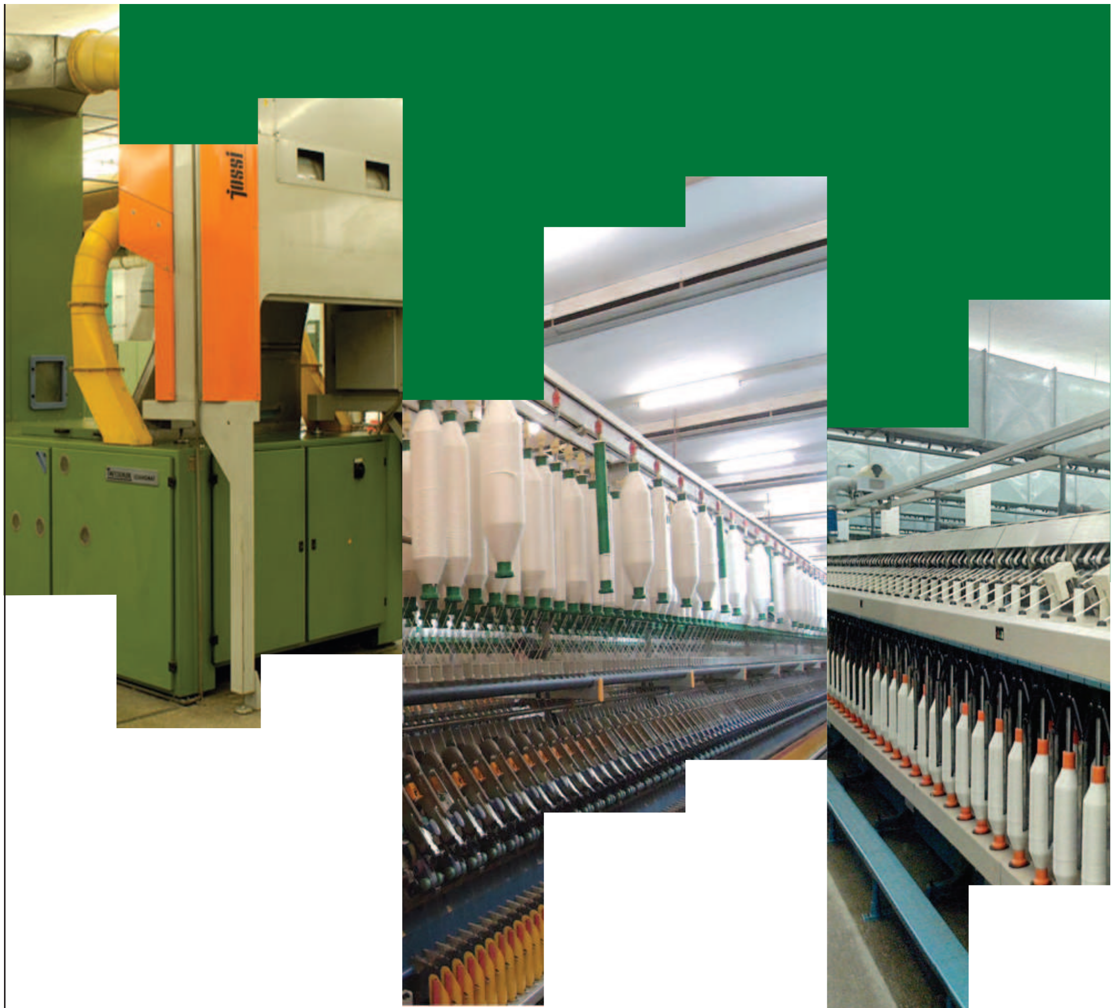


TATA PAKISTAN

ISLAND TEXTILE MILLS LIMITED

Annual Report 2015

CONTENTS

TATA PAKISTAN

COMPANY INFORMATION

BOARD OF DIRECTORS	
CHAIRMAN:	Mr. Anwar Ahmed Tata
CHIEF EXECUTIVE:	Mr. Shahid Anwar Tata
DIRECTORS:	Mr. Adeel 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. Shahid Anwar Tata Mr. Bilal Shahid Anwar
SECRETARY:	Mr. Umar Khawajah
COMPANY SECRETARY & CHIEF FINANCIAL OFFICER:	Mr. Farooq Advani
BANKERS:	Faysal Bank Limited Bank Alfalah Limited Meezan Bank Limited The Bank of Punjab MCB Bank Limited National Bank of Pakistan Soneri Bank Limited Summit Bank Limited Askari Bank Limited Pak Oman Investment Company Limited NIB Bank Limited Dubai Islamic Bank Pakistan 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:	itm.corporate@tatatex.com
MILLS:	A/12, S.I.T.E. Kotri District Jamshoro (Sindh)

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.

RIETER

Com4 ring

CERTIFICATE

Island Textile Mills Limited

Rieter Machine Works Ltd. herewith confirms that the named spinning company is a

LICENSEE

Number: 56413
Valid until: 30.06.2018

who manufactures Com4® quality yarn. The company is allowed to use the brand Com4®ring for ring-spun yarns produced on Rieter ring spinning machines.

Com4® - Yarns of choice

Reto Thom
Head Sales
Machines & Systems

Peter Schulz
Head Products
Machines & Systems

www.rieter.com

RIETER

Com4 compact

CERTIFICATE

Island Textile Mills Limited

Rieter Machine Works Ltd. herewith confirms that the named spinning company is a

LICENSEE

Number: 56413
Valid until: 30.06.2018

who manufactures Com4® quality yarn. The company is allowed to use the brand Com4®compact for compacted ring-spun yarns produced on Rieter compact spinning machines.

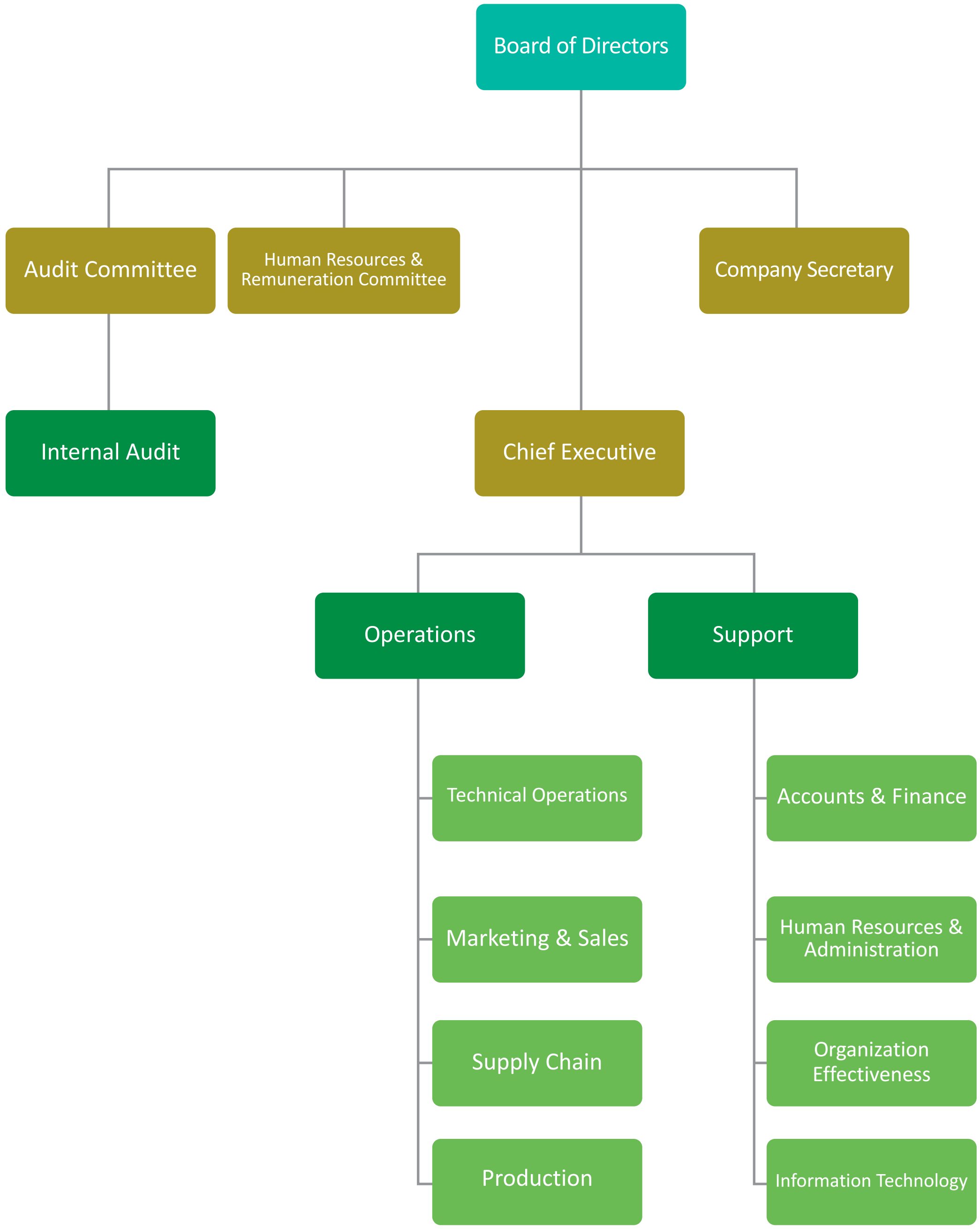
Com4® - Yarns of choice

Reto Thom
Head Sales
Machines & Systems

Peter Schulz
Head Products
Machines & Systems

www.rieter.com

Organization Chart



CHAIRMAN'S REVIEW

Assalam-o-Alaikum,

As Chairman of Island 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.25.796 million.

TEXTILE INDUSTRY

The Textile Industry in Pakistan is the largest Manufacturing Sector and the second largest employment generating Sector in Pakistan and 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 in the rise of export share of our competitors' in the Global market.

We support APTMA in putting forward few of 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 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 Island Textile Mills in terms of production, yield and quality has been very good during the year. The Plant installed capacity utilization remained at 89% and the actual production achieved was around 98.40% of the target set (7,641 tons against the target of 7,765 tons) The capacity has been reduced as we started Intimate Blend with the existing setup which required to run the material at lower speeds.

The Yarn realization of Pakistani Cotton remained at 86.3% for the Cotton Portion and 98.71% for the Polyester Portion.

The major quality issue that we confronted during the year was to produce the yarn for cross dyeing purpose. Temporarily, we started to produce the yarn with manual mixing but for the long run the Management decided to have proper setup for this quality. Therefore a major investment has been made in the Rieter Blow Room Line which is expected to arrive by the end of October 2015.

PROJECTS

Further, we are pleased to announce that Alhamdulillah, our New Rieter Spinning Unit, comprising of 26,784 Spindles stands completed and start subsequent to balance sheet date. For this we congratulate our team for their hard work and commitment for timely completion of the Unit.

We plan to introduce two new brands in the market, which are**: "TATA COM4 RING" and "TATA COM4 COMPACT".**

POWER ISSUES
Energy shortages have continued this year as well beside this, the Govt. 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.

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 Resource plays a vital role in our organization as we believe an efficient and competent HR department is the key to the quality and success of any Organization.

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.

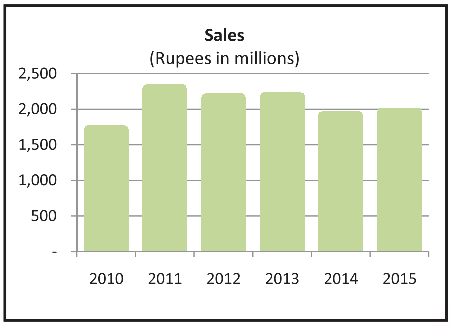
3. **TEAMWORK -** *"To be a business partner and not just as employee"*
   Work effectively with each other to achieve organizational goals with a helping and a positive attitude

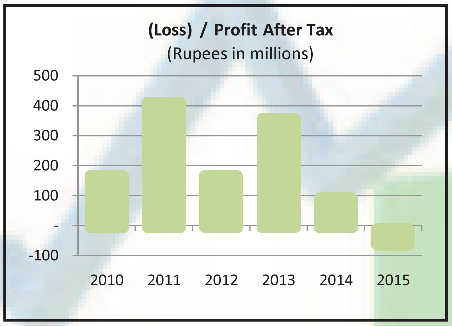
4. **ACCOUNTABILITY -** *"To deliver excellence in results with commitment to all stakeholders"*
   Take responsibility for the success of business marked by continuous development whilst achieving shareholders objectives.

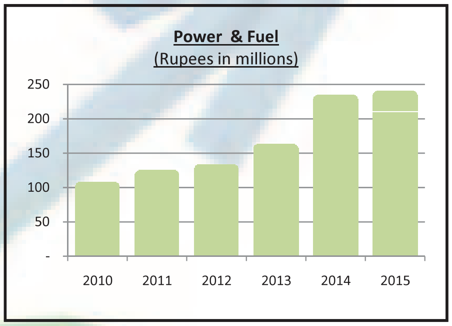
ACKNOWLEDGMENT
We wholeheartedly acknowledge the untiring endeavors of our various teams who are constantly engaged in upholding their commitment to make this organization surpass all the benchmarks of quality and productivity set by the giants of the Industry. As a team we stand highly grateful towards 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.

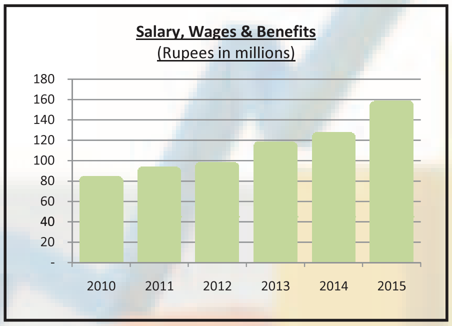
Karachi.
Dated: September 30, 2015

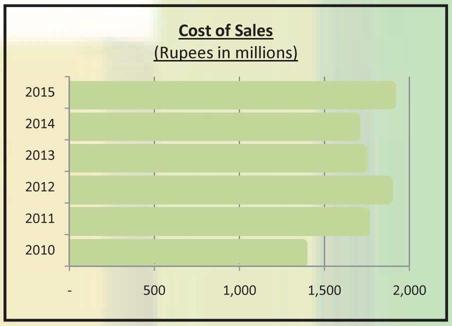
Anwar Ahmed Tata
Chairman

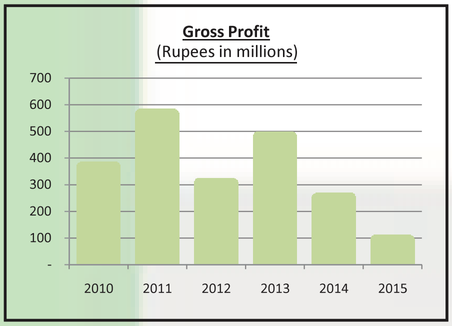

Sales
(Rupees in millions)
2,500
2,000
1,500
1,000
500
-
2010 2011 2012 2013 2014 2015

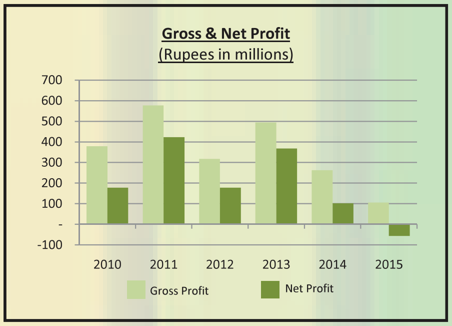

(Loss) / Profit After Tax
(Rupees in millions)
500
400
300
200
100
-
-100
2010 2011 2012 2013 2014 2015

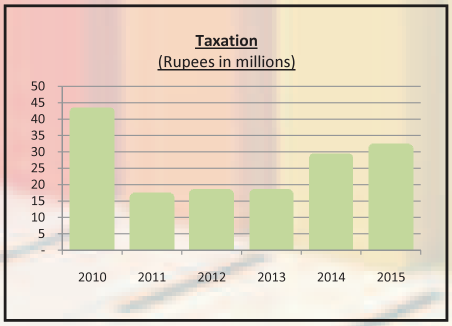

Power & Fuel
(Rupees in millions)
250
200
150
100
50
-
2010 2011 2012 2013 2014 2015

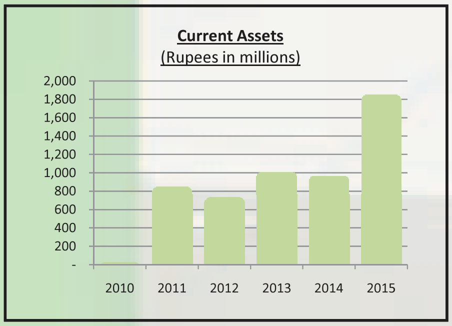

Salary, Wages & Benefits
(Rupees in millions)
180
160
140
120
100
80
60
40
20
-
2010 2011 2012 2013 2014 2015

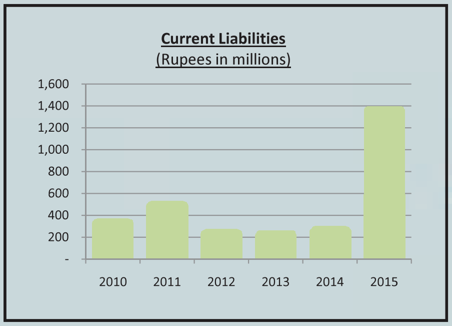

Cost of Sales
(Rupees in millions)
2015
2014
2013
2012
2011
2010
- 500 1,000 1,500 2,000

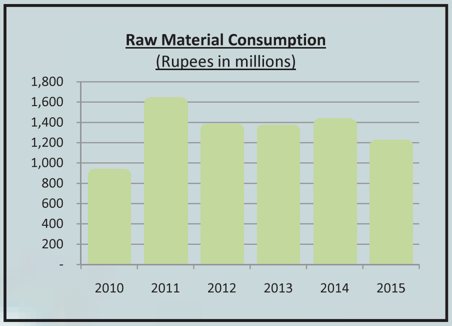

Gross Profit
(Rupees in millions)
700
600
500
400
300
200
100
-
2010 2011 2012 2013 2014 2015

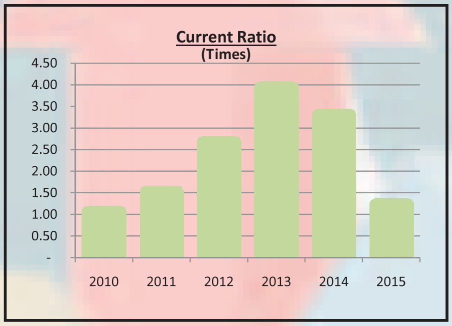

Gross & Net Profit
(Rupees in millions)
700
600
500
400
300
200
100
-
-100
2010 2011 2012 2013 2014 2015
Gross Profit
Net Profit

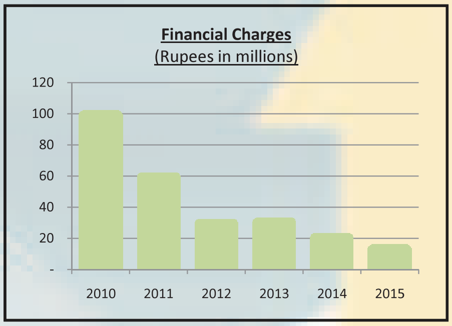

Taxation
(Rupees in millions)
50
45
40
35
30
25
20
15
10
5
-
2010 2011 2012 2013 2014 2015

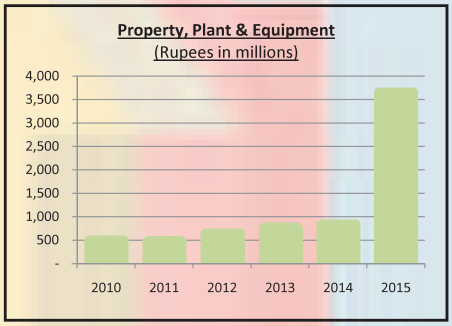

Current Assets
(Rupees in millions)
2,000
1,800
1,600
1,400
1,200
1,000
800
600
400
200
-
2010 2011 2012 2013 2014 2015

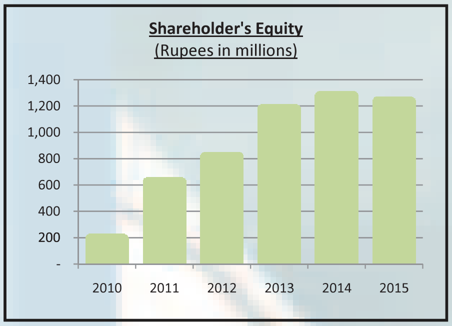

Current Liabilities
(Rupees in millions)
1,600
1,400
1,200
1,000
800
600
400
200
-
2010 2011 2012 2013 2014 2015

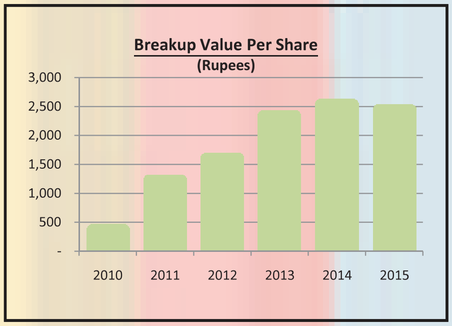

Raw Material Consumption
(Rupees in millions)
1,800
1,600
1,400
1,200
1,000
800
600
400
200
-
2010 2011 2012 2013 2014 2015

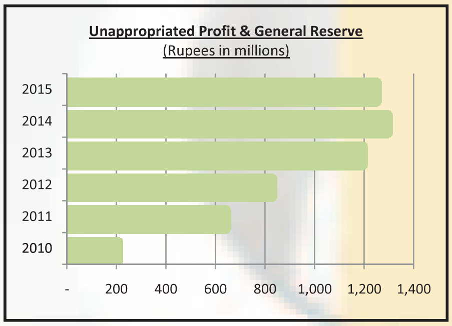

Current Ratio
(Times)
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
-
2010 2011 2012 2013 2014 2015

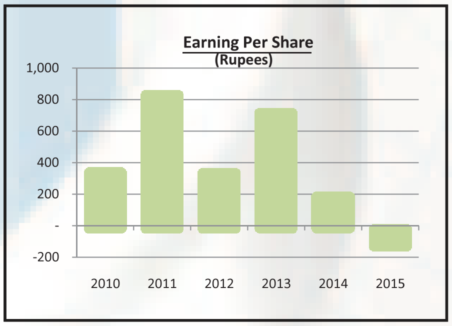

Financial Charges
(Rupees in millions)
120
100
80
60
40
20
-
2010 2011 2012 2013 2014 2015


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


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


Breakup Value Per Share
(Rupees)
3,000
2,500
2,000
1,500
1,000
500
-
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 1,400


Earning Per Share
(Rupees)
1,000
800
600
400
200
-
-200
2010 2011 2012 2013 2014 2015

DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting before you the 46th 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 25.796 million after charging costs, expenses and depreciation for the year.

	(Rupees)
Pre-tax loss for the year	(25,796,448)
Taxation	(31,520,925)
(Loss) after taxation	(57,317,373)
Other Comprehensive Income	(810,952)
Accumulated Profit Brought Forward	394,989,044
Less: Dividend Paid	(2,500,000)
	334,360,719
Transfer from Surplus on Revaluation of Property Plant & Equipment	12,525,175
Share of Associate's transfer from Surplus on Revaluation	4,069,677
Accumulated Profit Carried Forward	350,955,571

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	4
Mr. Adeel Shahid Anwar Tata	4	N/A	N/A
Mr. Bilal Shahid Anwar	2	2	4
Mr. Muhammad Naseem	4	4	4
Mr. Aijaz Ahmed Tariq	3	N/A	N/A
Sheikh 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 Sheikh 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. 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 during the year

AUDITORS

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

ON BEHALF OF THE BOARD OF DIRECTORS

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'	1,998,353	1,948,956	2,218,984	2,193,794	2,319,040	1,750,820
Cost of Goods Sold	Rs.'000'	1,892,072	1,686,062	1,724,870	1,876,110	1,742,481	1,372,136
Gross Profit	Rs.'000'	106,280	262,895	494,114	317,684	576,559	378,684
(Loss) / Profit Before Taxation	Rs.'000'	(25,796)	131,259	385,955	195,922	440,541	221,515
(Loss) / Profit After Taxation	Rs.'000'	(57,317)	102,403	367,715	177,551	423,378	178,436
FINANCIAL DATA							
Equity Balance	Rs.'000'	1,256,547	1,300,878	1,200,069	834,962	647,094	214,363
Property, Plant & Equipment	Rs.'000'	3,719,483	895,592	818,636	715,945	537,076	556,789
Current Assets	Rs.'000'	1,828,801	947,146	984,270	708,077	825,552	406,777
Current Liabilities	Rs.'000'	1,382,872	279,279	244,745	255,832	513,189	352,572
RATIOS							
PROFITABILITY RATIOS							
Gross Profit Margin	%	5.32	13.49	22.27	14.48	24.86	21.63
Operating Profit Margin	%	(0.99)	4.98	13.49	7.72	17.12	10.62
Net Profit Margin	%	(1.29)	6.73	17.39	8.93	19.00	12.65
LIQUIDITY RATIOS							
Current Ratio	Times	1.32	3.39	4.02	2.77	1.61	1.15
Quick Ratio	Times	0.44	1.31	2.53	1.61	0.74	0.41
ACTIVITY / TURNOVER RATIOS							
Days in Receivables	Days	22.54	29.41	28.11	26.32	12.97	14.63
Accounts Receivable Turnover	Times	15.97	12.24	12.81	13.68	27.76	24.61
Inventory Turnover	Times	1.58	2.99	4.92	6.92	4.08	5.46
Working Capital Turnover	Times	4.48	2.92	3.00	4.85	7.42	32.30
Total Assets Turnover	Times	0.34	0.91	1.06	1.31	1.46	1.55
Return on Total Assets	%	(0.97)	4.76	17.52	10.62	26.73	15.83
Return on Equity	%	(3.31)	5.84	21.92	13.41	43.03	33.52
LEVERAGE RATIOS							
Long Term Debt to Equity Ratio	%	160.47	6.61	10.50	6.93	8.84	45.51
Total Debt to Equity Ratio	%	240.38	22.53	25.09	26.26	61.00	111.75
Long Term Debt to Total Assets	Times	0.47	0.05	0.08	0.05	0.05	0.21
Total Debt to Total Assets	Times	0.71	0.18	0.20	0.21	0.38	0.53
Equity to Total Assets	Times	0.29	0.82	0.80	0.79	0.62	0.47
Interest Coverage Ratio	Times	(0.67)	7.02	13.11	7.29	8.26	3.20
OTHERS							
Earning per Shares	Rs	(114.63)	204.81	735.43	355.10	846.76	356.87
Breakup Value of Shares w/o Revaluation Surplus	Rs	2,513.09	2,601.76	2,400.14	1,669.92	1,294.19	428.73
Breakup Value of Shares with Revaluation Surplus	Rs	3,461.46	3,508.01	3,355.03	2,648.12	1,967.67	1,064.57
Cash Dividend	%	-	50.00	50.00	100.00	50.00	50.00

ANALYSIS OF THE FINANCIAL STATEMENT BALANCE SHEET

Particulars	2015	2014	2013	2012	2011	2010
	---------------------Rupees in '000'-----------------					
Assets						
Non Current Assets						
Property, plant and equipment	3,719,483	895,592	818,636	715,945	537,076	556,789
Intangible asset	2,347	3,434	4,194	3,999	2,552	-
Long-term investment	339,339	302,018	290,313	243,363	218,701	163,470
Long-term deposit	1,001	1,001	1,001	325	75	70
Total Non current Assets	**4,062,169**	**1,202,044**	**1,114,143**	**963,631**	**758,405**	**720,329**
Current Asset						
Stores, spares and loose tools	22,940	17,871	14,262	23,776	17,513	11,800
Stock-in-trade	1,198,742	563,588	350,374	271,047	427,256	251,194
Trade debts	125,106	159,227	173,251	160,360	83,553	71,139
Loans and advances	148,217	101,474	66,475	55,965	71,355	36,037
Short-term prepayments	903	467	742	709	1,098	284
Other receivables	402	5,068	335	5,006	41	41
Other financial assets	17,186	25,600	285,789	158,318	206,941	5,541
Sales tax refundable	162,980	9,529	7,815	11,272	5,891	4,482
Cash and bank balances	152,327	64,323	85,227	21,624	11,904	26,260
Total current Assets	**1,828,801**	**947,146**	**984,270**	**708,077**	**825,552**	**406,777**
Total Assets	**5,890,971**	**2,149,191**	**2,098,413**	**1,671,708**	**1,583,957**	**1,127,106**
Equity and Liabilities						
Share Capital & Reserves						
Share Capital & Reserves	5,000	5,000	5,000	5,000	5,000	5,000
Reserves	899,579	899,920	915,502	804	549	558
Unappropriated profit	351,968	395,958	279,566	829,157	641,545	208,805
Total Share Capital & Reserves	**1,256,547**	**1,300,878**	**1,200,069**	**834,962**	**647,094**	**214,363**
Surplus on Revaluation of Property, Plant and Equipment - net of tax	**474,181**	**453,126**	**477,447**	**489,100**	**336,742**	**317,923**
Non Current Liabilities						
Deferred Liabilities	140,802	115,907	91,520	91,814	86,932	104,830
Long term financing	2,636,568	-	84,633	-	-	137,418
Total Non Current Liabilities	**2,777,371**	**115,907**	**176,153**	**91,814**	**86,932**	**242,248**
Current Liabilities						
Trade & other payable	304,850	247,657	200,733	216,422	181,237	141,537
Accrued interest / mark-up on borrowings	82,236	470	2,916	116	9,329	14,633
Short-term borrowings	974,482	-	-	16,584	280,415	153,355
Current portion of long term finance	-	-	19,531	-	-	26,990
Taxation - income tax	21,304	31,151	21,566	22,711	42,208	16,056
Total Current Liabilities	**1,382,872**	**279,279**	**244,745**	**255,832**	**513,189**	**352,572**
Total Equity and Liabilities	**5,890,971**	**2,149,191**	**2,098,413**	**1,671,708**	**1,583,957**	**1,127,106**

ANALYSIS OF THE FINANCIAL STATEMENT
BALANCE SHEET VERTICAL ANALYSIS

Particulars	2015	2014	2013	2012	2011	2010
	%	%	%	%	%	%
Assets						
Non Current Assets						
Property, plant and equipment	63.14	41.67	39.01	42.83	33.91	49.40
Intangible asset	0.04	0.16	0.20	0.24	0.16	-
Long-term investment	5.76	14.05	13.83	14.56	13.81	14.50
Long-term deposit	0.02	0.05	0.05	0.02	0.00	0.01
Total Non current Assets	**68.96**	**55.93**	**53.09**	**57.64**	**47.88**	**63.91**
Current Asset						
Stores, spares and loose tools	0.39	0.83	0.68	1.42	1.11	1.05
Stock-in-trade	20.35	26.22	16.70	16.21	26.97	22.29
Trade debts	2.12	7.41	8.26	9.59	5.27	6.31
Loans and advances	2.52	4.72	3.17	3.35	4.50	3.20
Short-term prepayments	0.02	0.02	0.04	0.04	0.07	0.03
Other receivables	0.01	0.24	0.02	0.30	0.00	0.00
Other financial assets	0.29	1.19	13.62	9.47	13.06	0.49
Sales tax refundable	2.77	0.44	0.37	0.67	0.37	0.40
Cash and bank balances	2.59	2.99	4.06	1.29	0.75	2.33
Total current Assets	**31.04**	**44.07**	**46.91**	**42.36**	**52.12**	**36.09**
Total Assets	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Equity and Liabilities						
Share Capital & Reserves						
Share Capital & Reserves	0.08	0.23	0.24	0.30	0.32	0.44
Reserves	15.27	41.87	43.63	0.05	0.03	0.05
Unappropriated profit	5.97	18.42	13.32	49.60	40.50	18.53
Total Share Capital & Reserves	**21.33**	**60.53**	**57.19**	**49.95**	**40.85**	**19.02**
Surplus on Revaluation of Property, Plant and Equipment - net of tax	**8.05**	**21.08**	**22.75**	**29.26**	**21.26**	**28.21**
Non Current Liabilities						
Deferred Liabilities	2.39	5.39	4.36	5.49	5.49	9.30
Long term financing	44.76	-	4.03	-	-	12.19
Total Non Current Liabilities	**47.15**	**5.39**	**8.39**	**5.49**	**5.49**	**21.49**
Current Liabilities						
Trade & other payable	5.17	11.52	9.57	12.95	11.44	12.56
Accrued interest / mark-up on borrowings	1.40	0.02	0.14	0.01	0.59	1.30
Short-term borrowings	16.54	-	-	0.99	17.70	13.61
Current portion of long term finance	-	-	0.93	-	-	2.39
Taxation - income tax	0.36	1.45	1.03	1.36	2.66	1.42
Total Current Liabilities	**23.47**	**12.99**	**11.66**	**15.30**	**32.40**	**31.28**
Total Equity and Liabilities	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

ANALYSIS OF THE FINANCIAL STATEMENT
PROFIT & LOSS ACCOUNT

Particulars	2015	2014	2013	2012	2011	2010
		--------------------Rupees in '000'------------------------				
Sales	1,998,353	1,948,956	2,218,984	2,193,794	2,319,040	1,750,820
Cost of goods sold	1,892,072	1,686,062	1,724,870	1,876,110	1,742,481	1,372,136
Gross Profit	**106,280**	**262,895**	**494,114**	**317,684**	**576,559**	**378,684**
Distribution cost	55,667	77,580	82,809	54,578	58,593	51,114
Administrative expenses	50,275	53,699	52,173	39,762	28,840	23,799
Other operating expenses	4,584	12,712	28,003	22,923	31,278	17,348
Financial cost	15,448	21,815	31,873	31,130	60,713	100,568
	125,974	165,806	194,858	148,392	179,424	192,829
Share of (Loss) / Profit from Associate - net of tax	(15,942)	6,352	76,143	17,199	36,445	33,530
Other Income	9,840	27,818	10,556	9,431	6,960	2,130
(Loss) / Profit before taxation	**(25,796)**	**131,259**	**385,955**	**195,922**	**440,541**	**221,515**
Taxation	31,521	28,856	18,240	18,372	17,163	43,079
(Loss) / Profit for the year	**(57,317)**	**102,403**	**367,715**	**177,551**	**423,378**	**178,436**

ANALYSIS OF THE FINANCIAL STATEMENT
PROFIT & LOSS VERTICAL ANALYSIS

Particulars	2015	2014	2013	2012	2011	2010
	%	%	%	%	%	%
Sales	100.00	100.00	100.00	100.00	100.00	100.00
Cost of goods sold	94.68	86.51	77.73	85.52	75.14	78.37
Gross Profit	**5.32**	**13.49**	**22.27**	**14.48**	**24.86**	**21.63**
Distribution cost	2.79	3.98	3.73	2.49	2.53	2.92
Administrative expenses	2.52	2.76	2.35	1.81	1.24	1.36
Other operating expenses	0.23	0.65	1.26	1.04	1.35	0.99
Financial cost	0.77	1.12	1.44	1.42	2.62	5.74
	6.30	8.51	8.78	6.76	7.74	11.01
Share of (Loss) / Profit from Associate - net of tax	(0.80)	0.33	3.43	0.78	1.57	1.92
Other Income	0.49	1.43	0.48	0.43	0.30	0.12
(Loss) / Profit before taxation	**(1.29)**	**6.73**	**17.39**	**8.93**	**19.00**	**12.65**
Taxation	1.58	1.48	0.82	0.84	0.74	2.46
(Loss) / Profit for the year	**(2.87)**	**5.25**	**16.57**	**8.09**	**18.26**	**10.19**

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2015

NO. OF SHAREHOLDERS	SHARE-HOLDING FROM	TO	TOTAL SHARES HELD
378	1	100	18,071
51	101	500	11,838
8	501	1000	7,050
13	1001	5000	28,547
1	20001	25000	22,500
1	30001	35000	31,000
1	35001	40000	40,000
1	50001	55000	51,050
1	285001	290000	289,944
445			500,000

CATEGORIES OF SHAREHOLDERS

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors, their Spouse(s) and Minor Children	9	380,641	76.13
Public Sector companies & Corporations	2	150	0.03
Mutual Funds	2	71,000	14.20
Others	8	3,350	0.67
General Public	424	44,859	8.97
	445	500,000	100.00

Detail of Categories of Shareholders
As at June 30, 2015

		No. of Shareholders	Shares Held
DIRECTORS, THEIR SPOUSE(S) & MINOR CHILDREN			
Mr. Anwar Ahmed Tata	(Chairman)	1	289,944
Mr. Shahid Anwar Ahmed Tata	(Chief Executive)	1	22,500
Mr. Adeel Shahid Anwar Tata	(Director)	1	3,447
Mr. Bilal Shahid Anwar	(Director)	1	2,500
Mr. Muhammad Naseem	(Director)	1	2,500
Sheikh Kausar Ejaz	(Director)	1	2,500
Mr. Ejaz Ahmed Tariq	(Director)	1	2,500
Mrs. Parveen Anwar (W/o of Mr. Anwar Ahmed Tata)		1	51,050
Mrs. Saiqa Shahid (W/o of Mr. Shahid Anwar Tata)		1	3,700
		9	**380,641**
PUBLIC SECTOR COMPANIES AND CORPORATIONS3			
Investment Corporation of Pakistan		**2**	**150**
MUTUAL FUNDS			
Golden Arrow Selected Stocks Fund Limited		1	40,000
CDC-Trustee AKD Opportunity Fund		1	31,000
		2	**71,000**
OTHERS			
Fateh Textile Mills Ltd.		1	50
Shafi Lifestyle (Pvt) Limited		1	350
Ever Fresh Farms (Pvt) Limited		1	350
Sherman Securities (Private) Limited		1	500
HH Misbah Securities (Private) Limited		1	1,000
Yasir Mahmood Securities (Pvt) Ltd.		1	350
Adeel Zafar Securities (Pvt) Ltd.		1	50
Fikree's (SMC-Pvt) Ltd.		1	700
		8	**3,350**
GENERAL PUBLIC			
Local		**424**	**44,859**
Grand Total		**445**	**500,000**

Shareholders Holding 5% or more		**Shares Held**	**Percentage**
Mr. Anwar Ahmed Tata	(Chairman)	289,944	57.99
Mrs. Parveen Anwar(W/o of Mr. Anwar Tata)		51,050	10.21
Golden Arrow selected Stock Fund Limited		40,000	8.00
CDC - Trustee AKD Opportunity Fund		31,000	6.20

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 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 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 Directors	Mr. Anwar Ahmed Tata Mr. Aijaz Ahmed Tariq Sheikh Kausar Ejaz Mr. Bilal Shahid Anwar
Executive Director	Mr. Shahid Anwar Tata Mr. Adeel Shahid Anwar Tata

The independent director meets the criteria of independence under clause 5.19.1of 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 have completed the Director's Training Program and became certified director from PICG (Pakistan Institute of Corporate Governance) in previous years and four of the directors are sufficiently experienced to qualify for the criteria for exemption from formal training requirement stated in the Code. Remaining one director shall comply with the requirement of certification under director's training program during the year ended June 30, 2016.

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

11. The directors' report for the year ended June 30, 2015 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 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 every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed Human Resource and Remuneration Committee. It comprises of 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 been complied with.

ON BEHALF OF THE BOARD OF DIRECTORS

SHAHID ANWAR TATA
CHIEF EXECUTIVE

Karachi
Dated : September 30, 2015

NOTICE
of Annual General Meeting

Notice is hereby given that the **46th Annual General Meeting** of the Shareholders of **Island Textile Mills Limited** will be held on **Wednesday** the **October 28, 2015** at 1:30 P.M. at **5th Floor Textile Plaza M.A. Jinnah Road Karachi,** to transact the following business:-

1. To confirm the minutes of the 45th 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.

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 **Island 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
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KCHSU, Shahrah-e-Faisal
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Auditors' Report to the Members

We have audited the annexed balance sheet of **Island 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

	Note	2015	2014
		.... Rupees	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	**3,719,482,754**	895,592,202
Intangible assets	5	**2,346,540**	3,433,618
Long term investments	6	**339,339,393**	302,017,991
Long term deposits		**1,000,610**	1,000,610
		4,062,169,297	1,202,044,421
CURRENT ASSETS			
Stores, spares and loose tools	7	**22,940,013**	17,871,370
Stock-in-trade	8	**1,198,741,874**	563,587,871
Trade debts	9	**125,105,723**	159,226,652
Loans and advances	10	**148,217,013**	101,473,607
Short term prepayments		**902,612**	467,189
Other receivables	11	**401,570**	5,068,345
Other financial assets	12	**17,186,025**	25,599,588
Sales tax refundable		**162,979,562**	9,528,699
Cash and bank balances	13	**152,327,102**	64,323,167
		1,828,801,494	947,146,488
TOTAL ASSETS		**5,890,970,791**	2,149,190,909
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	**5,000,000**	5,000,000
Reserves		**899,578,684**	899,920,181
Unappropriated profit		**351,968,368**	395,958,313
		1,256,547,052	1,300,878,494
Surplus on revaluation of property, plant and equipment	15	**474,181,094**	453,126,252
NON CURRENT LIABILITIES			
Deferred liabilities	16	**140,802,497**	115,906,741
Long term finance	17	**2,636,568,253**	-
		2,777,370,750	115,906,741
CURRENT LIABILITIES			
Trade and other payables	18	**304,850,249**	247,657,481
Short term borrowings	19	**974,481,548**	-
Interest / mark-up accrued on borrowings	20	**82,236,371**	470,442
Provision for income tax		**21,303,727**	31,151,499
		1,382,871,895	279,279,422
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		**5,890,970,791**	2,149,190,909

The annexed notes from 1 to 41 form an integral part of these financial statements.

SHAHID ANWAR TATA
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN/DIRECTOR

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

	Note	**2015**	2014
		.... Rupees	....
Sales - net	22	**1,998,352,510**	1,948,956,467
Cost of goods sold	23	**(1,892,072,341)**	(1,686,061,795)
Gross profit		**106,280,169**	262,894,672
Distribution cost	24	**(55,667,161)**	(77,579,571)
Administrative expenses	25	**(50,275,421)**	(53,699,467)
Other operating expenses	26	**(4,583,959)**	(12,711,937)
Finance cost	27	**(15,447,904)**	(21,815,128)
		(125,974,445)	(165,806,103)
Share of (loss) / profit from associates - net of tax	6	**(15,941,892)**	6,352,124
Other income	28	**9,839,720**	27,818,432
		(6,102,172)	34,170,556
(Loss) / profit before taxation		**(25,796,448)**	131,259,125
Taxation	29	**(31,520,925)**	(28,856,126)
(Loss) / profit for the year		**(57,317,373)**	102,402,999
Other comprehensive income for the year:			
Item that will be reclassified subsequently through profit or loss			
Unrealised loss on remeasurement of investment available-for-sale held by the Company		**-**	(15,250,139)
Company's share in unrealised (loss) / gain on remeasurement of associates' investments	6	**(13,128)**	21,063
Less: deferred tax thereon	16.2	**1,641**	(2,106)
		(11,487)	18,957
		(11,487)	(15,231,182)
Item that will not be reclassified subsequently through profit or loss			
Remeasurement loss on defined benefit plan	16.1.3	**(883,620)**	(2,330,909)
Less: deferred tax thereon	16.2	**116,196**	258,498
		(767,424)	(2,072,411)
Company's share in remeasurement loss on associates' defined benefit plan	6	**(36,618)**	(389,782)
Less: deferred tax thereon	16.2	**4,577**	38,979
		(32,041)	(350,803)
		(799,465)	(2,423,214)
Other comprehensive income		**(810,952)**	(17,654,396)
Total comprehensive income for the year		**(58,128,325)**	84,748,603
Earnings per share - basic and diluted	30	**(114.63)**	204.81

The annexed notes from 1 to 41 form an integral part of these financial statements.

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) / profit before taxation		**(25,796,448)**	131,259,125
Adjustments for:			
Depreciation		**42,421,657**	41,935,382
Amortisation		**1,124,050**	1,093,222
Provision for staff gratuity		**12,474,172**	8,628,620
Provision for compensated absences		**4,123,183**	2,943,227
Finance cost		**96,851,055**	21,815,128
Gain on sale of property, plant and equipment		**(2,450,508)**	(1,363,246)
Share of loss / (profit) from associates		**15,941,892**	(6,352,124)
Unrealized loss on forward contract		**-**	2,660,000
Gain on sale of investments		**(5,393,231)**	(24,798,369)
Operating cash flows before change in working capital		**139,295,822**	177,820,965
(Increase) / decrease in current assets			
Stores, spares and loose tools		**(5,068,643)**	(3,609,319)
Stock-in-trade		**(635,154,003)**	(213,214,031)
Trade debts		**34,120,929**	14,023,852
Loans and advances		**(54,986,105)**	(20,973,395)
Short term prepayments		**(435,423)**	274,527
Other receivables		**4,666,775**	(4,733,084)
Sales tax refundable		**(153,450,863)**	(1,713,803)
Increase in current liabilities			
Trade and other payables		**57,074,324**	44,140,402
Cash used in operations		**(613,937,187)**	(7,983,886)
Payments for			
Finance cost		**(89,440,061)**	(24,260,350)
Staff gratuity		**(7,427,223)**	(8,797,528)
Compensated absences		**(3,677,405)**	(3,238,271)
Income taxes		**(31,131,757)**	(23,563,958)
Net cash used in from operating activities		**(745,613,633)**	(67,843,993)

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		.... Rupees	
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		**(2,793,399,212)**	(120,564,151)
Proceeds from disposal of plant and equipment	4.4	**3,892,446**	3,035,425
Purchase of intangible assets		**(36,972)**	(332,411)
Dividend received from associates	6	**984,248**	1,602,196
Purchase of other financial assets		**(142,027,025)**	(160,000,000)
Proceeds from disposal of other financial assets		**155,535,850**	429,737,775
Net cash (used in) / generated from investing activities		**(2,775,050,665)**	153,478,834
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance obtained / (repaid)		**2,636,568,253**	(104,163,518)
Short term borrowings obtained		**687,225,649**	-
Dividend paid		**(2,381,568)**	(2,375,576)
Net cash generated from / (used in) financing activities		**3,321,412,334**	(106,539,094)
Net decrease in cash and cash equivalents (A+B+C)		**(199,251,964)**	(20,904,253)
Cash and cash equivalents at beginning of the year		**64,323,167**	85,227,420
Cash and cash equivalents at end of the year		**(134,928,797)**	64,323,167
Cash and bank balances	13	**152,327,102**	64,323,167
Running finances	19	**(287,255,899)**	-
		(134,928,797)	64,323,167

The annexed notes from 1 to 41 form an integral part of these financial statements.

SHAHID ANWAR TATA
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN/DIRECTOR

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

	Note	Share capital	Reserves			Company's share in other comprehensive income of associates	Unappropriated profit	Total
			General reserve	Unrealised (loss)/gain in value of investment available for sale	Other reserve			
		Rupees						
Balance at July 01, 2013		**5,000,000**	**900,000,000**	**15,548,108**	**591,481**	**(637,423)**	**279,566,410**	**1,200,068,576**
Total comprehensive income for the year								
Profit after taxation for the year ended June 30, 2014		-	-	-	-	-	102,402,999	102,402,999
Other comprehensive income for the year								
Transfer of unrealised loss on remeasurement of investment available-for-sale		-	-	(15,250,139)	-	-	-	(15,250,139)
Remeasurement loss on defined benefit plan		-	-	-	-	-	(2,072,411)	(2,072,411)
Company's share in unrealised gain on remeasurement of associates' investments - net of tax		-	-	-	-	18,957	-	18,957
Company's share in remeasurement loss on associates' defined benefit plan - net of tax		-	-	-	-	(350,803)	-	(350,803)
		-	-	(15,250,139)	-	(331,846)	100,330,588	84,748,603
Transferred from surplus on revaluation of property, plant and equipment on account of :								
-incremental depreciation		-	-	-	-	-	13,514,745	13,514,745
-disposal		-	-	-	-	-	314,875	314,875
		-	-	-	-	-	13,829,620	13,829,620
Company's share in associates' surplus on revaluation of property, plant and equipment on account of incremental depreciation and disposal - net of deferred tax		-	-	-	-	-	4,731,695	4,731,695
Transactions with owners								
Final cash dividend for the year ended June 30, 2013 @ Rs. 5 per share		-	-	-	-	-	(2,500,000)	(2,500,000)
Balance at June 30, 2014		**5,000,000**	**900,000,000**	**297,969**	**591,481**	**(969,269)**	**395,958,313**	**1,300,878,494**
Total comprehensive income for the year								
(Loss) after taxation for the year ended June 30, 2015		-	-	-	-	-	(57,317,373)	(57,317,373)
Other comprehensive income for the year								
Transfer of unrealised loss on remeasurement of investment available-for-sale		-	-	(297,969)	-	-	-	(297,969)
Remeasurement loss of defined benefit plan		-	-	-	-	-	(767,424)	(767,424)
Company's share in unrealised loss on remeasurement of associates' investments - net of tax		-	-	-	-	(11,487)	-	(11,487)
Company's share in remeasurement loss on associates' defined benefit plan - net of tax		-	-	-	-	(32,041)	-	(32,041)
		-	-	(297,969)	-	(43,528)	(58,084,797)	(58,426,294)
Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation	15	-	-	-	-	-	12,525,175	12,525,175
Company's share in associates' surplus on revaluation of property, plant and equipment on account of incremental depreciation and disposal - net of deferred tax		-	-	-	-	-	4,400,579	4,400,579
Impact of change in deferred tax rate		-	-	-	-	-	(330,902)	(330,902)
Transactions with owners								
Final cash dividend for the year ended June 30, 2014 @ Rs. 5 per share		-		-	-	-	(2,500,000)	(2,500,000)
Balance at June 30, 2015		**5,000,000**	**900,000,000**	**-**	**591,481**	**(1,012,797)**	**351,968,368**	**1,256,547,052**

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

Island Textile Mills Limited (the Company) is a public limited company incorporated in Pakistan on May 20, 1970 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 Kotri Industrial Estate in the Province of Sindh.

2. BASIS OF PREPERATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

- certain property, plant and equipment measured at revalued amounts less accumulated depreciation;
- recognition of certain staff retirement benefits at present value; and
- investment in associates recognized and measured using equity method of accounting

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgment 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 intangibles (note 3.2)
- investment in associate accounted for under equity method (note 3.3)
- Valuation of stores and spares and stock-in-trade (note 3.4 and 3.5)
- Impairment of financial and non-financial assets (note 3.10)
- Staff retirement benefit - gratuity scheme (note 3.16)
- Taxation (note 3.21)

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 standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

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, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standards or Amendments	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 to all the years presented, unless otherwise stated.

3.1 Property, plant and equipment

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

Leasehold land, building, plant and machinery and electric installations 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 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. Improvements 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 net of deferred tax 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 connected to the specific assets incurred during installation and construction period are carried under CWIP. Expenditures include borrowing costs as referred to in note 3.17. Items are transferred to 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 programmes 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. Amortisation 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. Amortisation charge is recognised in the profit and loss account. The rates of amortisation are disclosed in note 5.

3.3 Investment in associates

Associates are all entities over which the Company has significant influence but not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Company’s share of its associates’ post acquisition profits or losses is recognised in profit and loss account and its share in associates' post acquisition comprehensive income is taken in Company's other comprehensive income. Cumulative post acquisition movements are adjusted against the carrying value of the investments. Distributions received from associates reduce the carrying amount of the investment. When the Company’s share of losses in associates equals or exceeds its interest in the associates including any other long term unsecured receivable, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

Gain on transactions between the Company and its associates are eliminated to the extent of the Company’s interest in the associates.

The carrying amount of the investment is tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount and loss, if any, is recognised in the profit and loss account.

3.4 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.

3.5 Stock-in-trade

Stock-in-trade is valued at lower of cost or 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 consists 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 stock-in-trade can be realized in the normal course of business less net estimated cost of completion and cost to make sale.

Where NRV charge subsequently reverses, the carrying value of the stock-in-trade 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.

3.6 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.

3.7 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 finance. Running finances under mark-up arrangements are shown with short term borrowings in current liabilities on the balance sheet.

3.8 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 costs. 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.

3.9 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.

3.10 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 assets and inventories may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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 or loss, 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.

3.11 Offsetting of financial assets and financial liabilities

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

3.12 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.

3.13 Share capital

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

3.14 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.

3.15 Surplus on revaluation of property, plan and equipment

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 depreciation with respect to revalued assets is determined and recognized as follows:

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;

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.

3.16 Staff retirement benefits

The Company manages two unfunded schemes for its workmen and non-workmen categories, the details of which are as

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.

All actuarial gains and losses are recognised in 'other comprehensive income' as they occur.

Defined benefit plan - Non workmen

The Company also maintains a retirement plan for all its employees under non-workmen category. Under this plan, every employee under non-workmen category 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 of 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.

3.17 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 method.

3.18 Provisions

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

3.19 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.

3.20 Borrowing

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.

3.21 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 assessments framed / finalized during the year.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the reporting 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 carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

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

3.22 Revenue recognition

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

- 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 a customer.

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

3.23 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.

3.24 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.

	Note	2015	2014
		---------------- Rupees ----------------	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	**782,879,055**	786,432,646
Capital work-in-progress	4.5	**2,936,603,699**	109,159,556
		3,719,482,754	895,592,202

4.1 Operating assets

Particulars	Cost / revalued amount at July 01, 2014	Additions	Disposals	Cost / revalued amount at June 30, 2015	Accumulated depreciation at July 01, 2014	Depreciation for the year	Accumulated depreciation on disposals	Accumulated depreciation at June 30, 2015	Written down value at June 30, 2015	Rate
	----------Rupees----------									%
Leasehold land	68,650,000	-	-	68,650,000	-	-	-	-	68,650,000	-
Buildings on leasehold land										
Mills	128,998,207	6,857,153	-	135,855,360	10,828,063	6,192,354	-	17,020,417	118,834,943	5
Other	66,732,468	16,544,436	-	83,276,904	6,399,861	3,769,055	-	10,168,916	73,107,988	5
Office premises	791,365	-	-	791,365	605,298	18,607	-	623,905	167,460	10
Plant and machinery	539,398,371	14,286,264	-	553,684,635	48,721,951	25,213,134	-	73,935,085	479,749,550	5
Electric installations	17,867,908	-	-	17,867,908	14,216,598	365,131	-	14,581,729	3,286,179	10
Mills equipment	8,693,967	1,539,339	-	10,233,306	3,430,496	678,745	-	4,109,241	6,124,065	10
Computer equipment	6,442,563	745,286	(131,450)	7,056,399	4,213,247	794,091	(128,853)	4,878,485	2,177,914	30
Furniture and fixtures	8,785,523	61,026	-	8,846,549	1,755,884	706,524	-	2,462,408	6,384,141	10
Office equipment	4,600,263	-	-	4,600,263	766,895	383,337	-	1,150,232	3,450,031	10
Leasehold improvements	11,266,700	-	-	11,266,700	2,216,736	904,996	-	3,121,732	8,144,968	10
Vehicles	30,726,332	276,500	(5,245,856)	25,756,976	13,365,992	3,395,683	(3,806,515)	12,955,160	12,801,816	20
June 30, 2015	892,953,667	40,310,004	(5,377,306)	927,886,365	106,521,021	42,421,657	(3,935,368)	145,007,310	782,879,055	

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 for the year	Accumulated depreciation on disposals	Accumulated depreciation at June 30, 2014	Written down value at June 30, 2014	Rate
	Rupees									%
Leasehold land	68,650,000	-	-	68,650,000	-	-	-	-	68,650,000	-
Buildings on leasehold land										
Mills	104,458,532	24,539,675	-	128,998,207	5,222,927	5,605,136	-	10,828,063	118,170,144	5
Other	65,071,890	1,660,578	-	66,732,468	3,253,594	3,146,267	-	6,399,861	60,332,607	5
Office premises	791,365	-	-	791,365	584,624	20,674	-	605,298	186,067	10
Plant and machinery	522,374,757	18,664,234	(1,640,620)	539,398,371	23,587,715	25,287,220	(152,984)	48,721,951	490,676,420	5
Electric installations	17,867,908	-	-	17,867,908	13,810,897	405,701	-	14,216,598	3,651,310	10
Mills equipment	6,526,467	2,167,500	-	8,693,967	2,912,355	518,141	-	3,430,496	5,263,471	10
Computer equipment	6,108,939	333,624	-	6,442,563	3,335,948	877,299	-	4,213,247	2,229,316	30
Furniture and fixtures	5,978,675	2,806,848	-	8,785,523	1,175,132	580,752	-	1,755,884	7,029,639	10
Office equipment	3,339,485	1,260,778	-	4,600,263	392,488	374,407	-	766,895	3,833,368	10
Leasehold improvements	11,266,700	-	-	11,266,700	1,211,184	1,005,552	-	2,216,736	9,049,964	10
Vehicles	29,623,673	1,801,780	(699,121)	30,726,332	9,766,337	4,114,233	(514,578)	13,365,992	17,360,340	20
June 30, 2014	**842,058,391**	**53,235,017**	**(2,339,741)**	**892,953,667**	**65,253,201**	**41,935,382**	**(667,562)**	**106,521,021**	**786,432,646**	

		Note	2015	2014
			.... Rupees	
4.2	**Depreciation for the year has been allocated as under:**			
	Cost of goods manufactured	23.1	**37,383,464**	35,822,395
	Administrative expenses	25	**5,038,193**	6,112,987
			42,421,657	41,935,382

4.3 Had there been no revaluation the related figures of leasehold land, buildings on leasehold land, plant and machinery and electric installations would have been as follows:

	June 30, 2015			**June 30, 2014**		
	Cost	**Accumulated Depreciation**	**Writen down value**	**Cost**	**Accumulated Depreciation**	**Writen down value**
	.... Rupees					
Land - leasehold	**1,056,000**	**-**	**1,056,000**	1,056,000	-	1,056,000
Building on leasehold land						
Mills	**94,231,985**	**35,747,594**	**58,484,391**	87,374,832	32,731,586	54,643,246
Others	**47,001,442**	**13,083,626**	**33,917,816**	30,457,006	11,377,212	19,079,794
Plant and machinery	**538,168,521**	**231,874,750**	**306,293,771**	523,882,257	215,790,867	308,091,390
Electric installations	**16,051,961**	**13,246,144**	**2,805,817**	16,051,961	12,934,386	3,117,575
	696,509,909	**293,952,114**	**402,557,795**	658,822,056	272,834,051	385,988,005

Revaluation of leasehold land, building and plant and machinery was last carried out on June 30, 2012 while revaluation of electric installations was carried out on September 30, 2003. Revaluations were conducted by the independent professional valuer M/s. Iqbal A. Nanjee & Co. on the basis of market value or depreciated replacement values as applicable. Revaluation surplus has been credited to Surplus on revaluation of property, plant and equipment to comply with the requirements of Section 235 of the Companies Ordinance, 1984.

4.4 Disposal of property, plant and equipment

Detail of operating plant & equipments disposed off during the year as follows:

Particulars	**Cost / Revalued**	**Accumulated Depreciation**	**Written down Value**	**Sale Proceeds**	**Mode of disposal**	**Particulars of buyers**
	.... Rupees					
Vehicle	857,160	718,147	139,013	775,000	Negotiation	Dildar Ahmed, House # 35/D Goushat Galli, Quaidabad, Landhi Karachi.
Vehicle	1,548,320	1,207,266	341,054	1,056,000	Negotiation	Muhammad Yaseen, Flat # 10, Jaitpur Square, Block-14, F.B. Area, Karachi
Vehicle	596,250	467,299	128,951	571,890	Negotiation	Noman Ahmed Siddiqui, House # A-98, Block-2, Gulshan-e-Iqbal, Karachi.
Vehicle	638,671	510,780	127,891	206,080	Settlement	Aqil Ahmed, House No. R-216, North Karachi, Sector-7D, Karachi.
Vehicle	1,546,015	845,153	700,862	1,280,000	Negotiation	Toyota Western Motor
Assets having written down value less then Rs. 50,000	190,890	186,723	4,167	3,476	Negotiation	Various
June 30, 2015	**5,377,306**	**3,935,368**	**1,441,938**	**3,892,446**		
June 30, 2014	2,339,741	667,562	1,672,179	3,035,425		

		Note	2015	2014
			.... Rupees	
4.5	**Capital work-in-progress**			
	Unit 1			
	Civil work		**4,643,687**	90,242,354
	Plant and machinery		**7,192,414**	-
	Capital inventory items		**5,327,981**	18,917,202
			17,164,082	109,159,556
	Unit 2			
	Civil work		**451,346,026**	-
	Plant and machinery - import value and ancillary costs		**2,342,614,798**	-
	Electrical works		**94,897,376**	-
	Assembling cost	4.5.1	**22,855,132**	-
	Capital inventory items		**7,726,285**	-
		4.5.2	**2,919,439,617**	-
			2,936,603,699	109,159,556

4.5.1 Assembling cost comprises of labour, power and overheads incurred during the construction of Unit 2 plant at Kotri which was completed subsequent to balance sheet date.

4.5.2 Borrowing costs of Rs. 75.02 million incurred on long term finance used (refer note 17) and Rs. 6.38 million for short term borrowing costs attributable to Unit 2 at Kotri is included.

5. INTANGIBLE ASSETS

Particulars	Cost as at July 01, 2014	Additions	Cost as at June 30, 2015	Accumulated amortisation as at July 01, 2014	Amortisation for the year	Accumulated amortisation as at June 30, 2015	Book value as at June 30, 2015	Rate of amortisation
	......			Rupees			......	%
License fee	802,761	36,972	839,733	250,393	163,633	414,026	425,707	20
ERP software	4,802,084	-	4,802,084	1,920,834	960,417	2,881,251	1,920,833	20
	5,604,845	**36,972**	**5,641,817**	**2,171,227**	**1,124,050**	**3,295,277**	**2,346,540**	

For comparative period

Particulars	Cost as at July 01, 2013	Additions	Cost as at June 30, 2014	Accumulated amortisation as at July 01, 2013	Amortisation for the year	Accumulated amortisation as at June 30, 2014	Book value as at June 30, 2014	Rate of amortisation
	......			Rupees			......	%
License fee	470,350	332,411	802,761	117,588	132,805	250,393	552,368	20
ERP software	4,802,084	-	4,802,084	960,417	960,417	1,920,834	2,881,250	20
	5,272,434	332,411	5,604,845	1,078,005	1,093,222	2,171,227	3,433,618	

6. LONG-TERM INVESTMENTS

Investment in associates - on equity method.

	Salfi Textile Mills Limited	Tata Textile Mills Limited	Total 2015	Total 2014
	....................Rupees....................			
Opening balance	**240,101,354**	**61,916,637**	**302,017,991**	290,312,838
Share of (loss) / profit of associate - net of tax	**(15,971,033)**	**29,141**	**(15,941,892)**	6,352,124
Dividend received	**(549,450)**	**(434,798)**	**(984,248)**	(1,602,196)
Share of unrealized loss on remeasurement of investment available-for-sale	**(13,128)**	**-**	**(13,128)**	21,063
Share of adjustment in deferred tax due to				
- income subject to FTR	**-**	**(186,712)**	**(186,712)**	(83,705)
- normal tax rate	**-**	**28,194**	**28,194**	231,036
Derecognition of deferred tax due to FTR	**-**	**-**	**-**	7,176,613
Revaluation arising on property, plant and equipment	**54,455,806**	**-**	**54,455,806**	-
Remeasurement of defined benefit obligation	**(18,603)**	**(18,015)**	**(36,618)**	(389,782)
	37,903,592	**(582,190)**	**37,321,402**	11,705,153
Closing balance	**278,004,946**	**61,334,447**	**339,339,393**	302,017,991

	Note	2015	2014
Salfi Textile Mills Limited			
Number of shares held		**366,300**	366,300
Cost of investment (Rupees)		**1,998,000**	1,998,000
Ownership interest		**10.96%**	10.96%
Market value of investment (Rupees)		**42,772,851**	45,003,618
Tata Textile Mills Limited			
Number of shares held		**434,798**	434,798
Cost of investment (Rupees)	6.1	**-**	-
Ownership interest		**2.51%**	2.51%
Market value of investment (Rupees)		**12,696,102**	18,913,713

6.1 In 2013, Salfi Textile Mills Limited (STML) an associated undertaking distributed its investment in Tata Textile Mills Limited (TTML) as a specie dividend. The Company received 434,798 shares of TTML in the ratio of 1,187 shares of TTML against 1,000 shares in STML which were recognized as an investment in associate.

6.2 Summarized financial highlights of the associates are as follows:

	Note	2015	2014
		.... Rupees	
Salfi Textile Mills Limited			
Total assets		**5,062,159,573**	3,847,908,495
Total liabilities		**2,525,618,711**	1,657,202,709
Sales		**4,448,355,699**	4,612,763,633
(Loss) /profit for the year		**(145,721,102)**	34,822,036
Other comprehensive income		**(289,509)**	(2,265,353)
Tata Textile Mills Limited			
Total assets		**4,361,093,356**	4,355,721,151
Total liabilities		**1,917,496,261**	1,888,927,083
Sales		**5,066,353,330**	5,297,306,623
Profit for the year		**1,160,981**	101,021,077
Other comprehensive income		**(717,739)**	(4,798,266)

7. STORES, SPARES AND LOOSE TOOLS

	Note	2015	2014
Stores and spares		**22,780,896**	17,820,906
Loose tools		**159,117**	50,464
		22,940,013	17,871,370

8. STOCK-IN-TRADE

	Note	2015	2014
Raw material		**1,039,817,344**	293,342,303
Work-in-process		**10,801,972**	12,259,855
Finished goods	8.1	**146,270,455**	255,914,592
Waste		**1,852,103**	2,071,121
		1,198,741,874	563,587,871

8.1 The above balance is net of provision for write-down of inventories to their net realizable values aggregating to Rs. 6.56 million (2014: Rs. 1.76 million). The write-down pertained to finished goods has been charged to cost of good sold.

9. TRADE DEBTS

	Note	2015	2014
		.... Rupees	
Considered good			
Local - unsecured		**108,701,774**	159,226,652
Export - secured	9.1	**16,403,949**	-
		125,105,723	159,226,652

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

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

9.3 As at June 30, 2015, trade debts aggregating Rs.107.26 million (2014: Rs. 116.18 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 above past due trade debts do not require any provision for impairment. The ageing of these past due trade debts is as follows:

9.4 Ageing of past due but not impaired

	2015	2014
	.... Rupees	
1-30 days	**69,305,234**	101,032,378
31-90 days	**34,000,596**	11,200,986
91-120 days	**64,848**	111,128
121 days and above	**3,894,115**	3,839,160
	107,264,793	116,183,652

		Note	2015	2014
			.... Rupees	
10.	**LOANS AND ADVANCES**			
	Due from employees	10.1	**6,465,266**	3,561,394
	Advance to suppliers		**71,619,709**	21,653,283
	Advance income tax		**65,474,966**	73,717,665
	Advance against letters of credit		**4,657,072**	2,541,265
			148,217,013	101,473,607

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

		Note	2015	2014
11.	**OTHER RECEIVABLES**		.... Rupees	
	Considered good			
	Relating to disposal of fixed asset		**401,570**	-
	Insurance claim receivable		**-**	5,068,345
			401,570	5,068,345
12.	**OTHER FINANCIAL ASSETS**			
	Investment			
	- Held-to-maturity	12.1	**17,186,025**	159,000
	- Available for sale	12.2	**-**	25,440,588
			17,186,025	25,599,588

12.1 These represent term deposit receipts with maturity upto December 22, 2015. These carry profit/mark-up at the rate of 9.5% per annum (2014: 9.5% per annum).

12.2 These represented units of investment in ABL cash fund which were disposed off during the year.

		Note	2015	2014
13.	**CASH AND BANK BALANCES**		.... Rupees	
	Cash at bank			
	In current accounts		**148,089,204**	52,084,902
	In savings accounts	13.1	**1,153,349**	11,808,027
			149,242,553	63,892,929
	Cash in hand		**3,084,549**	430,238
			152,327,102	64,323,167

13.1 These carry mark-up rate ranging from 4.5% to 5% (2014: 7% to 9.6%) per annum.

14. SHARE CAPITAL

2015	2014		2015	2014
Number of Ordinary Shares of Rs. 10 each			.... Rupees	
1,000,000	1,000,000	**Authorised Share Capital**	**10,000,000**	10,000,000
		Issued, subscribed and paid-up capital		
500,000	500,000	Fully paid in cash	**5,000,000**	5,000,000

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

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

15. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

This represents surplus over book value resulting from the revaluation of leasehold land, buildings, plant and machinery and electric installations of both own assets and Company's share in associates surplus.

	Own assets	Company's share in associate's surplus	2015	2014
			.... Total	
	.... Rupees		....	
Opening balance	**355,492,476**	**126,811,532**	**482,304,008**	503,116,074
Increase arising on revaluation of property, plant and equipment carried out at year end	**-**	**54,455,806**	**54,455,806**	-
Transferred to unappropriated profit on account of:				
- incremental depreciation	**(12,525,175)**	**(3,373,412)**	**(15,898,587)**	(17,351,191)
- disposal of property, plant and equipment	**-**	**(1,027,167)**	**(1,027,167)**	(1,210,124)
Related deferred tax liability	**(1,896,436)**	**(628,654)**	**(2,525,090)**	(2,250,751)
	(14,421,611)	**49,426,573**	**35,004,962**	(20,812,066)
Closing balance	**341,070,865**	**176,238,105**	**517,308,970**	482,304,008
Related deferred tax liability				
Opening balance	**31,927,937**	**(2,750,181)**	**29,177,756**	(25,669,517)
Rate adjustment	**-**	**3,598,934**	**3,598,934**	-
Adjustment due to income subject to FTR	**2,937,352**	**163,373**	**3,100,725**	(11,788,623)
Change in tax rate	**2,993,244**	**(24,669)**	**2,968,575**	(429,319)
On revaluation surplus arising during the year	**-**	**6,806,976**	**6,806,976**	-
Transferred to profit and loss account on account of:				
- incremental depreciation	**(1,896,436)**	**(481,916)**	**(2,378,352)**	2,112,004
- disposal	**-**	**(146,738)**	**(146,738)**	138,747
Derecognition of deferred tax due to adoption of FTR by STML	**-**	**-**	**-**	6,458,952
Closing balance	**(35,962,097)**	**(7,165,779)**	**(43,127,876)**	(29,177,756)
	305,108,768	**169,072,326**	**474,181,094**	453,126,252

16. DEFERRED LIABILITIES

	Note	2015	2014
		.... Rupees	....
Staff gratuity	16.1	**33,252,833**	27,322,264
Compensated absences		**974,333**	528,555
Deferred taxation	16.2	**106,575,331**	88,055,922
		140,802,497	115,906,741

16.1 Staff gratuity

	Note	2015	2014
Workmen	16.1.1	**15,354,651**	10,848,005
Non-workmen	16.1.13	**17,898,182**	16,474,259
		33,252,833	27,322,264

16.1.1 Workmen

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

	2015	2014
	.... Rupees	
Net liability in the balance sheet		
Present value of defined benefit obligation	**15,354,651**	10,848,005

16.1.2 Expense recognised in the profit and loss account

	2015	2014
Current service cost	**5,953,210**	4,351,892
Interest cost	**1,031,316**	715,734
	6,984,526	5,067,626

16.1.3 Remeasurement losses recognised in other comprehensive income

`

	2015	2014
Actuarial (gains) / losses on defined benefit obligation:		
Changes in financial assumptions	**-**	(3,213,295)
Changes in demographic assumptions	**-**	(28,942)
Experience adjustments	**883,620**	5,573,146
	883,620	2,330,909

16.1.4 Movement in defined benefit obligation

	2015	2014
Opening defined benefit obligation	**10,848,005**	8,998,070
Current service cost	**5,953,210**	4,351,892
Interest cost	**1,031,316**	715,734
Actuarial losses	**883,620**	2,330,909
Benefits paid during the year	**(3,361,500)**	(5,548,600)
Closing defined benefit obligation	**15,354,651**	10,848,005

16.1.5 Movement in net liability in the balance sheet

	2015	2014
Opening balance of net liability	**10,848,005**	8,998,070
Add: Charge for the year	**6,984,526**	5,067,626
Remeasurement loss recognised in other comprehensive income	**883,620**	2,330,909
Less: Payment made during the year	**(3,361,500)**	(5,548,600)
Closing balance of net liability	**15,354,651**	10,848,005

16.1.6 The principal assumptions used

	2015	2014
Discount rate (% per annum)	**10.50**	13.25
Expected rate of salary increase (% per annum)	**8.50**	11.25
Mortality rate	**SLIC 2001-05**	SLIC 2001-05
Expected withdrawal rate for actuarial assumptions	**Moderate**	Moderate

16.1.7 Sensitivity analysis

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

	Change in assumption	Impact on obligation: Increase in assumption	Impact on obligation: Decrease in assumption
		.... Rupees	
Discount rate	1%	**(1,499,242)**	**1,812,105**
Expected rate of salary increase	1%	**1,902,386**	**(1,594,077)**
Mortality rate	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.

16.1.8 The Scheme exposes the Company to the actuarial risks such as:

Salary risks

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

Mortality / withdrawal risks

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

Longevity 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.

16.1.9 Expected contribution to the scheme for the year ending June 30, 2016 is Rs. 10.86 million.

16.1.10 There are no plan assets against defined benefit obligation.

16.1.11 The weighted average duration of the defined benefit obligation is 11.96 years (2014: 15 years).

16.1.12 The expected maturity analysis of undiscounted retirement benefit obligation is as follows:

	2015	2014
	Undiscountated payments	
	.... Rupees	
Less than a year	**645,586**	1,122,428
Between 1-2 years	**679,335**	1,304,441
Between 2-3 years	**926,387**	1,442,642
Between 3-4 years	**730,955**	1,636,973
Between 4-5 years	**1,159,837**	1,461,531
Between 6-10 years	**5,809,719**	7,549,256
11 years and above	**206,619,003**	56,981,063

	2015	2014
	.... Rupees	
16.1.13 Non-workmen		
Opening balance	**16,474,259**	16,162,193
Charge for the year	**5,489,646**	3,560,994
Payment made during the year	**(4,065,723)**	(3,248,928)
	17,898,182	16,474,259

16.2 Deferred taxation

	Opening Balance	Deferred tax recognised in: Profit & Loss Account	Other Comprehensive Income	Surplus on revaluation of Property, Plant and Equipment	Closing Balance
		.... Rupees			
Movement for the year ended June 30, 2015					
Deferred tax liabilities on taxable temporary differences arising in respect of :					
- Property, plant and equipment	**29,655,400**	**6,626,201**	**-**	**-**	**36,281,601**
- Investment in associate	**29,993,154**	**(2,115,767)**	**(6,218)**	**10,717,000**	**38,588,169**
- Surplus on revaluation of property, plant and equipment	**31,927,937**	**(1,896,436)**	**-**	**5,930,596**	**35,962,097**
	91,576,491	**2,613,998**	**(6,218)**	**16,647,596**	**110,831,867**
Deferred tax assets on deductible temporary differences arising in respect of :					
- Staff gratuity	**(3,029,869)**	**(1,110,471)**	**(116,196)**	**-**	**(4,256,536)**
- Stock-in-trade NRV write down	**(195,724)**	**195,724**	**-**	**-**	**-**
- Unrealised loss on forward contracts	**(294,976)**	**294,976**	**-**	**-**	**-**
	88,055,922	**1,994,227**	**(122,414)**	**16,647,596**	**106,575,331**

	Opening Balance	Deferred tax recognised in: Profit & Loss Account	Other Comprehensive Income	Surplus on revaluation of Property, Plant and Equipment	Closing Balance
		.... Rupees			
Movement for the year ended June 30, 2014					
Deferred tax liabilities on taxable temporary differences arising in respect of :					
- Property, plant and equipment	17,323,583	12,331,817	-	-	29,655,400
- Investment in associate	28,822,641	474,993	(36,873)	732,393	29,993,154
- Surplus on revaluation of property, plant and equipment	21,302,406	(1,725,008)	-	12,350,539	31,927,937
	67,448,630	11,081,802	(36,873)	13,082,932	91,576,491
Deferred tax assets on deductible temporary differences arising in respect of :					
- Staff gratuity	(1,898,061)	(873,310)	(258,498)	-	(3,029,869)
- Stock-in-trade NRV write down	(14,304)	(181,420)	-	-	(195,724)
- Unrealised loss on forward contracts	-	(294,976)	-	-	(294,976)
	65,536,265	9,732,096	(295,371)	13,082,932	88,055,922

17. LONG TERM FINANCE

	Note	2015	2014
		.... Rupees	
From banking companies - secured			
Syndicate term finance	17.1	**2,124,874,327**	-
Syndicate long term finance	17.2	**511,693,926**	-
		2,636,568,253	-

17.1 It represents amount utilized out of a term finance facility of Rs. 3,000 million obtained from a syndicate of commercial banks. It is secured against first charge on entire fixed assets of the Company. It is subject to mark-up at the rates of 6 months' KIBOR plus 1.4 % per annum. It is repayable in 07 years, including 02 years grace period for principal repayment. Mark-up is payable semi annually in arrears and principal in equal semi-annual installments from August 2017.

17.2 It represents amount utilized against facility obtained from the agent of the syndicate under a sublimit of Rs. 760 million out of finance facility provided under term finance facility of Rs. 3,000 million as mentioned in note 17.1 above. It is secured against first charge on entire fixed assets of the Company. It is subject to mark-up at SBP Refinance Rate of 4.5% per annum plus Bank spread (i.e. 3%). The facility is repayable in 07 years, including 02 years grace period for principal repayment.

17.3 During the year these finances have been used for construction of new Mill at Kotri and therefore borrowing cost incurred thereon have been capitalized as part of cost of such Unit.

18. TRADE AND OTHER PAYABLES

	Note	2015	2014
		.... Rupees	
Creditors		**55,735,022**	44,005,028
Accrued liabilities	18.1 & 18.2	**214,140,205**	165,704,166
Advance from customers		**25,203**	25,203
Workers' Profit Participation Fund	18.3	-	5,601,177
Workers' Welfare Fund		**29,144,081**	27,252,312
Unclaimed dividend		**1,057,980**	939,536
Withholding income tax		**2,450,037**	746,211
Revaluation of forward contract		-	2,660,000
Other liabilities		**2,297,721**	723,848
		304,850,249	247,657,481

18.1 It includes Rs. 103.40 million (2014: Rs. 90.11 million) payable to an associated undertaking in respect of power charges.

18.2 It includes Rs. 49.63 million (2014: 32.06 million) on account provision for Sindh Development and Infrastructure Cess which was levied by the Excise and Tax Department of Government of Sindh on goods entering or leaving the province through air or sea at prescribed rate under Sindh Finance Ordinance, 2001. The levy was initially challenged by the Company along with other companies in the High Court of Sindh after which several proceedings were held. The High Court of Sindh through its 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, the Company has paid Rs. 49.63 million (50%) of the value of infrastructure cess in cash and recorded liability for the remaining amount.

	Note	2015	2014
		.... Rupees	
18.3 Workers' Profits Participation Fund			
Opening balance		**5,601,177**	16,378,661
Add: Allocation for the year		**-**	5,601,177
Interest on funds utilized in the Company's business	18.3.1	**1,041,589**	2,776,520
		6,642,766	24,756,358
Less: Payments made to the fund during the year		**(6,642,766)**	(19,155,181)
Closing balance		**-**	5,601,177

18.3.1 Interest on funds utilised is charged @ 37.5% (2014: 37.5%).

19. SHORT TERM BORROWINGS

	Note	2015	2014
From banking companies			
Finance against import	19.1	**557,403,563**	-
Trust receipt finances	19.2	**99,312,086**	-
Finances against export	19.3	**30,510,000**	-
Running finances	19.4	**287,255,899**	-
	19.5	**974,481,548**	-

19.1 These are subject to mark-up at the rate of three to six months average of 2.40% to 2.75% inclusive of LIBOR per annum and are secured against pledge of stock and charge on receivables.

19.2 These are subject to mark-up at the rate ranging from one to six months average of 7.34% to 7.83% inclusive of KIBOR per annum and are secured against pledge of stock and charge on receivables.

19.3 These are subject to mark-up at the rate six months 2% inclusive of LIBOR and are secured against pledge of stock and charge on receivables.

19.4 These are subject to mark-up at the rate of ranging to from one month 8.74% to 10.96% inclusive of KIBOR per annum. These facilities are secured against pledge of stock and pari passu charge over current assets of the Company.

19.5 Total short term borrowing facilities available from various commercial banks amounted to Rs. 2,520 million. Out of these the aggregate unavailed short term borrowing facilities are of Rs. 1,546 million.

20. INTEREST / MARK-UP ACCRUED ON BORROWINGS

	Note	2015	2014
On secured:		.... Rupees	
Long term finance			
- Syndicate term finance		**71,021,437**	-
- Syndicate long term finance		**3,333,498**	-
Short term borrowings		**7,881,436**	470,442
		82,236,371	470,442

21. CONTINGENCIES AND COMMITMENTS

	Note	2015	2014
		.... Rupees	
Contingencies			
Estimated financial impact labour and workmen compensation cases in court of law		**1,235,624**	1,235,624
Commitments			
Letters of credit in respect of purchase of:			
-Raw material		**23,125,766**	24,853,400
-Spares and machinery		**91,937,858**	2,010,738,893
Bank guarantees	21.1	**65,675,500**	53,452,500
Bills discounted		**39,027,560**	31,423,365
Outstanding sales contracts		**8,533,850**	52,821,320
Forward contracts		**-**	206,520,000

21.1 This includes bank guarantee related to infrastructure cess for an amount of Rs. 49.63 million (2014: Rs. 32.06 million) refer note 18.2.

22. SALES - NET

	Note	2015	2014
		.... Rupees	
Local			
- Yarn		**1,054,836,076**	911,979,778
- Raw material		**41,272,436**	-
- Waste		**8,508,505**	12,970,040
		1,104,617,017	924,949,818
Export			
-Yarn		**179,107,587**	270,635,434
-Yarn (indirect export)		**750,190,329**	786,937,636
		929,297,916	1,057,573,070
		2,033,914,933	1,982,522,888
Less: Sales tax		**(35,562,423)**	(33,566,421)
		1,998,352,510	1,948,956,467

23. COST OF GOODS SOLD

	Note	2015	2014
Cost of goods manufactured	23.1	**1,738,008,694**	1,896,453,915
Finished goods (including waste)			
Opening stock		**257,985,713**	47,593,593
Closing stock		**(148,122,558)**	(257,985,713)
		109,863,155	(210,392,120)
Cost of manufactured goods		**1,847,871,849**	1,686,061,795
Cost of raw material sold		**44,200,492**	-
		1,892,072,341	1,686,061,795

		Note	2015	2014
			.... Rupees	
23.1	**Cost of goods manufactured**			
	Raw material	23.1.1	**1,204,820,421**	1,417,445,404
	Stores and spares		**48,769,696**	30,351,774
	Packing material		**27,057,378**	26,862,922
	Fuel and power		**238,214,756**	232,334,991
	Salaries, wages and benefits	23.1.2	**156,515,194**	126,461,309
	Depreciation	4.2	**37,383,464**	35,822,395
	Other overheads		**11,394,018**	9,863,960
	Insurance		**5,154,314**	5,656,846
	Repairs and maintenance		**7,241,570**	7,854,514
			1,736,550,811	1,892,654,115
	Work-in-process			
	Opening stock		**12,259,855**	16,059,655
	Closing stock		**(10,801,972)**	(12,259,855)
			1,457,883	3,799,800
			1,738,008,694	1,896,453,915
23.1.1	**Raw material consumed**			
	Opening stock		**293,342,303**	286,720,592
	Purchases - net		**1,951,295,462**	1,424,067,115
			2,244,637,765	1,710,787,707
	Closing stock	8	**(1,039,817,344)**	(293,342,303)
			1,204,820,421	1,417,445,404

23.1.2 Salaries, wages and benefits include Rs. 9.92 million (2014: Rs. 7.01 million) in respect of staff retirement benefits.

24. DISTRIBUTION COST

	Note	2015	2014
		.... Rupees	
Brokerage and commission		**36,921,767**	56,662,258
Export expenses		**3,172,806**	4,957,558
Local freight and handling		**9,897,412**	9,384,343
Sea freight		**2,739,456**	3,391,007
Salaries and benefits	24.1	**2,935,720**	3,184,405
		55,667,161	77,579,571

24.1 Salaries and benefits include Rs. 0.24 million (2014: Rs. 0.28 million) in respect of the staff retirement benefits.

25. ADMINISTRATIVE EXPENSES

	Note	2015	2014
		.... Rupees	
Salaries and benefits	25.1	**28,496,471**	27,425,170
Travelling and conveyance		**832,954**	2,991,640
Depreciation	4.2	**5,038,193**	6,112,987
Rent		**2,863,140**	2,863,140
Electricity and gas		**1,874,270**	1,649,663
Charity and donation	25.2	**1,344,000**	1,575,000
Fees and subscription		**468,559**	363,859
Auditors' remuneration	25.3	**1,343,000**	1,090,000
Printing and stationery		**580,699**	736,246
Amortisation	5	**1,124,050**	1,093,222
Vehicles running and maintenance		**1,122,246**	755,486
Postage and telephone		**841,865**	1,061,451
Legal and professional		**2,787,218**	4,499,336
Repairs and maintenance		**743,469**	573,479
Insurance		**541,810**	469,264
Entertainment		**212,017**	317,874
Advertisement		**15,000**	78,034
Others		**46,460**	43,616
		50,275,421	53,699,467

25.1 Salaries and benefits include Rs. 2.32 million (2014: Rs. 1.35 million) in respect of the staff retirement benefits.

25.2 None of the directors and their spouses had any interest in the donee's fund.

25.3 Auditors' remuneration

	Note	2015	2014
		.... Rupees	
Annual audit fee		**650,000**	650,000
Fee of review of:			
- Condensed interim financial information		**75,000**	75,000
- Compliance with Code of Corporate Governance		**52,000**	25,000
Certification and other services		**395,000**	340,000
Tax services		**100,000**	-
		1,272,000	1,090,000
Sales tax on services		**71,000**	-
		1,343,000	1,090,000

26. OTHER OPERATING EXPENSES

	Note	2015	2014
Workers' Welfare Fund		**1,891,769**	2,240,471
Workers' Profits Participation Fund		**-**	5,601,177
Exchange loss - net		**2,692,190**	2,210,289
Loss on forward contracts		**-**	2,660,000
		4,583,959	12,711,937

27. FINANCE COST

	Note	2015	2014
Interest / mark-up on:			
-Long-term finance		**75,023,439**	6,815,816
-Short-term borrowings		**16,686,813**	7,992,850
-Workers' Profits Participation Fund	18.3	**1,041,589**	2,776,520
Discounting of letters of credit		**2,793,334**	2,293,202
Bank charges and commission		**1,305,880**	1,936,740
		96,851,055	21,815,128
Less: amounts included in the cost of qualifying asset	4.5.2	**(81,403,151)**	-
		15,447,904	21,815,128

		Note	2015	2014
			.... Rupees	
28.	**OTHER INCOME**			
	Income from financial assets			
	Profit on savings accounts		**979,398**	386,925
	Profit on term deposits receipts		**1,016,583**	1,269,892
	Gain on sale of investments		**5,393,231**	24,798,369
	Income from assets other than financial assets			
	Gain on disposal of property, plant and equipment		**2,450,508**	1,363,246
			9,839,720	27,818,432
29.	**TAXATION**			
	Current			
	- for the year		**21,303,727**	31,151,499
	- for prior year		**8,222,971**	(12,027,469)
	Deferred	16.2	**1,994,227**	9,732,096
			31,520,925	28,856,126

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

29.2 Based on prudence, the Company has not recognized deferred tax on minimum tax of amounting to Rs. 9.17 million (2014: Rs. Nil).

		2015	2014
30.	**EARNINGS PER SHARE - BASIC AND DILUTED**		
	There is no dilutive effect on the basic earnings / (loss) per share of the Company which is based on:		
	(Loss) / profit for the year (Rupees)	**(57,317,373)**	102,402,999
	Weighted average number of ordinary shares outstanding during the year	**500,000**	500,000
	Earnings per share (Rupees)	**(114.63)**	204.81

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

31.1 The aggregate amount for the year in respect of remuneration and benefits to the Chief Executive and Executives are as follows:

	2015		2014	
	Chief Executive	**Executives**	**Chief Executive**	**Executives**
	.......Rupees.......			
Managerial remuneration	**3,000,000**	**23,862,821**	3,141,250	16,606,201
Bonus / Ex-gratia	**250,000**	**1,736,250**	174,059	1,314,541
Retirement benefits	**250,000**	**868,125**	174,059	1,228,267
Leave encashment	**-**	**1,925,833**	-	614,134
	3,500,000	**28,393,029**	3,489,368	19,763,143
No. of persons	**1**	**28**	1	13

31.2 The Chief Executive and Executive Directors are also entitled for use of car owned and maintained by the Company.

31.3 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 non-executive directors for attending board meetings.

32. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated undertakings, common directorship companies 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 31 and amount due in respect of staff retirement benefits is disclosed in note 16. Other significant transactions with related parties are as follows:

Relationship with the party	Nature of transactions	Note	2015	2014
			.... Rupees	
Associated undertakings	Purchase of power		**221,521,754**	206,655,830
	Share of expenses received		**2,160,714**	2,748,407
	Share of expenses paid		**4,504,731**	7,418,589
	Sale of raw material	22	**41,272,436**	-
	Dividend received in cash	6	**984,248**	1,602,196
	Purchase of machinery		**1,600,000**	5,250,000
Directors	Godown rent		**600,000**	600,000
	Office rent		**2,863,140**	2,863,140

33. PLANT CAPACITY AND ACTUAL PRODUCTION

	2015	2014
Total number of spindles installed	**19,200**	19,200
Total number of spindles worked	**19,200**	19,200
Number of shifts per day	**3**	3
Installed capacity after conversion into 20/s count-kgs	**7,539,327**	7,539,327
Actual production of yarn after conversion into 20/s count-kgs	**7,536,398**	7,472,346

34. NUMBER OF EMPLOYEES

	2015	2014
Average number of employees during the year	**801**	880
Number of employees as at June 30	**1016**	889

35. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets as per balance sheet	2015	2014
	.... Rupees	
Held to maturity		
- Other financial assets	**17,186,025**	159,000
Loans and receivables at amortized cost		
- Long term deposits	**1,000,610**	1,000,610
- Trade debts	**125,105,723**	159,226,652
- Loans and advances	**6,465,266**	3,561,394
- Other receivables	**401,570**	5,068,345
- Cash and bank balances	**152,327,102**	64,323,167
	285,300,271	233,180,168
Available for sale		
- Other financial assets	**-**	25,440,588
	302,486,296	258,779,756

Financial liabilities as per balance sheet	2015	2014
	.... Rupees	
Financial liabilities measured at amortized cost		
- Long term finance	**2,636,568,253**	-
- Trade and other payables	**273,230,928**	211,397,781
- Accrued interest / mark-up on borrowings	**82,236,371**	470,442
- Short term borrowings	**974,481,548**	-
	3,966,517,100	211,868,223

35.1 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.

(b) Fair value estimation

- 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, the Company does not hold any financial assets which require classification in above levels. As at June 30, 2014 , the Company held units of mutual fund classified under level 1 amounting to Rs. 25.44 million.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

36.1 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 and fair value of financial instruments.

Financial risk factors and risk management framework

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

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

The Board along with the Company's finance 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.

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

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

36.1.1 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 to foreign customers and maintains foreign currency accounts and amounts payable on account of foreign commission payable and finance obtained against export/import exposes it to currency risk. As at June 30, 2015, financial assets include Rs. 27.2 million (2014: Rs. 10.6 million) equivalent to US$ 0.27 million (2014: US$ 0.11 million) and financial liabilities include foreign commission payable and finance obtained against export/import amounting to Rs. 590 million (2014: Rs. 2.5 million) equivalent to US$ 5.8 million (2014: US$ 0.025 million). The average rates applied during the year is Rs. 101.36 / US $ (2014: Rs. 102.88 /US $) and the spot rate as at June 30, 2015 was Rs. 101.7 / US$ (2014: Rs. 98.75 /US$).

At June 30, 2015, if the Pakistan 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. 48.86 million (2014: Rs. 1.07 million), mainly as a result of foreign exchange losses/gains on translation of US Dollar-denominated trade debts and accrued expenses.

(b) Interest rate risk management

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

The Company's interest rate risk arises from bank deposit accounts, long term finance and short term borrowings amounting to Rs. 3,098 million (financial assets on a net basis) (2014: Rs. 11.80 million net financial assets). These are benchmarked to variable rates which exposes the Company to cash flow interest rate risk only.

	Carrying amount	
	2015	2014
	.... Rupees	
Variable rate instruments		
Financial assets		
- Savings accounts	**1,153,349**	11,808,027
Financial liabilities		
- Long term finance	**2,124,874,327**	-
- Short term borrowings	**974,481,548**	-
	(3,099,355,875)	-
Net financial assets / (liabilities) at variable interest rates	**(3,098,202,526)**	11,808,027

Cash flow sensitivity analysis for variable rate instrument

A change of 100 basis points in interest rates at the year end would have increased or decreased the profit/ loss for the year and shareholder's equity by Rs. 17.13 million (2014: Rs. 3.26 million). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 2014.

Fixed rate instruments

The Company does not have any fixed rate instruments carried 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 financial instruments of the Company carried at fair value through profit or loss which are subject to equity price risk. Therefore, a change in market rate at the reporting date would not affect profit or loss of the Company.

36.1.2 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. Out of the total financial assets of Rs. 302,49 million (2014 : Rs. 258.78 million), the financial assets which are subject to credit risk amounted to Rs. 299.40 million (2014 : Rs. 194.70 million).

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

		Credit rating	
Name of bank	**Rating agency**	**Short-term**	**Long-term**
National Bank of Pakistan	JCR-VIS	**A-1+**	**AAA**
Soneri Bank Limited	PACRA	**A1+**	**AA-**
Bank Alfalah Limited	PACRA	**A1+**	**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	
Name of bank	**Rating agency**	**Short-term**	**Long-term**
Soneri Bank Limited	PACRA	**A1+**	**AA-**

36.1.3 Liquidity risk management

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 loans. 27% of the Company's debt will mature in less than one year at June 30, 2015 (2014: 100%) 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
		Rupees					
2015							
Trade and other payables		-	273,230,928	-	-	-	273,230,928
Accrued interest / mark-up on loans		-	82,236,371	-	-	-	82,236,371
Syndicate term finance	6 months KIBOR plus 1.40% p.a	-	-	-	2,124,874,327	-	2,124,874,327
Syndicate long term finance	7.5%	-	-	-	511,693,926	-	511,693,926
Short term borrowings							
-Finance against import	Three to six months average of 2.40% to 2.75% inclusive of LIBOR p.a	-	-	557,403,563	-	-	557,403,563
-Trust receipt finance	One to six months average of 7.34% to &.83% inclusive of KIBOR p.a	-	-	99,312,086	-	-	99,312,086
- Finance against export	Six months LIBOR + 2%	-	-	30,510,000	-	-	30,510,000
- Running finance	One month 8.74% to 10.96% inclusive of KIBOR p.a	-	-	287,255,899	-	-	287,255,899
		-	**355,467,299**	**974,481,548**	**2,636,568,253**	-	**3,966,517,100**

	Interest rate %	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
		Rupees					
2014							
Trade and other payables		-	211,397,781	-	-	-	211,397,781
Accrued interest / mark-up on loans		-	470,442	-	-	-	470,442
		-	211,868,223	-	-	-	211,868,223

36.1.4 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.

37. CAPITAL RISK MANAGEMENT

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

The capital structure of the Company consists of shareholders' equity and surplus on revaluation of property, plant and equipment. Shareholders' equity consist of share capital, capital reserve and unappropriated profit. 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 amount of dividend paid to the shareholders or issue new shares. The Company's overall strategy remains unchanged from 2014.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company's target is to achieve a normal return on capital.

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

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

	2015	2014
	.... Rupees	
Total debts	**3,611,049,801**	-
Less: Cash and bank balances	**(152,327,102)**	(64,323,167)
Net debt	**3,458,722,699**	(64,323,167)
Total equity	**1,256,547,052**	1,300,878,494
Adjusted capital	**4,715,269,751**	1,236,555,327
Gearing ratio	**0.73**	N/A

38. OPERATING SEGMENTS

The 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:

- Yarn sales represent 97.52% (2014: 99.34%) of overall sales of the Company.
- 45.8% (2014: 53.3%) sales of the Company relate to customers outside Pakistan.
- As at year end, all non-current assets of the Company are located within Pakistan.
- There are no customers whom sales made during the year exceeded 10% of total sales for the year.

39. SUBSEQUENT EVENTS

The Board of Directors at their meeting held on September 30 , 2015 have proposed a dividend of Nil per share (2014: Rs. 5 per share) for the year ended June 30, 2015, amounting to Nil (2014: Rs. 2.5 million), subject to the approval of members at the annual general meeting to be held on October 28, 2015.

40. 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.

41. GENERAL

Figures have been rounded off to the nearest Rupee.

SHAHID ANWAR TATA
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN/DIRECTOR

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FORM OF PROXY

ISLAND TEXTILE MILLS LIMITED

I / We ____

of ______________________ being a member(s) of ISLAND 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 46th Annual General Meeting of the Company at 5th Floor Textile Plaza, M.A. Jinnah Road, Karachi on Wednesday, October 28, 2015 at 1:30 pm or at any adjournment thereof.

As witness my/our hand this ______________________ day of 2015

signed by the said ______________________ in the presence of

1. Witness:

Signature ______________________

Name ______________________

Address ______________________

Affix Revenue Stamps of Rs.5/-

____
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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