51,741	16,102	12,778	15,398	10,188	5,817
Cash and Bank	41,138	36,298	53,038	56,009	86,190	31,367
Total Current Assets	**1,698,029**	**1,320,930**	**1,538,820**	**1,053,121**	**1,140,265**	**613,593**
TOTAL ASSETS	**5,062,159**	**3,847,909**	**3,901,454**	**3,543,198**	**3,633,517**	**2,821,301**
Equity and Liabilities						
EQUITY						
Issued Subscribed & Paid up Capital	33,426	33,426	33,426	33,426	33,426	33,426
Reserve	755,678	755,798	755,606	5,562	5,466	5,557
Unappropriated Profit	164,416	280,729	221,868	845,383	658,459	307,629
Total Share Capital and Reserves	**953,520**	**1,069,953**	**1,010,900**	**884,371**	**697,351**	**346,612**
Surplus on revaluation of Property, plant & equipments	1,583,021	1,120,753	1,080,131	1,336,087	1,298,095	1,144,905
Non Current Liabilities						
Long Term Loans	726,110	538,656	634,120	182,522	330,995	523,282
Deffered Liabilities	63,505	54,138	183,000	252,502	295,980	227,706
Total Non Current Liabilities	**789,615**	**592,794**	**817,120**	**435,024**	**626,975**	**750,988**
Current Liabilities						
Trade and other Payables	407,809	390,143	308,525	283,955	290,962	223,803
Interest/ Markup	46,776	24,799	32,703	68,197	59,664	64,534
Short Term Borrowing	1,109,508	499,909	603,946	314,496	382,755	66,555
Current Portion of Long Term Loans	131,870	121,554	48,129	175,191	196,086	201,569
Taxation	40,040	28,004	-	45,877	81,629	22,335
Total Current Liabilities	**1,736,003**	**1,064,409**	**993,303**	**887,716**	**1,011,096**	**578,796**
TOTAL LIABILITES & EQUITY	**5,062,159**	**3,847,909**	**3,901,454**	**3,543,198**	**3,633,517**	**2,821,301**

ANALYSIS OF THE FINANCIAL STATEMENT
BALANCE SHEET VERTICAL ANALYSIS

Description	2015	2014	2013	2012	2011	2010
	%	%	%	%	%	%
Assets						
Non Current Assets						
Property, plant and equipment	66.37	65.52	60.40	56.54	56.01	64.25
Intangible assets	0.06	0.11	0.14	0.15	0.09	-
Long Term Investments	0.01	0.02	0.01	13.57	12.50	13.99
Long Term Deposit	0.02	0.03	0.01	0.01	0.01	0.01
Total Non Current Assets	66.46	65.67	60.56	70.28	68.62	78.25
Current Assets						
Stores, Spares and loose tools	0.78	0.94	0.89	0.62	0.45	0.58
Stock in Trade	18.90	22.08	26.90	18.13	21.35	8.66
Trade Debtors	7.41	6.38	7.36	6.73	4.04	9.18
Loans and Advances	4.15	3.38	2.07	1.89	2.56	1.68
Trade Deposit & Short Term Prepayment	0.05	0.04	0.04	0.05	0.03	0.02
Other Receiveables	0.01	0.03	0.06	0.01	0.07	0.09
Other Financial Assets	0.42	0.11	0.44	0.27	0.22	0.23
Sales Tax Refundable	1.02	0.42	0.33	0.43	0.28	0.21
Cash and Bank	0.81	0.94	1.36	1.58	2.37	1.11
Total Current Assets	33.54	34.33	39.44	29.72	31.38	21.75
TOTAL ASSETS	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Equity and Liabilities						
EQUITY						
Issued Subscribed & Paid up Capital	0.66	0.87	0.86	0.94	0.92	1.18
Reserve	14.93	19.64	19.37	0.16	0.15	0.20
Unappropriated Profit	3.25	7.30	5.69	23.86	18.12	10.90
Total Share Capital and Reserves	**18.84**	**27.81**	**25.91**	**24.96**	**19.19**	**12.29**
Surplus on revaluation of Property, plant & equipments	**31.27**	**29.13**	**27.69**	**37.71**	**35.73**	**40.58**
Non Current Liabilities						
Long Term Loans	14.34	14.00	16.25	5.15	9.11	18.55
Deffered Liabilities	1.25	1.41	4.69	7.13	8.15	8.07
Total Non Current Liabilities	**15.60**	**15.41**	**20.94**	**12.28**	**17.26**	**26.62**
Current Liabilities						
Trade and other Payables	8.06	10.14	7.91	8.01	8.01	7.93
Interest/ Markup	0.92	0.64	0.84	1.92	1.64	2.29
Short Term Borrowing	21.92	12.99	15.48	8.88	10.53	2.36
Current Portion of Long Term Loans	2.61	3.16	1.23	4.94	5.40	7.14
Taxation	0.79	0.73	-	1.29	2.25	0.79
Total Current Liabilities	34.29	27.66	25.46	25.05	27.83	20.52
TOTAL LIABILITES & EQUITY	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

ANALYSIS OF THE FINANCIAL STATEMENT
PROFIT & LOSS ACCOUNT

Description	2015	2014	2013	2012	2011	2010
	---- Rupees in '000' ----					
Sales	4,448,356	4,612,764	3,925,774	3,927,483	3,640,287	3,160,366
Cost of Goods Sold	4,179,356	4,216,657	3,243,068	3,442,401	3,027,956	2,537,320
Gross Profit	269,000	396,107	682,706	485,082	612,331	623,046
Distribution cost	128,442	145,610	142,092	96,618	47,441	49,366
Administrative expenses	90,630	82,574	67,638	53,316	46,537	40,844
Other operating expenses	15,701	26,680	77,638	23,565	38,435	29,582
Financial Cost	145,298	179,566	121,946	150,579	164,653	194,530
	380,071	434,430	409,314	324,078	297,066	314,322
Operating (Loss)/Profit	**(111,071)**	**(38,323)**	**273,392**	**161,004**	**315,265**	**308,724**
Other Income	7,660	37,138	5,639	7,991	4,721	1,841
Share of Profit from Associates	-	-	50,178	9,475	69,494	100,898
	7,660	37,138	55,817	17,466	74,215	102,739
(Loss)/Profit Before Taxation	**(103,411)**	**(1,185)**	**329,209**	**178,470**	**389,480**	**411,463**
Taxation	(42,310)	36,007	30,978	(21,548)	(56,952)	(105,532)
(Loss)/Profit For The Year	**(145,721)**	**34,822**	**360,187**	**156,922**	**332,528**	**305,931**

ANALYSIS OF THE FINANCIAL STATEMENT
PROFIT & LOSS VERTICAL ANALYSIS

Description	2015	2014	2013	2012	2011	2010
	%	%	%	%	%	%
Sales	100.00	100.00	100.00	100.00	100.00	100.00
Cost of Goods Sold	93.95	91.41	82.61	87.65	83.18	80.29
Gross Profit	6.05	8.59	17.39	12.35	16.82	19.71
Distribution cost	2.89	3.16	3.62	2.46	1.30	1.56
Administrative expenses	2.04	1.79	1.72	1.36	1.28	1.29
Other operating expenses	0.35	0.58	1.98	0.60	1.06	0.94
Financial Cost	3.27	3.89	3.11	3.83	4.52	6.16
	8.54	9.42	10.43	8.25	8.16	9.95
Operating (Loss)/Profit	**(2.50)**	**(0.83)**	**6.96**	**4.10**	**8.66**	**9.77**
Other Income	0.17	0.81	0.14	0.20	0.13	0.06
Share of Profit from Associates	-	-	1.28	0.24	1.91	3.19
	0.17	0.81	1.42	0.44	2.04	3.25
(Loss)/Profit Before Taxation	**(2.32)**	**(0.03)**	**8.39**	**4.54**	**10.70**	**13.02**
Taxation	(0.95)	0.78	0.79	(0.55)	(1.56)	(3.34)
(Loss)/Profit For The Year	**(3.28)**	**0.75**	**9.17**	**4.00**	**9.13**	**9.68**

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2015

NO. OF SHAREHOLDERS	SHARE-HOLDING FROM	TO	TOTAL SHARES HELD
753	1	100	32,417
162	101	500	35,562
31	501	1000	24,191
27	1001	5000	58,060
4	5001	10000	34,887
1	10001	15000	14,500
1	15001	20000	16,750
1	20001	25000	22,600
1	30001	35000	33,500
1	100001	105000	104,645
1	180001	185000	184,030
1	365001	370000	366,300
1	2415001	2420000	2,415,128
985			3,342,570

CATEGORIES OF SHAREHOLDERS

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors, their Spouse(s) and Minor Children	9	2,623,883	78.50
Associated Companies, Undertakings and Related Parties	1	366,300	10.96
Public Sector companies & Corporations	3	17,958	0.54
Banks, Development Finance Institutions, Takaful, Modarbas and pension funds	3	14,747	0.44
Mutual Funds	1	104,645	3.12
General Public	6	522	0.02
Others	962	214,515	6.42
	985	3,342,570	100.00

Detail Categories of Shareholders
As At June 30,2015

DIRECTORS, THEIR SPOUSE(S) & MINOR CHILDREN		No. of Shareholders	Shares Held
Mr. Anwar Ahmed Tata	(Chairman/Director)	1	2,415,128
Mr. Shahid Anwar Tata	(Director)	1	184,030
Mr. Adeel Shahid Anwar Tata	(Chief Executive)	1	8,720
Mr. Bilal Shahid Anwar	(Director)	1	2,505
Mr. Muhammad Naseem	(Director)	1	2,500
Mr. Aijaz Ahmed Tariq	(Director)	1	2,750
Mr. Kausar Ejaz	(Director)	1	2,750
Mrs. Parveen Anwar (W/o of Mr. Anwar Ahmed Tata)		1	2,750
Mrs. Saiqa Shahid (W/o of Mr. Shahid Anwar Tata)		1	2,750
		9	**2,623,883**
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
Island Textile Mills Ltd.		1	**366,300**
PUBLIC SECTOR COMPANIES AND CORPORATIONS			
Investment Corporation of Pakistan		1	16,750
IDBL (ICP Unit)		1	1,150
National Bank of Pakistan		1	58
		3	**17,958**
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARBAS AND PENSION FUNDS			
Central Insurance Co. Ltd.		1	560
B.R.R. Investments (Pvt) Limited		1	4,620
Trustee National Bank of Pakistan Employee Pension Fund		1	9,567
		3	**14,747**
MUTUAL FUNDS			
CDC Trustee National Investment (Unit) Trust		1	**104,645**
OTHERS			
M/s Naseer Shahid Ltd.		1	20
M/s The Administrator Abandoned Properties		1	50
Fateh Textile Mills Limited		1	55
Trustee National Bank of Pakistan Employee Benevolent Fund Trust		1	336
Maple Leaf Capital Limited		1	1
Fikree's (SMC-Pvt) Ltd.		1	60
		6	**522**
GENERAL PUBLIC			
Local		962	**214,515**
Grand Total		**985**	3,342,570

Shareholders Holding 5% or more

	No. of Shares Held	Percentage
Mr. Anwar Ahmed Tata	2,415,128	72.25
Mr. Shahid Anwar Tata	184,030	5.51
Island Textile Mills Ltd.	366,300	10.96

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation 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 practice of corporate governance.

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

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

Category	Names
Independent Director	Mr. Muhammad Naseem
Non - Executive Director	Mr. Anwar Ahmed Tata Mr. Bilal Shahid Anwar Mr. Aijaz Ahmed Tariq Sheikh Kausar Ejaz
Executive Directors	Mr. Shahid Anwar Tata Mr. Adeel Shahid Anwar Tata

   The independent director meets the criteria of Independence under clause 5.19.1 of the CCG.

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

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

4. No casual vacancy has occurred on the Board during the year under review.

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

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and condition of employment of the Chief Executive and other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, 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 meeting were appropriately recorded and circulated.

9. The Board arranged internally an orientation program for its directors during year. The Board had also initiated the training of directors for certification program and two of the directors Mr. Adeel Shahid Anwar and Mr. Bilal Shahid Anwar have completed the Director’s Training Program and become certified director from PICG (Pakistan Institute of Corporate Governance) in previous year and four of the directors are sufficiently experienced to qualify for the criteria for exemption from formal training requirement stated in the CCG. Remaining one director shall comply with the requirement of certification under directors training program during the year ending June30, 2016.

10. No new appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit was made during the year.

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

12. The financial statements of the Company were duly endorsed by Chief Executive and Chief Financial Officer before approval of the Board.

13. The directors, chief executive and executives do not hold any interest in the share of the Company other than that disclosed in the pattern of shareholding.

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

15. The Board has formed an audit committee. It comprises of three members, all of them are non-executive directors and the chairman of the committee is an independent director.

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

17. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, of whom two are non-executive director including the chairman of the committee who is also an independent director.

18. The Board has outsourced the internal audit function to a firm of Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. The Company has assigned Head of Internal Audit to act as coordinator between the firm providing internal audit services and the Board.

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

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

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

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

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

ON BEHALF OF THE BOARD OF DIRECTORS

ADEEL SHAHID ANWER TATA
CHIEF EXECUTIVE

Karachi
Dated: September 30, 2015

NOTICE
of Annual General Meeting

Notice is hereby given that the **48th Annual General Meeting** of the Shareholders of **Salfi Textile Mills Limited** will be held on **Wednesday the October 28, 2015** at **12:30 P.M.** at **5th Floor Textile Plaza M.A. Jinnah Road Karachi,** to transact the following business: -

1. To confirm the minutes of the 47th Annual General Meeting held on October 29, 2014.

2. To receive, consider and adopt the report of the Directors and Auditors and Audited Accounts of the Company for the year ended June 30, 2015.

3. To appoint Auditors for the year 2015-16 and fix their remuneration. The retiring auditors M/s. Deloitte Yousuf Adil Chartered Accountants being eligible have offered themselves for reappointment.

4. To transact any other business or businesses with the permission of the **Chairman.**

By order of the Board of Directors

Farooq Advani
Company Secretary

Karachi:
Dated: October 06, 2015

Notes:

1. The Share Transfer Books of the Company will remain closed from October 21, 2015 to October 28, 2015 (both days inclusive).

2. A member entitled to attend and vote at this meeting may appoint proxy. Proxies, in order to be effective must be received by the Company not less than 48 hours before the meeting.

3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her Original CNIC or Passport to prove his/her identity and in case of Proxy must enclose additionally an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.

4. Shareholders are requested to notify the change of address, if any, immediately.

5. Members who have not yet submitted photocopies of their CNIC to the Company's Share Registrar, are requested to send the same at earliest.

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
Pakistan

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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE 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 Salfi Textile Mills Limited for the year ended June 30, 2015 to comply with the requirements of Regulations of the Karachi Stock Exchanges where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.

Further, as mentioned in paragraph 9 of the Statement of Compliance, out of seven directors, two directors have obtained certification under Directors Training Program and four directors are exempt from formal training requirement based on sufficient experience upto June 30, 2014, however, during the year one remaining director has not obtained certification under Directors Training Program.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani
KARACHI
DATED: September 30, 2015

Member of
Deloitte Touche Tohmatsu Limited

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Salfi Textile Mills Limited (the Company) as at June 30, 2015 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the loss, 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.

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani
KARACHI
DATED: September 30, 2015

Member of
Deloitte Touche Tohmatsu Limited

Financial Statements
for the Year Ended June 30, 2015

BALANCE SHEET AS AT JUNE 30, 2015

ASSETS	Note	2015	2014
		.... Rupees	
NON-CURRENT ASSETS			
Property, plant and equipment	4	**3,359,643,727**	2,520,998,933
Intangible assets	5	**2,983,677**	4,359,398
Long term investments	6	**489,172**	608,950
Long term deposits		**1,012,339**	1,012,339
		3,364,128,915	2,526,979,620
CURRENT ASSETS			
Stores, spares and loose tools	7	**39,352,742**	36,067,009
Stock-in-trade	8	**956,770,678**	849,720,208
Trade debts	9	**375,037,435**	245,653,253
Loans and advances	10	**210,158,301**	130,200,532
Trade deposits and short term prepayments	11	**2,392,311**	1,409,072
Other receivables		**403,414**	1,344,630
Other financial assets	12	**21,036,451**	4,135,000
Sales tax refundable		**51,741,362**	16,101,397
Cash and bank balances	13	**41,137,964**	36,297,774
		1,698,030,658	1,320,928,875
TOTAL ASSETS		**5,062,159,573**	3,847,908,495
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	**33,425,700**	33,425,700
Reserves	15	**755,678,342**	755,798,120
Unappropriated profit		**164,415,716**	280,729,312
		953,519,758	1,069,953,132
Surplus on revaluation of property, plant and equipment	16	**1,583,021,104**	1,120,752,654
NON-CURRENT LIABILITIES			
Long-term finances	17	**726,110,083**	538,656,238
Deferred liabilities	18	**63,506,332**	54,137,608
		789,616,415	592,793,846
CURRENT LIABILITIES			
Trade and other payables	19	**407,808,968**	390,142,935
Interest / mark up accrued on borrowings	20	**46,776,361**	24,799,125
Short-term borrowings	21	**1,109,507,825**	499,909,164
Current portion of long-term finance	17	**131,869,530**	121,553,704
Provision for income tax		**40,039,612**	28,003,935
		1,736,002,296	1,064,408,863
CONTINGENCIES AND COMMITMENTS	22		
TOTAL EQUITY AND LIABILITIES		**5,062,159,573**	3,847,908,495

The annexed notes from 1 to 43 form an integral part of these financial statements.

ADEEL SHAHID ANWAR TATA	**ANWAR AHMED TATA**
CHIEF EXECUTIVE	**CHAIRMAN/DIRECTOR**

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2015

	Note	**2015**	2014
		.... Rupees	
Sales - net	23	**4,448,355,699**	4,612,763,633
Cost of goods sold	24	**(4,179,355,526)**	(4,216,656,553)
Gross profit		**269,000,173**	396,107,080
Distribution cost	25	**(128,441,639)**	(145,609,853)
Administrative expenses	26	**(90,629,738)**	(82,573,823)
Other operating expenses	27	**(15,701,110)**	(26,680,301)
Finance cost	28	**(145,298,191)**	(179,566,153)
		(380,070,678)	(434,430,130)
		(111,070,505)	(38,323,050)
Other income	29	**7,659,647**	37,137,759
Loss before taxation		**(103,410,858)**	(1,185,291)
Taxation	30	**(42,310,249)**	36,007,327
(Loss) / profit for the year		**(145,721,107)**	34,822,036
Other comprehensive income for the year:			
Item that will be reclassified to profit or loss			
Unrealised (loss) / gain on remeasurement of available-for-sale investment.	6.1	**(119,778)**	192,183
Item that shall not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	18.1.3	**(169,731)**	(2,457,536)
Total other comprehensive income		**(289,509)**	(2,265,353)
Total comprehensive income for the year		**(146,010,616)**	32,556,683
Earnings per share - basic and diluted	31	**(43.60)**	10.42

The annexed notes from 1 to 43 form an integral part of these financial statements.

ADEEL SHAHID ANWAR TATA
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN/DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		.... Rupees	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(103,410,858)**	(1,185,291)
Adjustments for			
Depreciation	4.2	**112,577,683**	97,851,453
Amortization	5	**1,375,721**	1,338,622
Provision for staff gratuity		**22,975,379**	17,020,648
Provision for compensated absences		**5,758,561**	5,276,052
Finance cost	28	**145,298,191**	179,566,153
Loss on disposal of property, plant and equipment		**2,519,876**	3,383,096
Operating cash flows before working capital		**187,094,553**	303,250,733
(Increase) / decrease in current assets			
Stores, spares and loose tools		**(3,285,733)**	(1,497,361)
Stock-in-trade		**(107,050,470)**	199,679,511
Trade debts		**(129,384,182)**	41,369,159
Loans and advances		**(40,661,802)**	6,349,618
Trade deposits and short-term prepayments		**(983,239)**	54,454
Other receivables		**941,216**	1,085,047
Other financial assets		**(16,901,451)**	13,076,737
Sales tax refundable		**(35,639,965)**	(3,321,996)
Increase in current liabilities			
Trade and other payables		**17,611,652**	81,457,774
Cash (used in) / generated from operations		**(128,259,421)**	641,503,676
Finance cost paid		**(123,320,950)**	(187,469,768)
Income taxes paid		**(69,570,537)**	(55,643,678)
Staff gratuity paid		**(14,147,942)**	(11,497,763)
Compensated absences paid		**(5,387,005)**	(4,304,746)
Net cash (used in) / generated from operating activities		**(340,685,855)**	382,587,721

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

		Note	2015	2014
			.... Rupees	....
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
	Purchase of property, plant and equipment		**(468,425,876)**	(269,656,716)
	Proceeds from disposal of property, plant and equipment	4.4	**11,543,064**	3,901,473
	Purchase of intangible assets		**-**	(422,002)
	Long-term deposits		**-**	(549,769)
	Net cash used in investing activities		**(456,882,812)**	(266,727,014)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
	Long-term finance obtained		**319,323,375**	26,090,360
	Repayment of long-term finance		**(121,553,704)**	(48,129,103)
	Proceeds from short-term borrowings		**111,396,971**	248,109,880
	Dividend paid		**(4,959,474)**	(6,525,225)
	Net cash generated from financing activities		**304,207,168**	219,545,912
	Net (decrease) / increase in cash and cash equivalents (A+B+C)		**(493,361,499)**	335,406,619
	Cash and cash equivalents at beginning of the year		**36,297,774**	(299,108,845)
	Cash and cash equivalents at end of the year	32	**(457,063,725)**	36,297,774

The annexed notes from 1 to 43 form an integral part of these financial statements.

ADEEL SHAHID ANWAR TATA
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN/DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2015

	Note	Issued subscribed and paid up share capital	Revenue Reserves				Total
			General reserve	Other reserve	Unrealised loss on investment available-for-sale	Unappropriated profit	
		....	....	.... Rupees	....	....	....
Balance at July 01, 2013		33,425,700	750,000,000	5,996,360	(390,423)	221,868,379	1,010,900,016
Total comprehensive income for the year							
Profit for the year		-	-	-	-	34,822,036	34,822,036
Other comprehensive income							
Remeasurement of available for sale investment		-	-	-	192,183	-	192,183
Loss on remeasurement of defined benefit scheme		-	-	-	-	(2,457,536)	(2,457,536)
Other comprehensive income - net of tax		-	-	-	192,183	(2,457,536)	(2,265,353)
Total comprehensive income for the year		-	-	-	192,183	32,364,500	32,556,683
Transfer from surplus on revaluation of property, plant and equipment on account of:							
-incremental depreciation		-	-	-	-	29,003,251	29,003,251
-disposal		-	-	-	-	4,178,322	4,178,322
	16	-	-	-	-	33,181,573	33,181,573
Transactions with owners							
Final cash dividend for the year ended June 30, 2013 @ Rs. 2 per share		-	-	-	-	(6,685,140)	(6,685,140)
Balance at June 30, 2014		**33,425,700**	**750,000,000**	**5,996,360**	**(198,240)**	**280,729,312**	**1,069,953,132**
Total comprehensive income for the year							
Loss for the year		-	-	-	-	(145,721,107)	(145,721,107)
Other comprehensive income							
Remeasurement of investment available for sale		-	-	-	(119,778)	-	(119,778)
Loss on remeasurement of defined benefit scheme		-	-	-	-	(169,731)	(169,731)
Other comprehensive income		-	-	-	(119,778)	(169,731)	(289,509)
		-	-	-	(119,778)	(145,890,838)	(146,010,616)
Transfer from surplus on revaluation of property, plant and equipment on account of:							
-incremental depreciation		-	-	-	-	26,677,914	26,677,914
-disposal		-	-	-	-	7,913,183	7,913,183
	16	-	-	-	-	34,591,097	34,591,097
Transactions with owners							
Final cash dividend for the year ended June 30, 2014 @ Rs. 1.5 per share		-	-	-	-	(5,013,855)	(5,013,855)
Balance at June 30, 2015		**33,425,700**	**750,000,000**	**5,996,360**	**(318,018)**	**164,415,716**	**953,519,758**

The annexed notes from 1 to 43 form an integral part of these financial statements.

ADEEL SHAHID ANWAR TATA
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN/DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

Salfi Textile Mills Limited (the Company) is a public limited company incorporated in Pakistan on January 05, 1968 under the repealed Companies Act, 1913 (now Companies Ordinance, 1984) and listed on Karachi Stock Exchange. The registered office of the Company is situated at 6th floor Textile Plaza, M.A. Jinnah Road, Karachi in the province of Sindh. The principal activity of the Company is manufacturing and sale of yarn. The Company's manufacturing facilities are located at Landhi Industrial Estate in the Province of Sindh.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except for:

- certain property, plant and equipment measured at revalued amounts less accumulated depreciation therein;
- recognition of certain staff retirement benefits at present value; and
- certain financial instruments measured at fair value.

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgments that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses.

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. Areas where judgments and estimates made by the management that may have a significant effect on the amounts recognised in the financial statements are included in the following notes:

- Revaluation of certain items of property, Plant and Equipment (note 3.1)
- useful lives of property, plant and equipment (note 3.1)
- useful lives of intangible assets (note 3.2)
- valuation of stores and spares and stock-in-trade (note 3.3 and 3.4)
- impairment of financial and non-financial assets (note 3.9)
- staff retirement benefit - gratuity scheme (note 3.15)
- taxation (note 3.19)

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

a) Standards, amendments and interpretations which became effective during the year

The following amendments and interpretations are effective for the year ended June 30, 2015. These amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other then certain additional disclosure.

Amendments or Interpretations	Effective date (accounting periods beginning on or after)
Amendments to IAS 19 - Employee Benefits: Employee contributions	July 01, 2014
Amendments to IAS 32 - Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	January 01, 2014
IAS 36 - Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	January 01, 2014
IAS 39 - Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	January 01, 2014
IFRIC 21 - Levies	January 01, 2014

b) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Company

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

Standards or Interpretations	Effective date (accounting periods beginning on or after)
Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants	January 01, 2016
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015

Certain annual improvements have also been made to a number of IFRS which are not relevant to the Company and therefore have not been presented here.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied for all year presented unless otherwise stated.

3.1 Property, plant and equipment

Property, plant and equipment except leasehold land, building and plant and machinery are stated at cost less accumulated depreciation and impairment, if any.

Leasehold land, building and plant and machinery are stated at revalued amount being the fair value at the date of revaluation, less subsequent accumulated depreciation and impairment losses, if any. Revaluations are performed with sufficient regularity so that the fair value and carrying value do not differ materially at the reporting date.

Depreciation is charged to income applying the reducing balance method at the rates specified in note 4. Depreciation on all additions in fixed assets is charged from the month in which the asset is available for use and on disposals upto the month preceding the month of disposal.

The depreciation method and assets' useful lives are reviewed and adjusted, if appropriate, at each reporting date.

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

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Subsequent expenditures are capitalised when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably. Assets replaced, if any, are derecognised.

Gains and losses on disposal of assets are taken to the profit and loss account, and the related surplus / deficit on revaluation of property, plant and equipment is transferred directly to unappropriated profits.

Capital work-in-progress

Capital work-in-progress (CWIP) is stated at cost less any impairment loss, if any. All expenditures including borrowing cost as referred in note 3.16, connected to specific assets incurred during installation and construction period are carried under CWIP. Items are transferred to operating assets as and when assets are ready for their intended use.

3.2 Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the Company and the cost of such asset can be measured reliably.

Costs associated with developing or maintaining computer software programs are generally recognised as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding one year, are recognised as an intangible asset. Direct costs include the purchase cost of software and related overhead cost. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any, thereon.

Intangible asset with a definite useful life is amortised on a straight line basis over its useful life. Amortization on all additions in intangible assets is charged from the month in which the asset is available for use and on disposals upto the month of disposal. Amortization charge is recognised in the profit and loss account. The rates of amortization are disclosed in note 5.

3.3 Stores, spares and loose tools

These are valued at cost. The cost is determined on moving average basis less allowance for obsolete and slow moving items. Stores and spares in transit are stated at invoice values plus other charges incurred thereon upto the reporting date.

3.4 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost is determined on the following basis:

- Raw material - at moving average cost.
- Material in transit - at invoice value plus other charges incurred upto reporting date.
- Work-in-process - at average manufacturing cost.
- Finished goods - at average manufacturing cost.

Average manufacturing cost signifies, in relation to work in process and finished goods, the moving average cost which consist of prime cost and appropriate manufacturing overheads.

Waste stock is valued and recorded at net realizable value.

Net realizable value (NRV) represents the estimated selling price at which the inventories can be realized in the normal course of business less estimated cost of completion and costs necessary to make sale.

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

3.5 Trade debts and other receivables

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

Exchange gains or losses arising in respect of trade and other receivables in foreign currency are added to or subtracted from their respective carrying amounts.

3.6 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value, and short-term running finances. Running finances under mark-up arrangements are shown with short term borrowings in current liabilities on the balance sheet.

3.7 Financial instruments

Financial assets

The Company classifies its financial assets at initial recognition in the following categories depending on the purpose for which the financial assets were acquired:

(i) ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets. There were no financial assets at fair value through profit or loss at the reporting date.

(ii) ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits, other receivables and cash and bank balances in the balance sheet.

(iii) ***Available-for-sale***

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or the management intends to dispose of the investments within twelve months from the reporting date.

(iv) ***Held to maturity***

Financial assets with fixed or determinable payments and fixed maturity, where management has intention and ability to hold till maturity are classified as held to maturity.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of investments are recognised on trade date (the date on which the Company commits to purchase or sell the asset). Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income.When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the profit and loss account as a reclassification adjustment. Mark-up on available for-sale debt securities calculated using the effective interest rate method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account as part of other income when the Company’s right to receive payments is established. Amortization of premium on acquisition of the investments is carried out using the effective yield method and charged to profit and loss account.

The fair values of quoted equity investments are based on current market prices. Subsequent to initial measurement equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment in value, if any.

Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

3.8 Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair values. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

3.9 Impairment

Financial assets

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

The Company assesses at each reporting date whether there is objective evidence that any investment is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit and loss account as a reclassification adjustment. Impairment losses recognised in the profit and loss account on equity instruments classified as available-for-sale are not reversed through the profit and loss account.

Non-financial assets

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

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.10 Offsetting of financial assets and financial liabilities

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

3.11 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rate prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated at year end into Pak Rupees using the exchange rate at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translations of monetary assets and liabilities denominated in foreign currencies at reporting date are included in profit and loss account.

3.12 Share capital

Ordinary shares are classified as equity and are recorded at their face value.

3.13 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved for distribution to shareholders.

3.14 Surplus on revaluation of fixed assets

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of Property, Plant and Equipment" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002 and accordingly the Company has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated January 13, 2003:

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

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

3.15 Staff retirement benefits

The Company has categorized its employees into workmen and non-workmen for post-employment benefits that comprise defined benefit plan and other staff retirement benefits respectively. Both plans are un-funded. The details of plans are as follows:

Defined benefit plan - Workmen

The Company operates a gratuity scheme for all its employees under workmen category who have completed the minimum qualifying period of service as defined under the respective scheme. Provisions are made to cover the obligations under the schemes on the basis of actuarial valuation and charged to profit and loss and other comprehensive income. The most recent valuation was carried out as at June 30, 2015 using "Projected Unit Credit Method". The amount recognized in the balance sheet represents the present value of defined benefit obligations.Remeasurement which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income.

Defined benefit plan - Non workmen

The Company also maintains a retirement plan for all its employees under non-workmen category. Under this plan, every eligible employee is entitled to receive benefit of one month salary based on last month of each year's service. The Company accounts for liability of each employee at year end and such liability is treated as full and final pertaining to that year. In future years, the liability amount is not revised for any increase or decrease in salary of any non-workmen.

Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned. Under the policy, leaves of 15 and 30 days for non-workmen and workmen category respectively can be accumulated and carried forward.

3.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost.Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date. Exchange gains and losses arising in respect of borrowings in foreign currency are added in the carrying amount of the borrowing.

3.17 Provisions

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

3.18 Trade and other payables

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

3.19 Taxation

Current

Provision for current taxation is based on taxable income at the current tax rates after taking into account tax credits and rebates available, if any or on turnover at the specified rates or Alternate Corporate Tax as defined in section 113C of the Income Tax Ordinance, 2001, whichever is higher. The charge for current tax also includes adjustments, where necessary, relating to prior years which arise due to assessment framed / finalized during the year.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered.

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

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. In this regard, the effects on defered taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

3.20 Revenue recognition

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

- Sales are recorded on dispatch of goods or on segregation of goods for delivery against confirmed customer's orders where risks and rewards are transferred to the customer.

- Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the applicable effective interest rate.

3.21 Borrowing cost

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. Borrowing costs eligible for capitalization are determined using effective interest rate method.

3.22 Earnings per share

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

3.23 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker (CODM). The Company considers Chief Executive as its CODM who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company’s products, as required by the approved accounting standards, is presented in note 38 to these financial statements.

4. **PROPERTY, PLANT AND EQUIPMENT**

	Note	2015	2014
		...............Rupees............	
Operating assets	4.1	**3,350,559,254**	2,302,930,777
Capital work in progress	4.5	**9,084,473**	218,068,156
		3,359,643,727	2,520,998,933

4.1 **Operating assets**

Particulars	Cost / revalued amount at July 01, 2014	Additions	Transfers	Disposals	Adjustment of accumulated depreciation	Revaluation surplus during the year	Cost / revalued amount at June 30, 2015	Accumulated depreciation at July 01, 2014	Depreciation for the year	Depreciation on disposals during the year	Adjustment of accumulated depreciation on transfer	Adjustment of accumulated depreciation on revaluation	Accumulated depreciation at June 30, 2015	Carrying value at June 30, 2015	Rate
	Rupees														%
Leasehold land	564,000,000	28,620,000	-	-	-	103,380,000	696,000,000	-	-	-	-	-	-	696,000,000	-
Buildings on leasehold land						-									
- Godown	-	127,203,557	-	-	(2,650,074)	53,667,038	178,220,521	-	2,650,074		-	(2,650,074)	-	178,220,521	5
- Mills	254,540,064	100,747,843	-	-	(46,787,937)	29,672,405	338,172,375	34,612,330	12,175,607	-	-	(46,787,937)	-	338,172,375	5
- Others	118,900	-	-	-	-	-	118,900	84,386	3,451	-	-	-	87,837	31,063	10
Office premises	450,000	-	-	-	-	-	450,000	413,109	3,689	-	-	-	416,798	33,202	10
Plant and machinery	1,595,184,889	394,175,110	-	(15,095,145)	(259,614,102)	310,140,104	2,024,790,856	182,586,790	79,464,948	(2,437,636)	-	(259,614,102)	-	2,024,790,856	5
Electric installations	37,414,494	-	(6,062,452)	-	-	-	31,352,042	25,479,085	1,193,540	-	(4,589,885)	-	22,082,740	9,269,302	10
Factory equipment	15,085,818	13,376,753	-	-	-	-	28,462,571	5,652,625	1,385,551	-	-	-	7,038,176	21,424,395	10
Furniture and fixtures	13,459,647	1,451,638	5,507,722	-	-	-	20,419,007	4,805,826	910,284	-	4,120,729	-	9,836,839	10,582,168	10
Office equipment	22,877,504	2,766,309	554,730	(2,586,026)	-	-	23,612,517	11,168,392	3,198,374	(2,537,351)	469,156	-	12,298,571	11,313,946	10-30
Leasehold improvements	19,716,700	-	-	-	-	-	19,716,700	3,879,261	1,583,744	-	-	-	5,463,005	14,253,695	10
Vehicles	68,604,026	9,068,350	-	(5,415,309)	-	-	72,257,067	19,839,461	10,008,421	(4,058,547)	-	-	25,789,335	46,467,732	20
June 30, 2015	**2,591,452,042**	**677,409,560**	**-**	**(23,096,480)**	**(309,052,113)**	**496,859,547**	**3,433,572,555**	**288,521,265**	**112,577,683**	**(9,033,534)**	**-**	**(309,052,113)**	**83,013,301**	**3,350,559,254**	

For comparative period

Particulars	Cost / revalued amount at July 01, 2013	Additions	Disposals	Cost / revalued amount at June 30, 2014	Accumulated depreciation at July 01, 2013	Depreciation on disposal for the year	Disposals during the year	Accumulated depreciation at June 30, 2014	Carrying value at June 30, 2014	Rate
		Rupees								%
Leasehold land	564,000,000	-	-	564,000,000	-	-	-	-	564,000,000	-
Buildings on leasehold land										
- Mills	243,064,305	11,475,759	-	254,540,064	23,556,952	11,055,378	-	34,612,330	219,927,734	5
- Others	118,900	-	-	118,900	80,549	3,837	-	84,386	34,514	10
Office premises	450,000	-	-	450,000	409,010	4,099	-	413,109	36,891	10
Plant and machinery	1,569,131,627	33,100,390	(7,047,128)	1,595,184,889	109,760,377	73,670,650	(844,237)	182,586,790	1,412,598,099	5
Airconditioner, gas and electric installations	37,414,494	-	-	37,414,494	24,152,928	1,326,157	-	25,479,085	11,935,409	10
Factory equipment	9,406,828	5,678,990	-	15,085,818	4,986,643	665,982	-	5,652,625	9,433,193	10
Furniture and fixtures	13,167,361	292,286	-	13,459,647	3,851,462	954,364	-	4,805,826	8,653,821	10
Office equipment	17,578,981	5,298,523	-	22,877,504	8,987,232	2,181,160	-	11,168,392	11,709,112	10-30
Leasehold improvements	19,716,700	-	-	19,716,700	2,119,545	1,759,716	-	3,879,261	15,837,439	10
Vehicles	28,101,004	41,765,242	(1,262,220)	68,604,026	13,789,893	6,230,110	(180,542)	19,839,461	48,764,565	20
June 30, 2014	2,502,150,200	97,611,190	(8,309,348)	2,591,452,042	191,694,591	97,851,453	(1,024,779)	288,521,265	2,302,930,777	

		Note	2015	2014
			.... Rupees	
4.2	**Depreciation for the year has been allocated as under:**			
	Cost of goods manufactured	24.1	**102,445,730**	90,341,917
	Administrative expenses	26	**10,131,953**	7,509,536
			112,577,683	97,851,453

4.3 Revaluation of leasehold land, building and plant and machinery had been carried out in 1994, 2003, 2005 (land only), 2008, 2011 and 2015 (land, buildings and plant and machinery) by independent professional valuers M/s. Iqbal A. Nanjee & Co. on the basis of depreciated replacement values. Revaluation surplus has been credited to surplus on revaluation of property, plant and equipment account to comply with the requirement of Section 235 of the Companies Ordinance, 1984. Had there been no revaluation, the related figures of leasehold land, buildings and plant and machinery would have been as follows :

	June 30, 2015			June 30, 2014		
	Cost	**Accumulated Depreciation**	**Carrying value**	**Cost**	**Accumulated Depreciation**	**Carrying value**
	Rupees					
Leasehold land	29,583,387	-	29,583,387	963,387	-	963,387
Building on leasehold land	397,883,262	80,111,174	317,772,088	169,931,862	71,352,934	98,578,928
Plant and machinery	1,694,386,136	387,578,963	1,306,807,173	1,359,760,059	383,529,199	976,230,860
	2,121,852,785	467,690,137	1,654,162,648	1,530,655,308	454,882,133	1,075,773,175

4.4 Disposal of property, plant and equipment

Details of plant and equipment disposed off during the year are as follows:

Particulars	**Cost / revalued amount**	**Accumulated depreciation**	**Carrying value**	**Sale proceeds**	**Mode of disposal**	**Particulars of buyers**
	Rupees					
Plant and machinery	1,028,876	63,628	965,248	180,000	Negotiation	Security Papers Limited, Jinnah Avenue, Malir Halt, Karachi
Plant and machinery	479,000	363,688	115,312	465,000	Negotiation	Mr. Muhammad Saeed Alvi, House No.A-69, Gulistan-e-Johar, Block-14, Karachi
Plant and machinery	12,893,291	2,161,325	10,731,966	6,500,000	Negotiation	Tata Textile Mills Limited, 6th Floor, Textile Plaza, M.A. Jinnah Road, Karachi
Plant and machinery	1,139,938	207,380	932,558	535,000	Negotiation	ZohaibTex International, 401-404, 4th Floor, Shams Chambers, Shahrah-e-Liaqat, New Challi, Karachi.
Vehicle	682,700	452,468	230,232	700,000	Negotiation	Miss Zahida Kanwal, House No. 109, Qureshi Compound, Malir City, Karachi.
Vehicle	722,775	535,180	187,595	650,000	Negotiation	Mr. Abdul Ghaffar, B-9, Bright Palace, Chandni Chowk, Gulshan-e-Iqbal, Karachi
Vehicle	814,050	513,218	300,832	650,000	Negotiation	Mr. Tariq Masood, House No.15-D-I, Model Town A, Aziz Bhatti Shaheed Road, Bhawalpur.
Vehicle	1,275,390	854,475	420,915	1,062,000	Negotiation	Mr. Syed Wali Najam, House No.Z-102, Block 7/8, Y.J.H.C.S, Karachi.
Assets having carrying value value less than Rs. 50,000	4,060,460	3,882,173	178,287	801,064	Negotiation	Various
June 30, 2015	**23,096,480**	**9,033,534**	**14,062,946**	**11,543,064**		
June 30, 2014	8,309,348	1,024,779	7,284,569	3,901,473		

	2015	2014
	.... Rupees	
4.5 Capital work in progress		
Civil work	**1,553,978**	160,215,304
Machinery and electric installations	**1,382,189**	54,814,884
Others	**6,148,306**	3,037,968
	9,084,473	218,068,156

5. INTANGIBLE ASSETS

	Cost			Amortization				
	As at July 01, 2014	Additions	As at June 30, 2015	As at July 01, 2014	Charge for the year	As at June 30, 2015	Carrying value as at June 30, 2015	Rate of Amortization
	.... R u p e e s							%
License fee	667,302	-	667,302	245,686	133,460	379,146	288,156	20
ERP software	6,211,304	-	6,211,304	2,273,522	1,242,261	3,515,783	2,695,521	20
Total	**6,878,606**	**-**	**6,878,606**	**2,519,208**	**1,375,721**	**3,894,929**	**2,983,677**	

For comparative period

	Cost			Amortization				
	As at July 01, 2013	Additions	As at June 30, 2014	As at July 01, 2013	Charge for the year	As at June 30, 2014	Carrying value as at June 30, 2014	Rate of Amortization
	.... R u p e e s							%
License fee	485,300	182,002	667,302	121,326	124,360	245,686	421,616	20
ERP software	5,971,304	240,000	6,211,304	1,059,260	1,214,262	2,273,522	3,937,782	20
Total	**6,456,604**	**422,002**	**6,878,606**	**1,180,586**	**1,338,622**	**2,519,208**	**4,359,398**	

6. LONG-TERM INVESTMENTS

2015	2014		Note	2015	2014
Number of shares of Rs.10 each				.... Rupees	
91,439	**91,439**	**Available-for-sale securities** **Listed shares - Samba Bank Limited**	6.1	**489,172**	608,950

6.1 Movement of investment

	2015	2014
Balance as on July 01	**608,950**	416,767
Unrealised (loss) / gain on remeasurement at fair value	**(119,778)**	192,183
Balance as on June 30	**489,172**	608,950

	Note	2015	2014
		.... Rupees	
7. STORES, SPARES AND LOOSE TOOLS			
Stores and spares	7.1	**39,278,469**	35,870,915
Loose tools		**74,273**	196,094
		39,352,742	36,067,009

7.1 It includes stores and spares in transit amounting to Rs. 3.04 million (2014 : Rs. Nil).

7.2 There are no stores and spares for capital use.

	Note	2015	2014
		.... Rupees	
8. STOCK-IN-TRADE			
Raw material	8.1	**682,397,480**	629,002,568
Work-in-process		**27,163,287**	34,047,966
Finished goods	8.2	**243,273,721**	181,356,526
Waste		**3,936,190**	5,313,148
		956,770,678	849,720,208

8.1 It includes raw material in transit amounting to Rs. 89 million (2014 : Rs.10.80 million).

8.2 Net realizable value of finished goods were lower than its cost, which resulted in write down of Rs. 20.925 million (2014: Rs. 9.36 million) charged to cost of sales.

	Note	2015	2014
9. TRADE DEBTS		.... Rupees	
Considered good			
Export - secured	9.1	**262,526,679**	132,328,145
Local - unsecured		**112,510,756**	113,325,108
		375,037,435	245,653,253

9.1 These are secured against letters of credit in favour of the Company.

9.2 Trade debts are non-interest bearing and are generally on 7 to 120 (2014: 7 to 90) days term.

9.3 As at June 30, 2015, trade debts aggregating Rs. 99.085 million (2014: Rs. 33.92 million) were past due for which the Company has not made any provision. Based on past experience, past track record of recoveries, management believes that the past due trade debts do not require any provision for impairment. The ageing of these past due trade debts is as follows:

	2015	2014
	.... Rupees	
9.3.1 Ageing of debts past due but not impaired		
0-30 days	**80,884,998**	29,899,508
31-90 days	**14,554,411**	3,799,492
91 and 120 days	**3,646,081**	225,025
	99,085,490	33,924,025

		Note	2015	2014
10.	**LOANS AND ADVANCES**		.... Rupees	
	Considered good			
	Due from employees	10.1	**5,392,607**	3,187,271
	Advance:			
	to suppliers		**5,798,843**	3,037,354
	against letters of credit		**36,848,187**	1,413,077
	against expenses		**549,258**	289,391
	Advance income tax		**161,569,406**	122,273,439
			210,158,301	130,200,532

10.1 These represent short term interest free loan to employees as per Company's policy. These are adjustable against salaries and recoverable within a period of one year.

		Note	2015	2014
			.... Rupees	
11.	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Deposits		**21,825**	122,825
	Short-term prepayments		**2,370,486**	1,286,247
			2,392,311	1,409,072
12.	**OTHER FINANCIAL ASSETS**			
	Held to maturity			
	Term Deposit Receipts	12.1	**21,036,451**	4,135,000

12.1 This represent investment made in term deposit receipts held for a period of six months maturing in December 2015 with a markup rate of 5.8% to 6.8% (2014: 7.67%) per annum.

		Note	2015	2014
13.	**CASH AND BANK BALANCES**		.... Rupees	
	Cash at bank		**39,893,802**	31,789,928
	In current accounts		**81,876**	3,607,916
	In savings accounts	13.1	**39,975,678**	35,397,844
	Cash in hand		**1,162,286**	899,930
			41,137,964	36,297,774

13.1 These carry effective markup @ of 4.5% to 6.5% (2014: 7%) per annum.

14. SHARE CAPITAL

2015	2014		2015	2014
Number Of Ordinary Shares			.... Rupees	
		Authorised		
5,000,000	5,000,000	Ordinary shares of Rs. 10/- each	**50,000,000**	50,000,000
		Issued, subscribed and paid-up capital		
		Ordinary shares of Rs. 10 each fully paid :		
2,000,000	2,000,000	In cash	**20,000,000**	20,000,000
1,038,700	1,038,700	Other than cash against loan	**10,387,000**	10,387,000
303,870	303,870	Bonus shares	**3,038,700**	3,038,700
3,342,570	3,342,570		**33,425,700**	33,425,700

14.1 The Company has one class of ordinary shares which carries no right to fixed income. The holders are entitled to receive dividend from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

14.2 Following shares of the Company were held by an associate as at the balance sheet date.

Name of the associate	2015	2014
	Number of Ordinary shares of Rs. 10 each	
Island Textile Mills Limited	**366,300**	366,300

14.3 The Company has no reserved shares for issuance under options and sales contracts.

15. RESERVES

	Note	2015	2014
		.... Rupees	
General reserve		**750,000,000**	750,000,000
Other reserve	15.1	**5,996,360**	5,996,360
Unrealized loss on investment available-for-sale		**(318,018)**	(198,240)
		755,678,342	755,798,120

15.1 This represents remission of principal amount payable to an associated undertaking and directors in term of revival package in the year 1983.`

16. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

This represents surplus over book values resulting from the revaluation of leasehold land, building, and plant and machinery. A latest valuation of leasehold land, building and plant and machinery was carried out on June 30, 2015.

	Note	2015	2014
		.... Rupees	....
Balance at July 01		**1,120,752,654**	1,153,934,227
Revaluation surplus during the year		**496,859,547**	-
Transferred to unappropriated profit on account of			
- incremental depreciation		**(26,677,914)**	(29,003,251)
- disposal of property, plant and equipment - net of deferred tax		**(7,913,183)**	(4,178,322)
		(34,591,097)	(33,181,573)
Balance at June 30		**1,583,021,104**	1,120,752,654
Less:			
Related deferred tax liability			
Balance at July 01,		**-**	73,803,112
Adjustment due to change in			
- normal tax rate		**-**	(2,186,322)
Transferred to profit and loss account on account of:			
-disposal - net of deferred tax		**-**	(410,514)
Derecognition of deferred tax on adoption of final tax regime in entirety		**-**	(71,206,276)
Balance at June 30		**1,583,021,104**	1,120,752,654

17. LONG-TERM FINANCES

	Note	2015	2014
From banking companies - secured			
Term finance	17.1	**852,680,405**	657,780,022
Export oriented projects		**-**	1,155,000
Car finance	17.2	**5,299,208**	1,274,920
		857,979,613	660,209,942
Less: Current portion shown under current assets			
Term finance		**(130,567,774)**	(119,652,092)
Export oriented projects		**-**	(1,155,000)
Car finance		**(1,301,756)**	(746,612)
		(131,869,530)	(121,553,704)
		726,110,083	538,656,238

17.1 These facilities are obtained from a banking company which are secured against first equitable mortgage on fixed assets and first specific charge over imported machinery. These facilities are subject to mark-up rate of 3 - 6 months KIBOR plus 1.00 % to 1.25 % per annum (2014: six months KIBOR plus 1.00 % to 1.25 % per annum) with half yearly payments. These finances are repayable in six monthly installments upto August 2021.

17.2 These represents finances obtained from a banking company which are secured against vehicles acquired from such loans and guarantees of the Company. These finances are subject to mark-up at the rate of three months KIBOR plus 1.00% - 1.30% per annum (2014: three months KIBOR plus 1.00%) per annum and are repayable in 60 monthly installments of ending in April 2020.

	Note	2015	2014
		.... Rupees	
18. DEFERRED LIABILITIES			
Staff gratuity	18.1	**60,264,011**	51,266,843
Compensated absences		**3,242,321**	2,870,765
		63,506,332	54,137,608

18.1 Staff gratuity

Defined Benefit Scheme			
Workmen	18.1.1	**25,364,817**	18,628,217
Non workmen	18.1.13	**34,899,194**	32,638,626
		60,264,011	51,266,843

18.1.1 Workmen

The details of the workmen - defined benefit scheme obligation based on actuarial valuations carried out by independent actuary as at June 30, 2015 under the Projected Unit Credit Method, are as follows:

	2015	2014
	.... Rupees	
Net liability in the balance sheet		
Present value of defined benefit obligation	**25,364,817**	18,628,217
18.1.2 Expense recognised in the profit and loss account		
Current service cost	**12,585,096**	7,951,551
Interest cost	**1,663,573**	1,631,848
	14,248,669	9,583,399
18.1.3 Remeasurement losses / (gains) recognised in other comprehensive income		
Actuarial gains on defined benefit obligation		
Changes in financial assumptions	-	(4,096,736)
Changes in demographic assumptions	-	(35,312)
Experience adjustments	**169,731**	6,589,584
	169,731	2,457,536
18.1.4 Movement in defined benefit obligation		
Opening defined benefit obligation	**18,628,217**	14,189,982
Current service cost	**12,585,096**	7,951,551
Interest cost	**1,663,573**	1,631,848
Actuarial loss	**169,731**	2,457,536
Benefits paid during the year	**(7,681,800)**	(7,602,700)
Closing defined benefit obligation	**25,364,817**	18,628,217
18.1.5 Movement in net liability in the balance sheet		
Balance as at July 01	**18,628,217**	14,189,982
Add: Charge for the year	**14,248,669**	9,583,399
Remeasurement loss recognised in other comprehensive income	**169,731**	2,457,536
Less: Payment made during the year	**(7,681,800)**	(7,602,700)
Balance as at June 30	**25,364,817**	18,628,217

18.1.6 The principal assumptions used in the valuation of gratuity (Workmen - Defined benefit scheme)

	2015	2014
Discount rate (% per annum)	**10.5**	13.25
Expected rate of salary increase (% per annum)	**8.5**	11.25
Mortality rate	**SLIC 2001-05**	SLIC 2001-05
Expected withdrawl rate for actuarial assumptions	**Moderate**	Moderate

18.1.7 Sensitvity analysis

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

	Increase/(decrease) in obligtion		
	Change in assumptions	**Increase in assumptions**	**Decrease in assumptions**
	.... Rupees		....
Discount rate	1%	**(2,335,183)**	2,807,364
Expected rate of salary increase	1%	**2,958,921**	(2,494,362)
Mortality age	1 year	**-**	-

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

18.1.8 The scheme exposes the Company to the actuarial risks such as:
Mortality / withdrawal risks

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

Longevity risks

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

18.1.9 Expected contribution to the scheme for the year ending June 30, 2016 is Rs. 14,010,252

	2015	2014
18.1.10 The weighted average duration of the defined benefit obligation in years	**10.71**	12

18.1.11 The expected maturity analysis of undiscounted retirement benefit obligation is:

	2015	2014
	Undiscounted payments	
	.............Rupees	....
Year 1	1,059,115	2,997,336
Year 2	674,315	3,789,702
Year 3	1,704,573	3,586,493
Year 4	1,183,565	4,281,500
Year 5	1,402,129	4,249,288
Year 6-10 years	8,318,964	17,657,676
Year 11 and above	180,547,715	78,882,065

18.1.12 There are no plan assets against defined benefit obligation.

	Note	2015	2014
		.... Rupees	
18.1.13 Non workmen			
Balance as at July 01		**32,638,626**	29,096,440
Charge for the year		**8,726,710**	7,437,249
Payment during the year		**(6,466,142)**	(3,895,063)
Balance as at June 30		**34,899,194**	32,638,626

19. TRADE AND OTHER PAYABLES

	Note	2015	2014
Creditors		**56,587,298**	43,906,734
Accrued liabilities	19.1 & 19.2	**311,404,567**	305,186,921
Advance from customers		**859,666**	6,940,277
Workers' Profit Participation Fund	19.3	**-**	354,694
Workers' Welfare Fund		**34,079,603**	30,910,031
Withholding income tax		**1,191,340**	847,301
Sales tax payable		**487,440**	835,613
Unclaimed dividend		**1,124,496**	1,070,115
Others		**2,074,558**	91,249
		407,808,968	390,142,935

19.1 This includes Rs. 209.902 million (2014: Rs. 186.02 million) payable to an associated undertaking in respect of power charges.

19.2 This includes Rs. 44.406 million (2014: Rs. 41.13 million) provision for Sindh Development and Infrastructure cess which was levied by the Sindh Excise and Tax Department on goods entering or leaving the province through air or sea at prescribed rate under Sindh Finance Ordinance, 2001. The levy was challenged by the Company along with other companies in the High Court of Sindh. The High Court of Sindh through an interim order passed on May 31, 2011 ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure cess should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed. The management is confident for a favorable outcome however, as a matter of prudence, Company has paid Rs. 44.406 million (50%) of the value of infrastructure fee in cash and recorded liability for the remaining amount which is supported by a bank guarantee.

	Note	2015	2014
19.3 Workers' Profits Participation Fund		.... Rupees	
Opening balance		**354,694**	15,031,130
Add: Allocation for the year		**-**	354,694
Interest on funds utilized in the Company's business	28	**21,782**	1,006,880
		376,476	16,392,704
Less: Payments made to the fund during the year		**(376,476)**	(16,038,010)
Closing balance		**-**	354,694

19.3.1 Interest on fund is charged @ 11.25% (2014: 15%) per annum.

20. INTEREST / MARK-UP ACCRUED ON BORROWINGS

	Note	2015	2014
Long-term finance		**22,814,560**	20,315,456
Short-term borrowings		**23,961,801**	4,483,669
		46,776,361	24,799,125

21. SHORT-TERM BORROWINGS

From banking companies - secured

	Note	2015	2014
Finance against import / export	21.1	**611,306,136**	499,909,164
Short term running finances	21.2	**498,201,689**	-
		1,109,507,825	499,909,164

21.1 These arrangements are secured against pledge of imported cotton with 10% margin, export are secured through hypothecation of stocks and receivable, pledge of cotton and export proceeds. These facilities are subject to markup rate at three months KIBOR plus 0.75% and fixed rate ranging from 1.90% to 4% (2014: three month KIBOR plus 0.7% to 1%) per annum.

21.2 These facilities are secured against pledge of stock with 10% margin and hypothecation of stocks and receivable. These facilities are subject to markup rate of three month Kibor plus 0.65% to 0.75%

21.3 Total facilities available to the Company from various commercial banks amounted to Rs. 3,870 million (2014: Rs. 3,420 million) out of which aggregate unavailed facilities amounted to Rs 2,760 million (2014: Rs. 2,920 million).

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

There is no contingency outstanding against the Company at year end.

22.2 Commitments

	Note	2015	2014
		.... Rupees	....
(i) Civil works		**1,921,793**	43,035,549
(ii) Letters of credit			
- plant and machinery		**42,111,000**	253,859,084
- stores and spares		**693,028**	13,406,721
- raw materials		**27,360,713**	-
(iii)Bank guarantees issued on behalf of the Company	22.2.1	**95,165,872**	109,465,955
(iv) Bills discounted			
- local		**6,900,696**	86,185,721
- export		**354,992,070**	548,101,676
(v) Outstanding sales contract		**42,917,138**	32,782,943

22.2.1 This includes bank guarantee related to Sindh Development Infrastructure cess amounting to Rs. 54.1 million (2014: Rs. 54.1 million).

23. SALES - NET

	2015	2014
	.... Rupees	....
Export		
-Yarn	**2,922,304,310**	2,148,992,806
-Yarn (indirect export)	**1,060,164,567**	2,057,289,552
-Waste	**283,317**	196,899
	3,982,752,194	4,206,479,257
Local		
-Yarn	**275,785,847**	412,539,118
-Raw material	**160,712,266**	982,098
-Waste	**56,425,516**	42,319,385
	492,923,629	455,840,601
	4,475,675,823	4,662,319,858
Less:		
Discount	**-**	(1,072,487)
Sales tax	**(27,320,124)**	(48,483,738)
	4,448,355,699	4,612,763,633

	Note	2015	2014
		.... Rupees	
24. COST OF GOODS SOLD			
Cost of goods manufactured	24.1	**4,047,673,507**	4,225,956,664
Finished goods (including waste stock)			
Opening stock		**186,669,674**	175,450,223
Closing stock	8	**(247,209,911)**	(186,669,674)
		(60,540,237)	(11,219,451)
Cost of manufactured goods sold		**3,987,133,270**	4,214,737,213
Cost of raw material sold		**192,222,256**	1,919,340
		4,179,355,526	4,216,656,553

24.1 Cost of goods manufactured

	Note	2015	2014
Raw material	24.1.1	**3,027,939,322**	3,335,547,196
Packing material		**80,599,932**	70,234,191
Stores and spares		**66,933,141**	62,296,837
Power and fuel		**447,540,030**	416,733,405
Salaries, wages and benefits	24.1.2	**266,579,441**	214,749,189
Depreciation	4.2	**102,445,730**	90,341,917
Insurance		**10,180,668**	13,766,512
Repairs and maintenance		**11,612,710**	11,251,203
Other overheads		**26,957,854**	18,288,312
		4,040,788,828	4,233,208,762
Work-in-process			
Opening stock		**34,047,966**	26,795,868
Closing stock	8	**(27,163,287)**	(34,047,966)
		6,884,679	(7,252,098)
		4,047,673,507	4,225,956,664
24.1.1 Raw material consumed			
Opening stock		**629,002,568**	847,153,628
Purchases - net		**3,081,334,234**	3,117,396,136
		3,710,336,802	3,964,549,764
Closing stock	8	**(682,397,480)**	(629,002,568)
		3,027,939,322	3,335,547,196

24.1.2 Salaries, wages and benefits include Rs. 18.55 million (2014: Rs. 14.03 million) in respect of staff retirement benefits.

	Note	2015	2014
		.... Rupees	
25. DISTRIBUTION COST			
Brokerage and commission		**38,650,931**	76,513,809
Export expenses		**45,556,445**	27,835,936
Local freight and handling		**3,842,334**	11,634,491
Sea freight		**29,765,081**	18,384,021
Staff salaries and benefits	25.1	**5,250,379**	4,925,275
Bank charges		**1,368,574**	2,576,101
Local selling expenses		**3,929,924**	3,011,676
Others		**77,971**	728,544
		128,441,639	145,609,853

25.1 Staff salaries and benefits include Rs. 0.34 million (2014 : Rs. 0.43 million) in respect of the staff retirement benefits.

		Note	2015	2014
			.... Rupees	
26.	**ADMINISTRATIVE EXPENSES**			
	Staff salaries and benefits	26.1	**50,358,411**	38,324,826
	Directors remuneration		**5,155,000**	4,820,569
	Depreciation	4.2	**10,131,953**	7,509,536
	Legal and professional		**1,414,640**	4,126,833
	Rent rates and taxes		**3,028,920**	4,158,982
	Fees and subscription		**4,319,434**	2,801,838
	Utilities		**1,898,351**	3,300,405
	Traveling and conveyance		**935,095**	4,411,839
	Vehicles running		**1,981,311**	1,947,319
	Printing and stationery		**777,126**	1,002,473
	Postage and telephone		**2,123,666**	2,476,236
	Amortization	5	**1,375,721**	1,338,622
	Auditors' remuneration	26.2	**1,403,250**	1,130,000
	Donation	26.3	**2,353,600**	1,500,000
	Repairs and maintenance		**1,453,259**	2,273,534
	Insurance		**1,074,480**	897,002
	Advertisement		**15,000**	36,000
	Other		**830,521**	517,809
			90,629,738	82,573,823

26.1 Staff salaries and benefits include Rs. 3.81 million (2014 : Rs. 2.55 million) in respect of the staff retirement benefits.

26.2 Auditors' remuneration

	2015	2014
Annual audit fee	**650,000**	650,000
Fee for review of :		
- Condensed interim financial information	**75,000**	75,000
- Compliance with Code of Corporate Governance	**25,000**	25,000
- Tax services	**100,000**	-
- Certifications and other services	**517,000**	380,000
	1,367,000	1,130,000
-Sales Tax	**36,250**	-
	1,403,250	1,130,000

26.3 None of the directors or their spouse had any interest in the donee's fund.

		Note	2015	2014
27.	**OTHER OPERATING EXPENSES**			
	Workers' Profit Participation Fund		**-**	354,694
	Workers' Welfare Fund		**3,169,572**	3,690,299
	Loss on disposal of property, plant and equipment		**2,519,876**	3,383,096
	Loss on forward contracts		**-**	19,252,212
	Exchange loss		**10,011,662**	-
			15,701,110	26,680,301
28.	**FINANCE COST**			
	Interest / mark-up on :			
	Long-term finance		**80,788,317**	70,954,797
	Short-term borrowings		**57,899,329**	88,476,353
	Workers' Profit Participation Fund	19.3	**21,782**	1,006,880
	Letters of credit discounting charges		**4,972,597**	14,883,892
	Bank charges and guarantee commission		**1,616,166**	4,244,231
			145,298,191	179,566,153

		Note	2015	2014
			.... Rupees	
29.	**OTHER INCOME**			
	Income from financial assets			
	Profit on term deposits receipts		**1,690,781**	1,974,265
	Profit on savings accounts		**640,759**	664,602
	Exchange gain		**-**	27,436,404
			2,331,540	30,075,271
	Income from non-financial assets			
	License income		**4,247,100**	4,247,100
	Rent income		**904,533**	-
	Insurance claim		**176,474**	2,815,388
			5,328,107	7,062,488
			7,659,647	37,137,759
30.	**TAXATION**			
	Current			
	- for the year		**40,039,612**	28,003,935
	- for prior year		**2,270,637**	-
	Deferred	30.2	**-**	(64,011,262)
			42,310,249	(36,007,327)

30.1 The numerical reconciliation between the tax expense and accounting profit has not been presented for the current and comparative year in these financial statements as the total income of the Company for the current and comparative year attracted minimum tax under Section 113 of the Income Tax Ordinance, 2001 and its export sales fall under final tax regime.

30.2 As per circular 20 of 1992 issued by tax authorities, a Company having export sales more than 80 percent of the overall sales can opt for taxation under Final Tax Regime. The Company's management, has considered the said option for filing the income tax return for tax year 2015 relevant to the year ended on June 30, 2015. Therefore no deferred tax has been recognised as at year end.

31. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic (loss)/earnings per share of the Company which is based on :

		2015	2014
(Loss) / profit for the year	**Rupees**	**(145,721,107)**	34,822,036
Weighted average number of ordinary shares in issue		**3,342,570**	3,342,570
Earnings per share	**Rupees**	**(43.60)**	10.42

		Note	2015	2014
32.	**CASH AND CASH EQUIVALENTS**		.... Rupees	
	Cash and bank balances	13	**41,137,964**	36,297,774
	Short-term running finances	21	**(498,201,689)**	-
			(457,063,725)	36,297,774

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements in respect of remuneration and benefits to the Chief Executive and Executives are as follows:

	2015 Chief Executive	2015 Executives	2014 Chief Executive	2014 Executives
	Rupees			
Remuneration	**5,040,000**	**36,513,385**	4,700,569	29,755,025
Bonus / Ex-gratia	**400,000**	**3,011,127**	-	2,827,900
Retirement benefits	**400,000**	**3,011,127**	-	2,827,900
Leave encashment	**-**	**1,505,563**	-	1,413,950
Utilities	**-**	**-**	497,462	-
	5,840,000	**44,041,202**	5,198,031	36,824,775
No. of person	**1**	**24**	1	15

33.1 The Chief Executive and certain Executives are also entitled for use of car owned and maintained by the Company.

33.2 An amount of Rs 0.12 million (2014: Rs 0.12 million) has been charged in these financial statements in respect of fee paid to Directors for attending Board meetings.

34. PLANT CAPACITY AND ACTUAL PRODUCTION

	Note	2015	2014
Number of spindles installed		**36,078**	30,564
Number of spindles worked		**36,078**	30,564
Number of shifts per day		**3**	3
Installed capacity after conversion into 20/s count-kgs	34.1	**12,806,181**	10,128,466
Actual production of yarn after conversion into 20/s count-kgs		**10,814,390**	9,446,157

34.1 During the year, new spindle has been installed in march 2015 resulting in an increase of installed capacity.

35. NUMBER OF EMPLOYEES

	2015	2014
Average number of employees during the year	**1,322**	1,262
Number of employees as at June 30	**1,319**	1,326

36. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings and key management personnel. The transactions between the Company and the related parties are carried out as per agreed terms. Amounts due from and to related parties and key management personnel, if any, are shown under receivables and payables. Remuneration of key management personnel is disclosed in note 33 and amount due in respect of staff retirement benefits is disclosed in note 18. Other significant transactions with related parties are as follows:

Relationship with the party	Nature of transactions	2015	2014
		Rupees	
Associated undertakings	Purchase of power	**425,742,838**	416,400,228
	Sale of raw material	**114,319,337**	-
	Purchase of raw material	**42,088,538**	-
	Share of expenses paid	**3,959,955**	1,015,335
	Share of expenses received	**2,918,877**	7,219,634
	Dividend paid	**549,450**	732,600
	License income	**4,247,100**	4,247,100
	Sale of machinery	**6,500,000**	-
Directors	Rent expense	**3,628,920**	3,628,595

	2015	2014
37. FINANCIAL INSTRUMENTS BY CATEGORY	.... Rupees	....
Financial assets as per balance sheet		
Loans and receivables at amortized cost.		
- Long term deposits	**1,012,339**	1,012,339
- Trade debts	**375,037,435**	245,653,253
- Loans	**5,392,607**	3,187,271
- Trade deposits	**21,825**	122,825
- Other receivables	**403,414**	1,344,630
- Cash and bank balances	**41,137,964**	36,297,774
	423,005,584	287,618,092
Held to maturity		
- Other financial assets	**21,036,451**	4,135,000
Available for sale		
- Long term investment	**489,172**	608,950
	444,531,207	292,362,042
Financial liabilities as per balance sheet		
Financial liabilities measured at amortized cost		
- Long term finance	**857,979,613**	660,209,942
- Trade and other payables	**371,190,919**	350,255,019
- Interest / mark up accrued on borrowings	**46,776,361**	24,799,125
- Short term borrowings	**1,109,507,825**	499,909,164
	2,385,454,718	1,535,173,250

37.1 Fair values of financial assets and liabilities

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

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values as the items are short term in nature.

(b) Fair value estimation

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2015 and June 30, 2014, the Company held an investment in shares of a listed banking company (note 6) which has been valued using methodology stated in level 1.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

38.1 Financial risk factors

Introduction and overview

The Company has exposure to the following risks from financial instruments:
- market risk
- credit risk
- liquidity risk
- operational risk

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

Financial risk factors and risk management framework

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

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

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

38.1.1 Market risk

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

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

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company exports yarn and waste stock to foreign customers which exposes it to currency risk. As at June 30, 2015, financial assets include Rs. 271.8 million (2014: Rs. 143.82 million) equivalent to US$ 2.67 million (2014: US$ 1.46 million) and financial liabilities include foreign commission payable amounting to Rs. 536.60 million (2014: Rs. 508.99 million) equivalent to US$ 5.276 million (2014: US$ 5.16 million). The average rates applied during the year is Rs. 101.88 / US $ (2014: Rs. 102.88 /US $) and the spot rate as at June 30, 2015 was Rs. 101.70 / US$ (2014: Rs. 98.75 /US$).

At June 30, 2015, if the Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, profit for the year would have been lower / higher by Rs. 80.94 million (2014 : Rs. 36.52 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency trade debts, US Dollar cash in bank and US Dollar denominated borrowings.

(b) Interest rate risk management

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

The Company's interest rate risk arises from savings accounts with banks, long term finance and short term borrowings amounting to Rs. 1.96 billion (financial liabilities on a net basis) (2014: Rs. 1.15 billion). These are benchmarked to variable rates which exposes the Company to cash flow interest rate risk only.

Variable rate instruments	Carrying amount	
	2015	2014
	Rupees	
Financial assets		
- savings accounts with banks	**81,876**	3,607,916
Financial liabilities		
- long term finance	**852,680,405**	657,780,022
- short term borrowings	**1,109,507,825**	499,909,164
	(1,962,188,230)	(1,157,689,186)
Net financial liabilities at variable interest rates	**(1,962,106,354)**	(1,154,081,270)

Cash flow sensitivity analysis for variable rate instrument

If interest rates had been 100 basis points lower / higher and all other variables were held constant, the Company's profit for the year ended June 30, 2015 would increase / decrease by Rs. 12.82 million (2014: Rs.16.250 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

Fixed rate instruments

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

(c) Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As at year end, there are no material financial instruments of the Company which are subject to equity price risk.

38.1.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Financial assets which are subject to credit risk amounted to Rs. 443.367 million (2014: Rs. 290.13 million)

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

Name of bank	Credit rating short term	Long term
Soneri Bank Limited	A1+	AA-
Bank of Punjab	A1+	AA-
Bank Al-Falah Limited	A1+	AA
MCB Bank Limited	A1+	AAA
Askari Bank Limited	A1+	AA
Allied Bank Limited	A1+	AA+
National Bank of Pakistan	A-1+	AAA
JS Bank Limited	A1 +	A+
Meezan Bank Limited	A-1+	AA

Credit risk related to receivables

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable, where appropriate. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Credit risk related to other assets

Credit risk from other assets primarily relates to Company's investment in term deposits issued by a bank (note 12). The risk is managed through ensuring that such investments are made in instruments issued by reputed banks with good credit ratings. The credit rating of the investee banks is as follows:

	Credit rating short term	Long term
Soneri Bank Limited	A1+	AA-
Habib Metro Bank Limited	A1+	AA+

38.1.3 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. 63% of the Company's debt will mature in less than one year at June 30, 2015 (2014: 89%) based on the carrying value of borrowings reflected in the financial statements.

Liquidity and interest risk table

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Interest rate	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
2015		....	....	.... Rupee	....	....	....
Long term financing	9% - 13%	17,283,887	48,366,045	66,219,598	656,557,608	69,552,475	857,979,613
Trade and other payables		27,723,089	273,713,464	26,600,406	79,772,010	-	407,808,969
Interest / mark-up accrued on loans		22,570,081	16,972,876	5,307,308	1,926,095	-	46,776,360
Short-term borrowings							
Short term running finance	Three months KIBOR plus 0.65 % to 0.75 %	431,902,194	66,299,494	-	-	-	498,201,688
Finance against import / export	Three months KIBOR plus 0.7% to 1%	190,681,560	250,749,854	169,874,719	-	-	611,306,133
		690,160,811	**656,101,733**	**268,002,031**	**738,255,713**	**69,552,475**	**2,422,072,763**
2014		....	....	.... Rupee	....	....	....
Long term financing	9.7% - 13%	2,669,903	48,129,146	70,754,655	538,656,238	-	660,209,942
Trade and other payables		28,684,264	83,685,867	277,772,804	-	-	390,142,935
Interest / mark-up accrued on loans		20,168,587	1,352,222	3,278,316	-	-	24,799,125
		-					
Finance against import / export	Three months KIBOR plus 0.7 % to 1%	-	183,759,164	316,150,000	-	-	499,909,164
		51,522,754	**316,926,399**	**667,955,775**	**538,656,238**	**-**	**1,575,061,166**

38.1.4 Operational risks

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

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

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

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

39. CAPITAL RISK MANAGEMENT

The objectives of the Company when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for stakeholders, and to maintain a strong capital base to support the sustained development of its business. The Company is not subject to any externally imposed capital requirements.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders or issue new shares. The Company's overall strategy remains unchanged from previous year.

The gearing ratio at June 30, 2015 and June 30, 2014 were as follows:

	2015	2014
	.... Rupees	
Total debts	**1,967,487,438**	1,160,119,106
Less: cash and bank balances	**(41,137,964)**	(36,297,774)
Net debt	**1,926,349,474**	1,123,821,332
Total equity	**953,519,758**	1,069,953,132
Adjusted capital	**2,879,869,232**	2,193,774,464
Gearing ratio	**0.67**	0.51

40. OPERATING SEGMENTS

Chief Executive considers the business as a single operating segment as the Company's assets allocation decisions are based on a single, integrated business strategy, and the Company's performance is evaluated on an overall basis.

The information with respect to operating segment is stated below:

(a) 65.70 percent sales of the Company relate to customers outside Pakistan.
(b) All non-current assets of the Company as at year end are allocated within Pakistan.
(c) There are no customers whom sales made during the year exceeded 10 percent of total sales for the year.

41. SUBSEQUENT EVENTS

The Board of Directors at their meeting held on September 30, 2015 have proposed a dividend of Rs.Nil per share (2014: Rs. 1.5 per share) for the year ended June 30, 2015, amounting to Rs.Nil (2014: Rs. 5.01 million), subject to the approval of members at the annual general meeting to be held on October 28, 2015.

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on September 30, 2015.

43. GENERAL

Figures have been rounded off to the nearest Rupee.

ADEEL SHAHID ANWAR TATA
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN/DIRECTOR

FORM OF PROXY
SALFI TEXTILE MILLS LIMITED

I / We ____

of ______________________ being a member(s) of **SALFI TEXTILE MILLS LIMITED** registered

at Folio No. ______________________ holder of ______________________

ordinary shares hereby appoint Mr./Mrs./Miss. ______________________

who is also a member of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 48th Annual General Meeting of the Company at 5th Floor Textile Plaza, M.A. Jinnah Road, Karachi on Wednesday, October 28, 2015 at 12:30 pm or at any adjournment thereof.

As witness my/our hand this ______________________ day of 2015

signed by the said ______________________ in the presence of

Affix Revenue Stamps of Rs.5/-

1. Witness:

Signature ______________________

Name ______________________

Address ______________________

____
Signature of Member

2. Witness:

Signature ______________________

Name ______________________

Address ______________________

Shareholder's Folio No. ______________________

CDC Participant I.D/Sub A/c # ______________________

CNIC No. | | | | | | | | | | | | | | | |

NOTES:

1. Proxies, in order to be effective, must be receives at the Company's Registered Office 6th Floor Textile Plaza, M.A. Jinnah Road, Karachi, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
2. Signature must agree with the specimen signature registered with the Company.
3. An individual beneficial owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC/Passport to prove his/her identity, and in case of proxy must enclose additionally an attested copy of his/her CNIC/Passport. Representative of corporate members should bring the original usual documents required of such purpose.
4. No person shall act as proxy unless he is a member of the Company.

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