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COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRMAN:	Mr. Anwar Ahmed Tata
CHIEF EXECUTIVE:	Mr. Shahid Anwar Tata
DIRECTORS:	Mr. Adeel Shahid Anwar 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 & REMMUNERATION COMMITTEE CHAIRMAN:	Mr. Muhammad Naseem
MEMBERS:	Mr. Adeel Shahid Anwar 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 Allied Bank Limited JS Bank Limited Askari Bank Limited NIB Bank Limited
AUDITORS:	M/s. M. Yousuf Adil Saleem & Co. 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)



STATEMENT

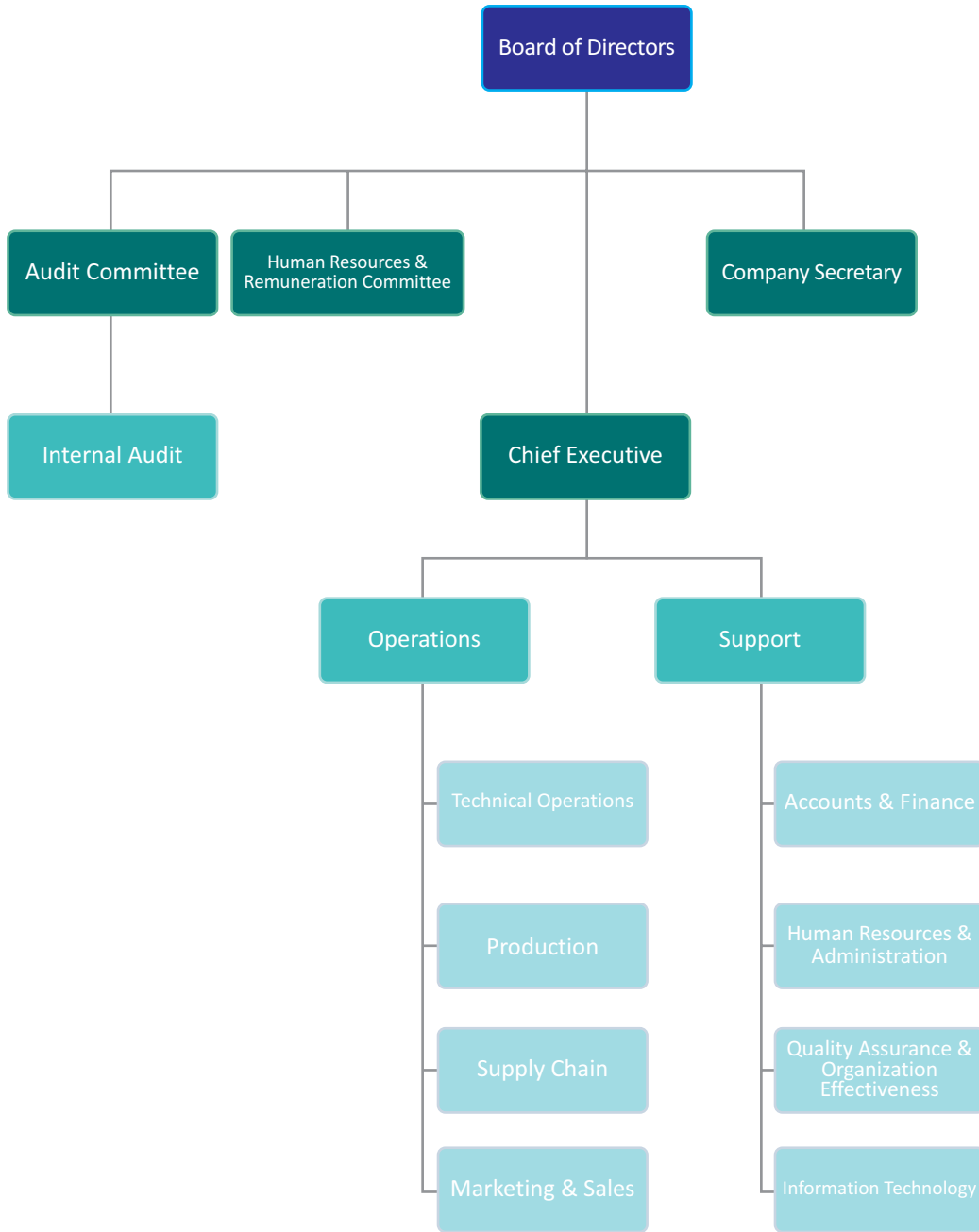
We shall build upon our recognition as a socially and environmentally responsible organization known for its principled and honest business practices we shall remain committed to exceeding the highest expectations of our stakeholders by maintaining the highest quality standards and achieving sustained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



STATEMENT

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

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, 2014. During the period under review, Alhamdulillah the Company performed well and has been able to make a pretax profit of Rs.131.259 Million in the year ended June 30, 2014.

The company's performance was better during the first six months but then there was a sudden and abrupt revaluation of Pak Rupee which took us all by surprise. Even if the Government had thought that undue devaluation had taken place then it should have been more careful in strengthening the Rupee and a more prudent way could have been that further devaluation of Pak Rupee is withheld for a period deemed appropriate.

This sudden and abrupt revaluation had put the entire Textile Chain in trouble. The Spinning Industry confronted issues of high inventory level of cotton bought during the Cotton season when the US\$ - Rupee parity was around 105 -106. Similarly all other sectors of Textile Industry faced financial losses on their outstanding Sales Orders as well, going forward the Sales stopped for two - three months because of this uncertainty. The policy of Pak Rupee revaluation alone has resulted in huge loss to the Country's Textile Industry.

Moreover, the sudden and unexpected revaluation of Pak Rupee has also not resulted in any reduction in cost and inflation, so the entire textile value chain in Pakistan has become uncompetitive and thus created opportunities to our competing countries like Vietnam, India and Bangladesh.

COTTON SITUATION

China, as with many other businesses, has become the single most critical factor in determining the Cotton World prices as it is the largest producer and largest consumer of Cotton. Now, the entire Cotton Industry in the world looks towards Chinese Government as to how they are going to manage their Cotton related affairs. For the last three years, China was pursuing a policy of directly purchasing Cotton from Ginners / Farmers. However, this year they intend to change the System and instead of buying Cotton for reserve they would now encourage Mills in China to buy Cotton directly from Ginners. The Cotton Prices offered during the last three years to Chinese growers had been much higher in comparison to World Cotton prices. This year, the challenge for the Chinese Government would be that the growers and ginners are able to sell their cotton directly to the Mills at a good price and the entire cotton available is lifted. The Government has given indication of some direct subsidies to the growers but the details are still unclear. Nevertheless, China will remain a very critical factor in determining the world cotton situation.

There is a good surplus of cotton crop in the rest of the world. USA and India is estimated to produce a record crop, round about 50 Million bales and it seems Pakistan will also harvest a good crop. Though, we do not know yet the damages on cotton crop caused by the floods but before the floods everyone was estimating it at 15 Million bales. However, the final crop size will be determined later but at present, the quality of Pakistani Cotton is good and prices are reasonable, so hopefully it will be a good year for cotton purchasing.

GLOBAL TEXTILE COMPETITION

INDIA : The Indian Government has come up with a number of schemes for the growth and consolidation of Textile Industry and they have sanctioned subsidies and incentives for further industrialization in Textile sector with 4% Rebate on Yarn Exports. India has made lots of investments in technologies in all the sectors of the Textile chain and they will definitely give us a tough competition as they have a large and surplus capacity. Now Indian Textile Industry is geared up for exports, unlike in the past where they were mostly catering for the local market.

BANGLADESH: Bangladesh remains a tough competition in some of the Textile chain, i.e. knitting, stitched woven garments and further they have also invested huge amount in Spinning and Weaving Industry; being much cheaper in labour and power cost, yet again, tough competition with Bangladesh as well.

VIETNAM: Vietnam has also emerged as a very serious competitor being in the vicinity of China and having good relationship with its neighbors with facility of Duty Free Yarn import into China and other ASEAN Countries.

It is unfortunate to note that the textile exports in China have remained firm and steady, however, the share of Pakistan in all sectors of Textile has continued to decline.

FIBRE

We are still forced to import Fiber as in our opinion the local fibre producers indulge in price fixing resulting in substantial price differential between imported and local prices.

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.

Annual Report 2014

PROJECTS

Our commitment to quality is very high; therefore most of our investments have remained in quality and product diversification. Process of establishing L/Cs for new Island Spinning unit project has been started and we are hopeful that the unit will become operational by the end of next financial year.

HUMAN RESOURCE MANAGEMENT

Human Resource planning, development and management is one of the essential matters in order to make ourselves competitive and to succeed in the longer run. The company aims to develop the people through investments in training, providing them the right exposure, knowledge, and opportunities for future. We have a Human Resource and Remuneration Committee that guides in the selection, evaluation, compensation and succession planning of key management personnel. Its responsibility entails recommending improvement in the Company's human resource policies and procedures and their periodic review. The Committee keeps abreast with the market's "Best Practices" and ensures to discuss and implement these in an attempt to remain ahead of the competition at all times.

BEST MARKET PRACTICES

Our rigorous recruitment activities enable us to have a data pool of potential talent available irrespective of racism, cast, religion or gender that are selected based on a stringent screening process. The company provides ample training opportunities including local and international. Not only the attracting and developing potential talent has been the prime focus of the management but acknowledging and rewarding outstanding performances is also considered imperative for the retention of the best talent.

Management's philosophy encourages free flow of communication and promotes exchanging new ideas contributing to the culture of the organization. We are highly concerned about the occupational health and safety of the employees by remaining preemptive towards a safe, hazard free and congenial workplace. Regular on-job trainings are conducted on subjects like firefighting, emergency evacuation procedures, medical emergencies, life threatening diseases and their prevention etc. Employees are facilitated with Financial Assistance to cater to their personal emergent needs. The company also provides mills' employees with furnished residential facilities, guest houses and recreational activities to name a few more.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility is an integral part of our business. Being among the top rated spinning mills in the country we completely realize our responsibility towards the society. We desire to create difference in the society by raising the economic conditions of the people, protect the environment through our initiatives and policies. As a group we continually endeavor to contribute towards society and humanity in all possible dimensions.

OUR CORE VALUES

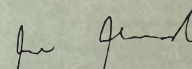
1. **INTEGRITY** - "We do what we say":
Contribute to support family orientated work environment founded on trust, honesty, transparency, with open communication and fair dealing.
2. **RESPECT** - "We value people as our greatest resource"
Value and treat others as we would want others to treat/value 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

While signing off this narration; I would wholeheartedly acknowledge the untiring endeavors of our various teams 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 troughs 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.

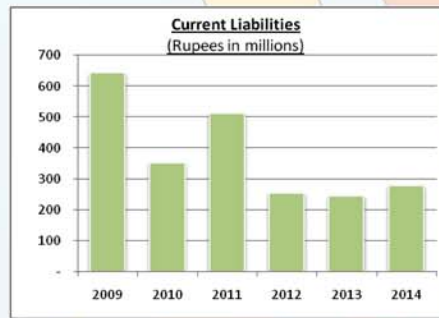
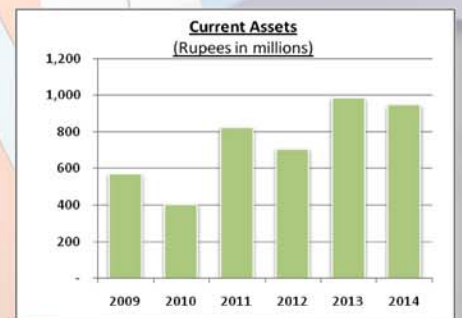
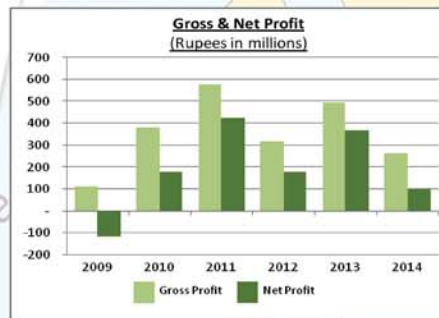
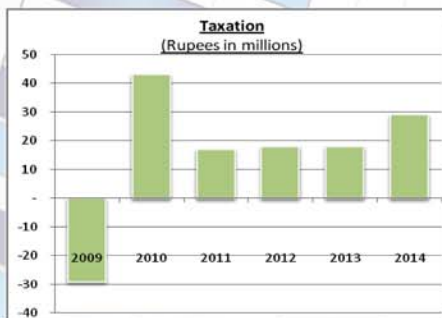
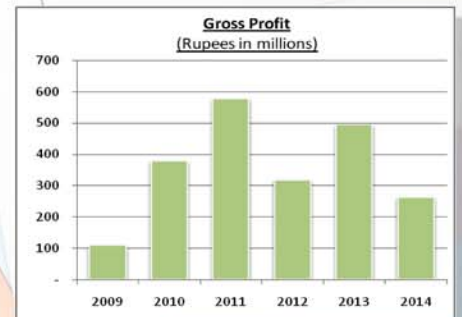
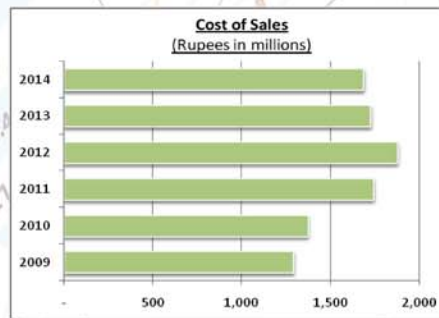
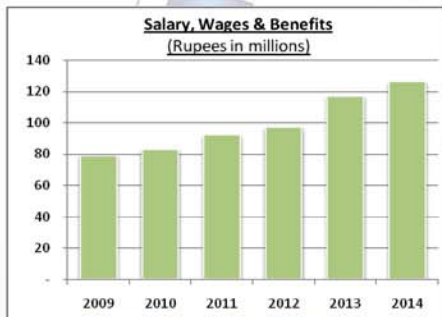
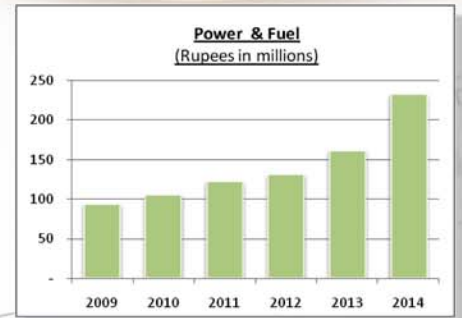
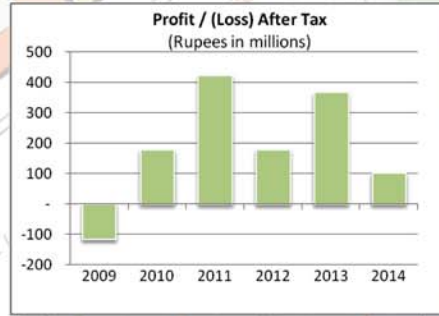
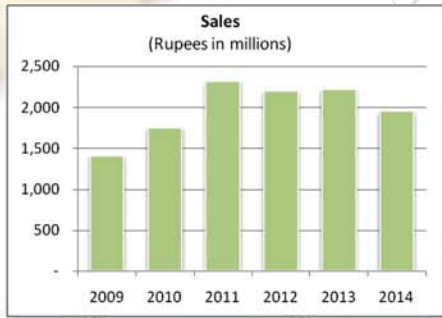
Karachi

Dated: September 20, 2014

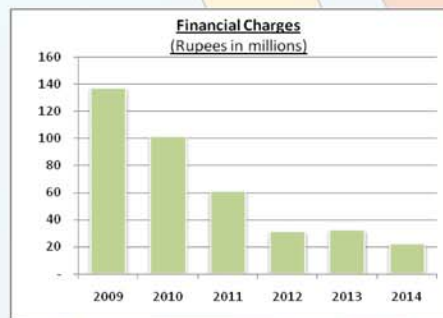
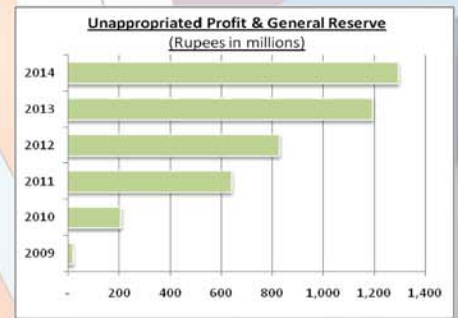
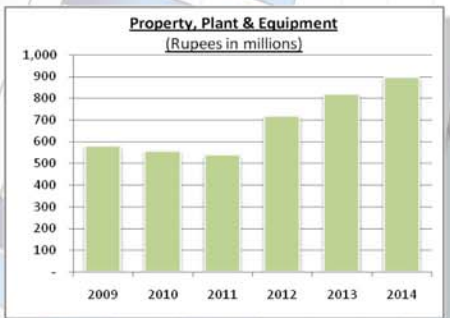
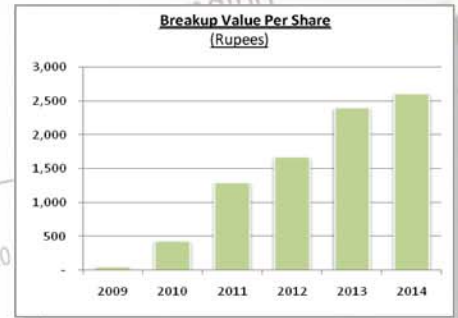
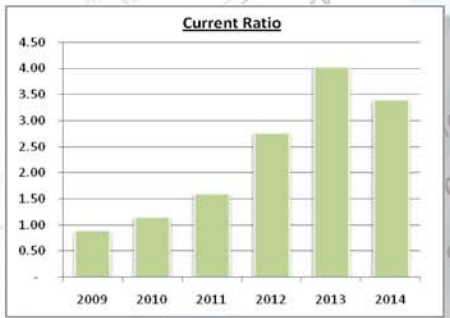
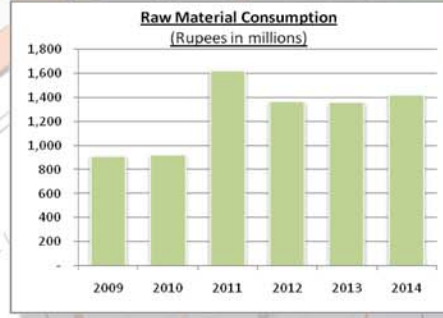


Anwar Ahmed Tata
Chairman

Annual Report 2014



Annual Report 2014



DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting before you the 45th Annual Report together with the Audited Accounts for the year ended June 30, 2014.

FINANCIAL RESULTS

The Company made a pre-tax Profit of Rs.131.259 million after charging costs, expenses and depreciation for the year.

	(Rupees)
Pre-tax profit for the year	131,259,125
Taxation	(28,856,126)
Profit after taxation	102,402,999
Other Comprehensive Income	(17,654,396)
Accumulated Profit Brought Forward (Restated)	295,068,576
Less: Dividend Paid	(2,500,000)
	377,317,179
Transfer from Surplus on Revaluation of Property Plant & Equipment	13,829,620
Share of Associate's transfer from Surplus on Revaluation	4,731,695
Accumulated Profit Carried Forward	395,878,494

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

The Directors of the Company are pleased to recommend cash dividend @ 50% for the Year ended June 30, 2014.

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.

Annual Report 2014

- i. During the year under review, five Board of Directors Meetings, four Audit Committee Meetings and three 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	4	1	N/A
Mr. Shahid Anwar Tata	3	N/A	2
Mr. Adeel Shahid Anwar	5	N/A	1
Mr. Bilal Shahid Anwar	4	2	2
Mr. Muhammad Naseem	4	3	2
Mr. Aijaz Ahmed Tariq	5	1	1
Sheikh Kausar Ejaz	5	4	1
Mr. Farooq Advani*	1	N/A	N/A

* term expired on 21st October 2013

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

- j. During the year under review, 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 and Mr. Shahid Anwar Tata met the criteria of exemption under clause (xi) 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, 2014 is annexed. This statement is prepared in accordance with the Code of Corporate Governance.
- l. A part from the following transactions, 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.

	Opening Balance As on 01-07-2013	Purchase	Sales	Closing Balance As on 30-06-2014
Mr. Muhammad Naseem	-	2,500	-	2,500

Abstract Under Section 218 of the Companies Ordinance, 1984

During the year under review, the Board of Directors in their meeting held on October 21, 2013, has appointed Mr. Shahid Anwar Tata as Chief Executive Officer of the Company for the term of three years commencing from 21st October 2013. The resolution has already been circulated to shareholders under section 218(2) of the Companies Ordinance 1984.

“Resolved that as per terms and conditions, Mr. Shahid Anwar Tata will be entitled to a monthly remuneration of Rs.250,000/- (Rupees two hundred fifty thousand only) and also approves and authorizes the provision of company's maintained cars to him, disbursement of utility bills, club bills and entertainments bills at actual, Bonuses, Medical and leave fare facilities for him & his family, Leave Encashment, Retirement Benefit and other benefits under his terms of employment with the company.”

AUDITORS

The Auditors Messer M. Yousuf Adil Saleem & Co. 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, 2015.

ON BEHALF OF THE BOARD OF DIRECTORS



SHAHID ANWAR TATA
CHIEF EXECUTIVE

Karachi

Date: September 20, 2014

KEY OPERATING AND FINANCIAL DATA

Description		2014	2013	2012	2011	2010	2009
OPERATING DATA							
Sales	Rs.'000'	1,948,956	2,218,984	2,193,794	2,319,040	1,750,820	1,403,698
Cost of Goods Sold	Rs.'000'	1,686,062	1,724,870	1,876,110	1,742,481	1,372,136	1,292,376
Gross Profit	Rs.'000'	262,895	494,114	317,684	576,559	378,684	111,322
Profit / (Loss) Before Taxation	Rs.'000'	131,259	385,955	195,922	440,541	221,515	(145,761)
Profit / (Loss) After Taxation	Rs.'000'	102,403	367,715	177,551	423,378	178,436	(116,985)
FINANCIAL DATA							
Equity Balance	Rs.'000'	1,300,878	1,200,069	834,962	647,094	214,363	24,883
Property, Plant & Equipment	Rs.'000'	895,592	818,636	715,945	537,076	556,789	578,084
Current Asset	Rs.'000'	947,146	984,270	708,077	825,552	406,777	569,665
Current Liabilities	Rs.'000'	279,279	244,745	255,832	513,189	352,572	643,220
RATIOS							
PROFITABILITY RATIOS							
Gross Profit Margin	%	13.49	22.27	14.48	24.86	21.63	7.93
Operating Profit Margin	%	4.98	13.49	7.72	17.12	10.62	(9.63)
Net Profit Margin	%	6.73	17.39	8.93	19.00	12.65	(10.38)
LIQUIDITY RATIOS							
Current Ratio	Times	3.39	4.02	2.77	1.61	1.15	0.89
Quick Ratio	Times	1.31	2.53	1.61	0.74	0.41	0.29
ACTIVITY / TURNOVER RATIOS							
Days in Receivables	Days	29.41	28.11	26.32	12.97	14.63	30.72
Accounts Receivable Turnover	Times	12.24	12.81	13.68	27.76	24.61	11.72
Inventory Turnover	Times	2.99	4.92	6.92	4.08	5.46	3.49
Working Capital Turnover	Times	2.92	3.00	4.85	7.42	32.30	(19.08)
Total Assets Turnover	Times	0.91	1.06	1.31	1.46	1.55	1.10
Return on Total Assets	%	4.76	17.52	10.62	26.73	15.83	(9.17)
Return on Equity	%	5.84	21.92	13.41	43.03	33.52	(34.08)
LEVERAGE RATIOS							
Long Term Debt to Equity Ratio	%	6.61	10.50	6.93	8.84	45.51	84.43
Total Debt to Equity Ratio	%	22.53	25.09	26.26	61.00	111.75	271.80
Long Term Debt to Total Assets	Times	0.05	0.08	0.05	0.05	0.21	0.23
Total Debt to Total Assets	Times	0.18	0.20	0.21	0.38	0.53	0.73
Equity to Total Assets	Times	0.82	0.80	0.79	0.62	0.47	0.27
Interest Coverage Ratio	Times	7.02	13.11	7.29	8.26	3.20	(0.06)
OTHERS							
Earning per Shares	Rs	204.81	735.43	355.10	846.76	356.87	(233.97)
Breakup Value of Shares w/o							
Revaluation Surplus	Rs	2,601.76	2,400.14	1,669.92	1,294.19	428.73	49.77
Breakup Value of Shares with							
Revaluation Surplus	Rs	3,508.01	3,355.03	2,648.12	1,967.67	1,064.57	686.56
Cash Dividend	%	50.00	50.00	100.00	50.00	50.00	-

ANALYSIS OF THE FINANCIAL STATEMENT BALANCE SHEET

Particulars	2014	2013	2012	2011	2010	2009
	-----Rupees in '000'-----					
Assets						
Non Current Assets						
Property, plant and equipment	895,592	818,636	715,945	537,076	556,789	578,084
Intangible asset	3,433	4,194	3,999	2,552	-	-
Long-term investment	302,018	290,312	243,363	218,701	163,470	128,496
Long-term deposit	1,001	1,001	325	75	70	80
Total Non current Assets	1,202,044	1,114,143	963,631	758,405	720,329	706,661
Current Asset						
Stores, spares and loose tools	17,871	14,262	23,776	17,513	11,800	10,119
Stock-in-trade	563,588	350,374	271,047	427,256	251,194	370,786
Trade debts	159,227	173,251	160,360	83,553	71,139	119,791
Loans and advances	101,474	66,475	55,965	71,355	36,037	19,267
Short-term prepayments	467	742	709	1,098	284	379
Other receivables	5,068	335	5,006	41	41	29,454
Other financial assets	25,600	285,789	158,318	206,941	5,541	5,541
Sales tax refundable	9,529	7,815	11,272	5,891	4,482	3,655
Cash and bank balances	64,323	85,227	21,624	11,904	26,260	10,674
Total current Assets	947,147	984,270	708,077	825,552	406,777	569,665
Total Assets	2,149,191	2,098,413	1,671,708	1,583,957	1,127,106	1,276,326
Equity and Liabilities						
Equity						
Share Capital	5,000	5,000	5,000	5,000	5,000	5,000
Reserves	899,920	915,502	804	549	558	569
Unappropriated profit	395,958	279,566	829,157	641,545	208,805	19,314
Total Equity	1,300,878	1,200,068	834,962	647,094	214,363	24,883
Surplus on Revaluation of Property, Plant and Equipment - net of tax	453,126	477,447	489,100	336,742	317,923	318,395
Non Current Liabilities						
Deferred Liabilities	115,907	91,520	91,814	86,932	104,830	84,820
Long term financing	-	84,633	-	-	137,418	205,006
Total Non Current Liabilities	115,907	176,153	91,814	86,932	242,248	289,826
Current Liabilities						
Trade & other payable	247,657	200,733	216,422	181,237	141,537	152,530
Accrued interest / mark-up on borrowings	470	2,915	116	9,329	14,633	23,428
Short-term borrowings	-	-	16,584	280,415	153,355	449,023
Current portion of long term finance	-	19,531	-	-	26,990	14,760
Current portion of lease	-	-	-	-	-	-
Taxation - income tax	31,152	21,566	22,711	42,208	16,056	3,480
Total Current Liabilities	279,279	244,746	255,832	513,189	352,572	643,220
Total Equity and Liabilities	2,149,191	2,098,413	1,671,708	1,583,957	1,127,106	1,276,326

ANALYSIS OF THE FINANCIAL STATEMENT BALANCE SHEET VERTICAL ANALYSIS

Particulars	2014	2013	2012	2011	2010	2009
	%	%	%	%	%	%
Assets						
Non Current Assets						
Property, plant and equipment	41.67	39.01	42.83	33.91	49.40	45.29
Intangible asset	0.16	0.20	0.24	0.16	-	-
Long-term investment	14.05	13.83	14.56	13.81	14.50	10.07
Long-term deposit	0.05	0.05	0.02	0.00	0.01	0.01
Total Non current Assets	55.93	53.09	57.64	47.88	63.91	55.37
Current Asset						
Stores, spares and loose tools	0.83	0.68	1.42	1.11	1.05	0.79
Stock-in-trade	26.22	16.70	16.21	26.97	22.29	29.05
Trade debts	7.41	8.26	9.59	5.27	6.31	9.39
Loans and advances	4.72	3.17	3.35	4.50	3.20	1.51
Short-term prepayments	0.02	0.04	0.04	0.07	0.03	0.03
Other receivables	0.24	0.02	0.30	0.00	0.00	2.31
Other financial assets	1.19	13.62	9.47	13.06	0.49	0.43
Sales tax refundable	0.44	0.37	0.67	0.37	0.40	0.29
Cash and bank balances	2.99	4.06	1.29	0.75	2.33	0.84
Total current Assets	44.07	46.91	42.36	52.12	36.09	44.63
Total Assets	100.00	100.00	100.00	100.00	100.00	100.00
Equity and Liabilities						
Equity						
Share Capital	0.23	0.24	0.30	0.32	0.44	0.39
Reserves	41.87	43.63	0.05	0.03	0.05	0.04
Unappropriated profit	18.42	13.32	49.60	40.50	18.53	1.51
Total Equity	60.53	57.19	49.95	40.85	19.02	1.95
Surplus on Revaluation of Property, Plant and Equipment - net of tax	21.08	22.75	29.26	21.26	28.21	24.95
Non Current Liabilities						
Deferred Liabilities	5.39	4.36	5.49	5.49	9.30	6.65
Long term financing	-	4.03	-	-	12.19	16.06
Total Non Current Liabilities	5.39	8.39	5.49	5.49	21.49	22.71
Current Liabilities						
Trade & other payable	11.52	9.57	12.95	11.44	12.56	11.95
Accrued interest / mark-up on borrowings	0.02	0.14	0.01	0.59	1.30	1.84
Short-term borrowings	-	-	0.99	17.70	13.61	35.18
Current portion of long term finance	-	0.93	-	-	2.39	1.16
Current portion of lease	-	-	-	-	-	-
Taxation - income tax	1.45	1.03	1.36	2.66	1.42	0.27
Total Current Liabilities	12.99	11.66	15.30	32.40	31.28	50.40
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	2014	2013	2012	2011	2010	2009
	-----Rupees in '000'-----					
Sales	1,948,957	2,218,984	2,193,794	2,319,040	1,750,820	1,403,698
Cost of goods sold	1,686,062	1,724,870	1,876,110	1,742,481	1,372,136	1,292,376
Gross Profit	262,895	494,114	317,684	576,559	378,684	111,322
Distribution cost	77,580	82,809	54,578	58,593	51,114	48,440
Administrative expenses	53,699	52,173	39,762	28,840	23,799	25,634
Other operating expenses	12,712	28,003	22,923	31,278	17,348	35,310
Financial Cost	21,815	31,873	31,130	60,713	100,568	137,146
	165,806	194,858	148,392	179,424	192,829	246,530
Share of Profit / (Loss) from Associate - net of tax	6,352	76,143	17,199	36,445	33,530	(19,714)
Other Income	27,818	10,556	9,431	6,960	2,130	9,161
Profit / (Loss) before taxation	131,259	385,955	195,922	440,541	221,515	(145,761)
Taxation	28,856	18,240	18,372	17,163	43,079	(28,775)
Profit / (Loss) for the year	102,403	367,715	177,551	423,378	178,436	(116,985)

ANALYSIS OF THE FINANCIAL STATEMENT PROFIT & LOSS VERTICAL ANALYSIS

Particulars	2014	2013	2012	2011	2010	2009
	%	%	%	%	%	%
Sales	100.00	100.00	100.00	100.00	100.00	100.00
Cost of goods sold	86.51	77.73	85.52	75.14	78.37	92.07
Gross Profit	13.49	22.27	14.48	24.86	21.63	7.93
Distribution cost	3.98	3.73	2.49	2.53	2.92	3.45
Administrative expenses	2.76	2.35	1.81	1.24	1.36	1.83
Other operating expenses	0.65	1.26	1.04	1.35	0.99	2.52
Financial Cost	1.12	1.44	1.42	2.62	5.74	9.77
	8.51	8.78	6.76	7.74	11.01	17.56
Share of Profit / (Loss) from Associate - net of tax	0.33	3.43	0.78	1.57	1.92	(1.40)
Other Income	1.43	0.48	0.43	0.30	0.12	0.65
Profit / (Loss) before taxation	6.73	17.39	8.93	19.00	12.65	(10.38)
Taxation	1.48	0.82	0.84	0.74	2.46	(2.05)
Profit / (Loss) for the year	5.25	16.57	8.09	18.26	10.19	(8.33)

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2014

NO. OF SHAREHOLDERS	SHARE-HOLDING FROM	TO	TOTAL SHARES HELD
378	1	100	19,033
47	101	500	11,597
10	501	1000	8,040
13	1001	5000	29,486
1	20001	25000	22,500
1	30001	35000	30,500
1	35001	40000	37,850
1	50001	55000	51,050
1	285001	290000	289,944
<u>453</u>			<u>500,000</u>

CATEGORIES OF SHAREHOLDERS

As at June 30, 2014

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	68,350	13.67
Others	6	1,650	0.33
General Public	434	49,209	9.84
	<u>453</u>	<u>500,000</u>	<u>100.00</u>

Detail of Categories of Shareholders As at June 30, 2014

	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 (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 CORPORATIONS		
Investment Corporation of Pakistan	2	150
MUTUAL FUNDS		
Golden Arrow Selected Stocks Fund Limited	1	37,850
CDC-Trustee AKD Opportunity Fund	1	30,500
	2	68,350
OTHERS		
Fateh Textile Mills Ltd.	1	50
Shafi Lifestyle (Pvt) Limited	1	350
Ever Fresh Farms (Pvt) Limited	1	350
Yasir Mahmood Securities (Pvt) Ltd.	1	150
Adeel Zafar Securities (Pvt) Ltd.	1	50
Fikree'S (Smc-Pvt) Ltd.	1	700
	6	1,650
GENERAL PUBLIC		
Local	434	49,209
Grand Total	453	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	37,850	7.57
CDC - Trustee AKD Opportunity Fund	30,500	6.10

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

1. The Company encourages representation of independent non-executive directors 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

The independent director meets the criterion of independence mentioned in clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director in 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 NBFIs 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). Two of the directors are sufficiently experienced to qualify for the criteria for exemption from formal training requirement stated in the Code. Remaining directors will acquire the required directors' training certification within the time specified in the Code unless exempt thereunder.
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, 2014 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive 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 Code.
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 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 Code have been complied with.

ON BEHALF OF THE BOARD OF DIRECTORS



SHAHID ANWAR TATA
CHIEF EXECUTIVE

Karachi

Dated : September 20, 2014

NOTICE

of Annual General Meeting

Notice is hereby given that the **45th Annual General Meeting** of the Shareholders of **Island Textile Mills Limited** will be held on **Wednesday the October 29, 2014** at **11:00 A.M.** at **5th Floor Textile Plaza M.A. Jinnah Road Karachi**, to transact the following business: -

1. To confirm the minutes of the 44th Annual General Meeting held on October 21, 2013.
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, 2014.
3. To appoint Auditors for the year 2014-15 and fix their remuneration. The retiring auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants being eligible have offered themselves for reappointment.
4. To approve final cash dividend @ 50% (i.e. Rs.5 per share), for the year ended June 30, 2014 as recommended by the Board of Directors.
5. 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 02, 2014

Notes:

1. The Share Transfer Books of the Company will remain closed from October 21, 2014 to October 29, 2014 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint proxy. Proxies, in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her Original CNIC or Passport to prove his/her identity and in case of Proxy must enclose additionally an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. Shareholders are requested to notify the change of address, if any, immediately.
5. Members who have not yet submitted photocopies of their CNIC to the Company's Share Registrar, are requested to send the same at earliest.



M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

Phone: +92 (0) 21- 3454 6494-7
Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

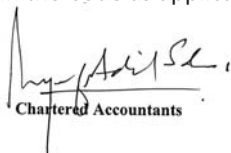
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Island Textile Mills Limited** (the Company) for the year ended June 30, 2014 to comply with the requirements of Listing Regulation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

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

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

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

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



Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

KARACHI
DATED: September 20, 2014

Member of
Deloitte Touche Tohmatsu Limited



M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
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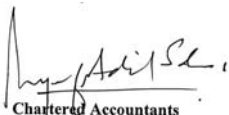
AUDITORS' REPORT TO THE MEMBERS

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

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with 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 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, 2014 and of the profit, its cash flows and changes in equity for the year then ended; and
- d in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

KARACHI
DATED: September 20, 2014

Member of
Deloitte Touche Tohmatsu Limited



Financial Statements


for the Year Ended June 30, 2014

BALANCE SHEET AS AT JUNE 30, 2014

	Note	2014	2013 (Restated)
		Rupees	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	895,592,202	818,635,612
Intangible assets	5	3,433,618	4,194,429
Long term investments	6	302,017,991	290,312,838
Long term deposits		1,000,610	1,000,610
		1,202,044,421	1,114,143,489
CURRENT ASSETS			
Stores, spares and loose tools	7	17,871,370	14,262,051
Stock-in-trade	8	563,587,871	350,373,840
Trade debts	9	159,226,652	173,250,504
Loans and advances	10	101,473,607	66,475,126
Short term prepayments		467,189	741,716
Other receivables	11	5,068,345	335,261
Other financial assets	12	25,599,588	285,789,133
Sales tax refundable		9,528,699	7,814,896
Cash and bank balances	13	64,323,167	85,227,420
		947,146,488	984,269,947
TOTAL ASSETS		2,149,190,909	2,098,413,436
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	5,000,000	5,000,000
Reserves		899,920,181	915,502,166
Unappropriated profit		395,958,313	279,566,410
		1,300,878,494	1,200,068,576
Surplus on revaluation of property, plant and equipment	15	453,126,252	477,446,567
NON-CURRENT LIABILITIES			
Deferred liabilities	16	115,906,741	91,520,127
Long term finance	17	-	84,632,858
CURRENT LIABILITIES			
Trade and other payables	18	247,657,481	200,732,643
Interest / mark-up accrued on borrowings	19	470,442	2,915,664
Current portion of long-term finance	17	-	19,530,660
Provision income tax		31,151,499	21,566,341
		279,279,422	244,745,308
CONTINGENCIES AND COMMITMENTS	20		
TOTAL EQUITY AND LIABILITIES		2,149,190,909	2,098,413,436

The annexed notes from 1 to 40 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, 2014

	Note	2014 Rupees	2013 (Restated)
Sales - net	21	1,948,956,467	2,218,984,081
Cost of goods sold	22	(1,686,061,795)	(1,724,870,327)
Gross profit		262,894,672	494,113,754
Distribution cost	23	(77,579,571)	(82,809,064)
Administrative expenses	24	(53,699,467)	(52,173,440)
Other operating expenses	25	(12,711,937)	(28,002,722)
Finance cost	26	(21,815,128)	(31,872,783)
		(165,806,103)	(194,858,009)
Share of profit from associates - net of tax		6,352,124	76,143,366
Other income	27	27,818,432	10,556,236
		34,170,556	86,699,602
Profit before taxation		131,259,125	385,955,347
Taxation	28	(28,856,126)	(18,239,959)
Profit for the year		102,402,999	367,715,388
Other comprehensive income for the year:			
Item that will be reclassified subsequently through profit or loss			
Unrealised (loss) / gain on remeasurement of investment available-for-sale held by the Company		(15,250,139)	15,302,312
Company's share in unrealised gain on remeasurement of associates' investments	6	21,063	4,799
Less: deferred tax thereon	16.2	(2,106)	(480)
		18,957	4,319
Company's share in remeasurement loss of associates' defined benefit plan	6	(389,782)	(313,936)
Less: deferred tax thereon	16.2	38,979	40,220
		(350,803)	(273,716)
		(15,581,985)	15,032,915
Item that will not be reclassified subsequently through profit or loss			
Remeasurement loss of defined benefit Plan		(2,330,909)	(1,404,761)
Less: deferred tax thereon		258,498	98,614
		(2,072,411)	(1,306,147)
Other comprehensive income		(17,654,396)	13,726,768
Total comprehensive income for the year		84,748,603	381,442,156
Earnings per share - basic and diluted	29	204.81	735.43

The annexed notes from 1 to 40 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, 2014


	Note	2014	2013 (Restated)
		..... Rupees	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		131,259,125	385,955,347
Adjustments for :			
Depreciation on property, plant and equipment		41,935,382	39,112,376
Amortisation of intangibles		1,093,222	1,054,487
Inventory write down to net realisable value		1,764,980	203,867
Provision for staff gratuity		8,628,620	8,413,505
Provision for compensated absences		2,943,227	3,007,380
Finance cost		21,815,128	31,872,783
Gain on sale of property, plant and equipment		(1,363,246)	(613,593)
Share of profit from associates		(6,352,124)	(76,143,366)
Unrealized loss on forward contract		2,660,000	531,000
Gain on sale of investments		(24,798,369)	-
Operating cash flows before change in working capital		179,585,945	393,393,786
(Increase) / decrease in current assets			
Stores, spares and loose tools		(3,609,319)	9,513,604
Stock-in-trade		(214,979,011)	(79,530,588)
Trade debts		14,023,852	(12,890,072)
Loans and advances		(20,973,395)	(2,214,706)
Short term prepayments		274,527	(33,005)
Other receivables		(4,733,084)	4,670,385
Sales tax refundable		(1,713,803)	3,457,433
(Decrease) / increase in current liabilities			
Trade and other payables		44,140,402	(15,814,946)
Cash (used in) / generated from operations		(7,983,886)	300,551,891
Finance cost paid		(24,260,350)	(29,072,880)
Staff gratuity paid		(8,797,528)	(6,075,640)
Compensated absences paid		(3,238,271)	(2,931,079)
Income taxes paid		(23,563,958)	(26,857,384)
Net cash (used in) / generated from operating activities		(67,843,993)	235,614,908

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	Note	2014	2013 (Restated)
		..... Rupees .....	..... Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from associates	6	1,602,196	1,098,900
Purchase of other financial assets		(160,000,000)	(290,700,000)
Proceeds from disposal of other financial assets		429,737,775	178,000,000
Addition to property, plant and equipment		(120,564,151)	(153,130,720)
Proceeds from disposal of plant and equipment	4.4	3,035,425	11,941,124
Purchase of intangible assets		(332,411)	(1,250,000)
Long-term deposit		-	(676,000)
Net cash generated from / (used in) investing activities		153,478,834	(254,716,696)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance (repaid) / obtained		(104,163,518)	104,163,518
Short term borrowings		-	(16,584,187)
Dividend paid		(2,375,576)	(4,874,310)
Net cash (used in) / generated from financing activities		(106,539,094)	82,705,021
Net (decrease) / increase in cash and cash equivalents (A+B+C)		(20,904,253)	63,603,233
Cash and cash equivalents at July 01		85,227,420	21,624,187
Cash and cash equivalents at June 30		64,323,167	85,227,420

The annexed notes from 1 to 40 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, 2014

Note	Issued subscribed and paid up 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, 2012 as previously reported	5,000,000	-	245,796	591,481	(32,821)	829,157,072	834,961,528
Effect of change in accounting policy due application of IAS 19 (Revised)-(note 3.1.1)	-	-	-	-	-	(3,866,088)	(3,866,088)
Cumulative actuarial losses recognised	-	-	-	-	-	403,921	403,921
Less: deferred tax thereon	-	-	-	-	-	(3,462,167)	(3,462,167)
Company's share in effect of associates' change in accounting policy	-	-	-	-	(374,921)	-	(374,921)
Balance at July 01, 2012 - restated	5,000,000	-	245,796	591,481	(407,742)	825,694,905	831,124,440
Total comprehensive income for the year							
Profit for the year ended June 30, 2013 as originally reported	-	-	-	-	-	367,361,533	367,361,533
Effect of change in accounting policy resulting in reversal of previously amortized actuarial losses (note 3.1.1)	-	-	-	-	-	337,856	337,856
Less: deferred tax thereon	-	-	-	-	-	(23,717)	(23,717)
Company's share in cumulative effect of associates' change in accounting policy relating to their defined benefit plans - net of tax	-	-	-	-	-	314,139	314,139
Profit for the year ended June 30, 2013 - restated	-	-	-	-	39,716	-	39,716
Other comprehensive income for the year							
Unrealised (loss) / gain on remeasurement of investment available-for-sale held by the Company	-	-	15,302,312	-	-	-	15,302,312
Remeasurement loss of defined benefit Plan	-	-	-	-	-	(1,306,147)	(1,306,147)
Company's share in unrealised gain/loss on remeasurement of associates' investments - net of tax	-	-	-	-	4,319	-	4,319
Company's share in remeasurement loss on associates' defined benefit plan - net of tax	-	-	-	-	(273,716)	-	(273,716)
Total comprehensive income for the year (Restated)	-	-	15,302,312	-	(229,681)	366,369,525	381,442,156
Transferred from surplus on revaluation of property, plant and equipment on account of :							
- incremental depreciation - net of deferred tax	-	-	-	-	-	14,667,581	14,667,581
- disposal - net of deferred tax	-	-	-	-	-	1,693,155	1,693,155
Company's share in associates' surplus on revaluation of property, plant and equipment on account of incremental depreciation and disposal - net of deferred tax	-	-	-	-	-	16,360,736	16,360,736
Transfer from unappropriated profit to general reserve	-	900,000,000	-	-	-	(900,000,000)	-
Loss due to derecognition of investment by an associate	-	-	-	-	-	(33,165,759)	(33,165,759)
Transactions with owners							
Final cash dividend for the year ended June 30, 2012 @ Rs. 10 per share	-	-	-	-	-	(5,000,000)	(5,000,000)
Balance at June 30, 2013 - restated	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
Unrealised (loss) on remeasurement of investment available-for-sale held by the Company	-	-	(15,250,139)	-	-	-	(15,250,139)
Remeasurement loss of defined benefit Plan	-	-	-	-	-	(2,072,411)	(2,072,411)
Company's share in unrealised gain/loss 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)
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
Company's share in associates' surplus on revaluation of property, plant and equipment on account of incremental depreciation and disposal - net of deferred tax	-	-	-	-	-	13,829,620	13,829,620
Transfer from unappropriated profit to general reserve	-	-	-	-	-	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

SHAHID ANWAR TATA
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN/DIRECTOR

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

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

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

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

- property, plant and equipment measured at revalued amounts less accumulated depreciation thereon;
- recognition of certain staff retirement benefits at present value; and
- certain financial instruments at measured fair value
- 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 3.2)
- Useful lives of property, plant and equipment (note 3.2)
- Useful lives of intangibles (note 3.3)
- investment in associate accounted for under equity method (note 3.4)
- Valuation of stores and spares and stock-in-trade (note 3.5 and 3.6)
- Impairment of financial and non-financial assets (note 3.11)
- Staff retirement benefit - gratuity scheme (note 3.17)
- Taxation (note 3.22)

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

- a) **Standards, amendments or interpretations to approved accounting standards that became effective during the year**
The following amendments and interpretations are effective for the year ended June 30, 2014. These amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures except for IAS 19 Employee Benefits (Revised 2011) whose effects have been disclosed in note 3.1.

Standards or Interpretations	Effective date (accounting periods beginning on or after)
Amendments to IAS 1 - Presentation of Financial Statements - Clarification of Requirements for Comparative information	January 01, 2013
Amendments to IAS 16 - Property, Plant and Equipment - Classification of servicing equipment	January 01, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 01, 2013
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 01, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 01, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

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

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

Standards or Interpretations	Effective date (accounting periods beginning on or after)
Amendments to IAS 19 Employee Benefits: Employee contributions	July 01, 2014
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015. IAS 27 (Revised 2011) will concurrently apply with IFRS 10.
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2014

Standards or Interpretations

Effective date (accounting periods beginning on or after)

IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	January 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	January 01, 2014
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IFRIC 21 - Levies	January 01, 2014

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 the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2013 except as stated in note 3.1.

3.1 Change in accounting policy

IAS - 19 Employee Benefits (Revised)

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost in the profit and loss account and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the Balance Sheet immediately, with a charge or credit to be recorded in Statement of Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (Revised) - 'Employee Benefits', the Company's policy for staff retirement benefits in respect of remeasurements and past service costs is amended as follows:

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- The amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income (OCI) in the periods in which they occur.
- Past service costs are recognised immediately in the profit and loss account in the period in which these arise.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and corresponding figures for the year ended June 30, 2013, have been restated. The third balance sheet as at July 01, 2012, as required under International Accounting Standard 1 "Presentation of Financial Statements", has not been included as the effect of restatement as at such date, is not material.

3.1.1 The Company's financial statements are affected by the 'remeasurements' relating to prior years of the Company itself as well as those of its associates. The reconciliation, considering effects of change in accounting policy, have been summarised below

	Long term investment (note 6)	Staff retirement benefits - gratuity (note 17.1)	Deferred tax liability	Un-appropriated profit
	.....Rupees.....			
Balance as at July 01, 2012 as previously reported	243,362,517	4,387,767	73,515,180	829,157,072
Recognition of previously unrecognised cumulative actuarial losses as a result of adoption of IAS 19 (Revised) as at July 01, 2012:	-	3,866,088	(403,921)	(3,462,167)
Company's share in effect of associates' change in accounting policy as a result of adoption of IAS 19 (Revised) as at July 01, 2012:	(416,579)	-	(41,658)	(374,921)
Balance as at July 01, 2012 - as restated	<u>242,945,938</u>	<u>8,253,855</u>	<u>73,069,601</u>	<u>825,319,984</u>
Balance as at June 30, 2013 as previously reported	290,999,224	4,065,077	66,092,548	284,020,585
Recognition of previously unrecognised cumulative actuarial losses as a result of adoption of IAS 19 (Revised):				
- recognition of cumulative unrecognised actuarial losses in OCI				
- as at June 30, 2012	-	3,866,088	(403,921)	(3,462,167)
- for the year ended June 30, 2013	-	1,404,761	(98,614)	(1,306,147)
- Company's share in effect of associates' change in accounting policy as a result of adoption of IAS 19 (Revised):				
- as at June 30, 2012	(416,579)	-	(41,658)	(374,921)
- for the year ended June 30, 2013	(313,936)	-	(40,220)	(273,716)
Reversal of actuarial loss amortised during the year ended June 30, 2013 as a result of adoption of IAS 19 (Revised)				
- Own	-	(337,856)	23,717	314,139
- Share in associates' reversal of previously amortized actuarial losses	44,129	-	4,413	39,716
Balance as at June 30, 2013 - restated	<u>290,312,838</u>	<u>8,998,070</u>	<u>65,536,265</u>	<u>278,957,489</u>

The change in accounting policy has resulted in decrease in total comprehensive income by Rs. 2.07 million (2013: Rs. 1.19 million) the details of which are as follows:

Impact on comprehensive income	2014	2013
- Profit and loss account	..... Rupees .....	..... Rupees
Reversal of amortisation of actuarial losses as a result of adoption of IAS 19 (Revised) from:		
- cost of goods sold	504,148	337,856
- Share of profit from associates	-	44,129
Increase in profit for the year	504,148	381,985
- Other comprehensive income		
Recognition of loss on remeasurement of retirement and other service benefits during the year	(2,330,909)	(1,404,761)
Less: deferred tax effect thereon	258,498	98,614
Share in remeasurement gain/loss of associates' defined benefit obligation	-	(313,936)
Less: deferred tax effect thereon	-	40,220
	(2,072,411)	(1,579,863)
Decrease in total comprehensive income for the year	(1,568,263)	(1,197,878)
Decrease in earnings per share (Rupees)	1.01	0.76

Had there been no change in accounting policy, the profit for the year would have been decreased by Rs. 0.50 million, other comprehensive income would have been increased by Rs. 2.07 million and unappropriated profit would have increased by Rs. 1.56 million .

3.2 Property, plant and equipment

Property, plant and equipment except lease hold land, building, plant & machinery and electric installation 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 regularly so that the fair value and carrying value do not differ materially at the balance sheet date.

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

The residual values, depreciation method and assets' useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

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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 is transferred directly to unappropriated profits.

Capital work-in-progress

Capital work-in-progress (CWIP) is stated at cost less any impairment loss. 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 3.21. Items are transferred to operating property, plant and equipment as and when assets are ready for their intended use.

3.3 Intangibles 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.

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

Intangible asset with a definite useful life is amortised on a straight line basis over its useful life. Amortization on all additions in intangibles 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 amortization are disclosed in note 5.

3.4 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 associate's 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 associate equals or exceeds its interest in the associate 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 associate.

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 it's 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.

3.5 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 balance sheet date.

3.6 Stock-in-trade

Stock-in-trade is valued at lower of cost and net realizable value. Cost is determined on the following basis:

- Raw material - at moving average cost.
- Material in transit - at invoice value plus other charges incurred upto balance sheet 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 monthly average cost which consist of prime cost and appropriate manufacturing overheads.

Waste stock is valued and recorded at net realizable value.

Net realizable value (NRV) represents the estimated selling price at which the inventories can be realized in the normal course of business less net estimated cost of completion and selling expense.

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

3.7 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.

3.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. 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.

3.9 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:

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 balance sheet date.

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 balance sheet 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.

Available-for-sale financial assets

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 balance sheet date.

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.

The Company assesses at each balance sheet 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. Policy relating to impairment testing of other financial assets is stated in note 3.11.

Financial liabilities

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

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

3.10 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.

3.11 Impairment

Financial assets

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

Non-financial assets

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

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.

3.12 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.

3.13 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 balance sheet 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 balance sheet date are included in profit and loss account.

3.14 Share capital

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

3.15 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.

3.16 Surplus on revaluation of fixed assets

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

- a) depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and
- b) an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profits / losses through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

3.17 Staff retirement benefits

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

Defined benefit plan

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, 2014 using "Projected Unit Credit Method". The amount recognized in the balance sheet represents the present value of defined benefit obligations.

As more fully explained in note 3.1, effective from July 1, 2013 all actuarial gains and losses are recognised in 'other comprehensive income' as they occur. Previously actuarial gains / losses exceeding 10 percent of the present value of the defined benefit obligation at the beginning of the year, were amortised over the average future service of the employees.

Details of the schemes are given in note 16.1 to these financial statements.

Other staff retirement benefits

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.

3.18 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.

3.19 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 balance sheet date and adjusted to reflect the current best estimate.

3.20 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.

3.21 Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent that these are directly attributable to the contribution or production of a qualifying asset. Such borrowing cost, if any, are capitalized as part of the cost of that asset as detailed in note 3.2 to the financial statements.

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 balance sheet date. Exchange gains and losses arising in respect of borrowings in foreign currency are added in the carrying amount of the borrowing.

3.22 Taxation

Current

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

Deferred

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

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 balance sheet date.

3.23 Revenue recognition

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

- Sales are recorded on dispatch of goods or on segregation of goods for delivery against confirmed customer's orders where risks and rewards are transferred to a customer.
- Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the applicable effective interest rate.

3.24 Earnings per share

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

3.25 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 37 to these financial statements.

	2014	2013
	----- Rupees -----	
	786,432,646	776,805,190
	109,159,556	41,830,422
	<u>895,592,202</u>	<u>818,635,612</u>

4. PROPERTY, PLANT AND EQUIPMENT

Operating assets	4.1	
Capital work-in-progress	4.5	

4.1 Operating assets

Particulars	Cost / revaluation at July 01, 2013	Additions during the year	Disposals during the year	Cost / revaluation at June 30, 2014	Accumulated depreciation and impairment at July 01, 2013	Depreciation for the year	Accumulated depreciation on disposals	Accumulated depreciation and impairment at June 30, 2014	Written down value at June 30, 2014	Rate
Land - leasehold	68,650,000	-	-	68,650,000	-	-	-	-	68,650,000	-
Building 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	

For comparative period											
Particulars	Cost / revaluation at July 01, 2012	Additions during the year	Disposals during the year	Cost / revaluation at June 30, 2013	Accumulated depreciation and impairment at July 01, 2012	Depreciation for the year	Accumulated depreciation on disposals	Accumulated depreciation and impairment at June 30, 2013	Written down value at June 30, 2013	Rate	%
Land - leasehold	68,650,000	-	-	68,650,000	-	-	-	-	68,650,000	-	-
Building on leasehold land											
Mills	104,458,532	-	-	104,458,532	-	5,222,927	-	5,222,927	99,235,605	5	5
Other	65,071,890	-	-	65,071,890	-	3,253,594	-	3,253,594	61,818,296	5	5
Office premises	791,365	-	-	791,365	561,653	22,971	-	584,624	206,741	10	10
Plant and machinery	421,124,437	112,905,727	(11,655,407)	522,374,757	-	23,915,591	(327,876)	23,587,715	498,787,042	5	5
Electric installations	17,867,908	-	-	17,867,908	13,353,686	457,211	-	13,810,897	4,057,011	10	10
Mills equipment	6,526,467	-	-	6,526,467	2,430,864	481,491	-	2,912,355	3,614,112	10	10
Computer equipment	4,435,164	1,673,775	-	6,108,939	2,512,392	823,556	-	3,335,948	2,772,991	30	30
Furniture and fixtures	5,185,786	792,889	-	5,978,675	683,738	491,394	-	1,175,132	4,803,543	10	10
Office equipment	3,339,485	-	-	3,339,485	63,946	328,542	-	392,488	2,946,997	10	10
Leasehold improvements	11,266,700	-	-	11,266,700	93,889	1,117,295	-	1,211,184	10,055,516	10	10
Vehicles	11,339,026	18,284,647	-	29,623,673	6,768,533	2,997,804	-	9,766,337	19,857,336	20	20
June 30, 2013	720,056,760	133,657,038	(11,655,407)	842,058,391	26,468,701	39,112,376	(327,876)	65,253,201	776,805,190		

	Note	2014	2013
		..... Rupees	
4.2 Depreciation for the year has been allocated as under:			
Cost of goods manufactured	22.1	35,822,395	34,638,606
Administrative expenses	24	6,112,987	4,473,770
		<u>41,935,382</u>	<u>39,112,376</u>

4.3 Had there been no revaluation the related figures of leasehold land, buildings on freehold land, plant and machinery and electric installations at June 30, 2014 would have been as follows:

	..... 2014 .....			..... 2013		
	Cost	Accumulated Depreciation	Written down value	Cost	Accumulated Depreciation	Written down value
..... Rupees						
Land - leasehold	1,056,000	-	1,056,000	1,056,000	-	1,056,000
Building on leasehold land						
Mills	87,374,832	32,731,586	54,643,246	62,835,158	30,469,971	32,365,187
Others	30,457,006	11,377,212	19,079,794	28,796,427	10,402,145	18,394,282
Plant and machinery	523,882,257	215,790,867	308,091,390	508,230,340	202,008,930	306,221,410
Electric installations	16,051,961	12,934,386	3,117,575	16,051,961	12,587,989	3,463,972
	<u>658,822,056</u>	<u>272,834,051</u>	<u>385,988,005</u>	616,969,886	255,469,035	361,500,851

Revaluation of leasehold land, building and plant and machinery had been carried out on September 30, 2003, June 30, 2008 and June 30, 2012 while revaluation of electric installations had been 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 account 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						
Machinery	40,620	3,317	37,303	120,000	Negotiation	Al-Mustafa Textile Traders , H/No. 150, Badin Chali American, Quarterm, Hyderabad.
Machinery	1,600,000	149,667	1,450,333	2,350,425	Negotiation	Rawal Textile Mills Limited, Monnoo House, 3-Montgomery Road, Lahore
Vehicle	699,121	514,578	184,543	565,000	Insurance Claim	EFU Insurance
June 30, 2014	<u>2,339,741</u>	<u>667,562</u>	<u>1,672,179</u>	<u>3,035,425</u>		
June 30, 2013	<u>11,655,407</u>	<u>327,876</u>	<u>11,327,531</u>	<u>11,941,124</u>		

		2014	2013
		..... Rupees	
4.5 Capital work-in-progress			
Civil work		90,242,354	39,710,570
Capital inventory items		18,917,202	2,119,852
		<u>109,159,556</u>	<u>41,830,422</u>

	2014	2013
	.....Rupees.....	
	552,368	352,762
	2,881,250	3,841,667
	3,433,618	4,194,429

Note

5.1

5. INTANGIBLE ASSETS

License fee
ERP software

5.1 License fee & ERP software

Particulars	COST		AMORTIZATION		Book value as at June 30, 2014	Rate of Amortization %
	As at July 01, 2013	As at June 30, 2014	As at July 01, 2013	Charge for the year			As at June 30, 2014
License fee	470,350	802,761	117,588	132,805	250,393	20
ERP software	4,802,084	4,802,084	960,417	960,417	1,920,834	20
	5,272,434	5,604,845	1,078,005	1,093,222	2,171,227	

For comparative period

Particulars	COST		AMORTIZATION		Book value as at June 30, 2013	Rate of Amortization %
	As at July 01, 2012	As at June 30, 2013	As at July 01, 2012	Charge for the year			As at June 30, 2013
License fee	470,350	470,350	23,518	94,070	117,588	20
ERP software	-	4,802,084	-	960,417	960,417	20
	470,350	4,802,084	23,518	1,054,487	1,078,005	

6. LONG-TERM INVESTMENTS

Investment in associates - on equity method.

	Salfi Textile Mills Limited	Tata Textile Mills Limited	Total 2014	Total 2013 (Restated)
.....Rupees.....				
Opening balance (Restated)	229,849,508	60,463,330	290,312,838	242,945,938
Share of profit of associate - net of tax	3,816,495	2,535,629	6,352,124	42,189,903
Dividend received	(732,600)	(869,596)	(1,602,196)	(1,098,900)
Share of unrealized loss on remeasurement of investment available-for-sale - net of tax	21,063	-	21,063	4,799
Share of adjustment in deferred tax due to income subject to FTR	-	(83,705)	(83,705)	3,041,490
Normal tax rate	239,621	(8,585)	231,036	372,724
Derecognition of investment as specie dividend	-	-	-	(54,600,137)
Derecognition of deferred tax due to FTR	7,176,613	-	7,176,613	-
Remeasurment of defined benefit obligation	(269,346)	(120,436)	(389,782)	(269,807)
Initial investment				
- Share of Surplus on revaluation	-	-	-	23,817,494
- Share of equity excluding Surplus on revaluation	-	-	-	33,909,334
	10,251,846	1,453,307	11,705,153	47,366,900
Closing balance	240,101,354	61,916,637	302,017,991	290,312,838

- 6.1 In previous year, Salfi Textile Mills Limited (STML) an associated undertaking distributed its investment in Tata Textile Mills Limited (TTML) as a specie dividend. The Company has received 434,798 shares of TTML on June 19, 2013 in the ratio of 1,187 shares of TTML against 1,000 shares in STML which were recognized as an investment in associate.

	2014	2013 (Restated)
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)	45,003,618	62,029,242
Tata Textile Mills Limited		
Number of shares held	434,798	434,798
Cost of investment (Rupees)	-	-
Ownership interest	2.51%	2.51%
Market value of investment (Rupees)	18,913,713	13,478,738

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6.2 Summarized financial highlights are as follows:

Note	2014	2013 (Restated)
	..... Rupees	
	3,847,908,495	3,901,454,201
	1,657,202,709	1,810,423,070
	4,612,763,633	3,925,774,310
	34,822,036	360,187,924
	4,355,721,151	4,429,902,674
	1,888,927,083	2,021,005,009
	5,297,306,623	4,615,713,114
	101,021,077	328,973,020

Salfi Textile Mills Limited

Total assets

Total liabilities

Sales

Profit for the year

Tata Textile Mills Limited

Total assets

Total liabilities

Sales

Profit for the year

7. STORES, SPARES AND LOOSE TOOLS

Stores and spares

Loose tools

17,820,906

14,227,618

50,464

34,433

17,871,370

14,262,051

8. STOCK-IN-TRADE

Raw material

Work-in-process

Finished goods

Waste

293,342,303

286,720,592

12,259,855

16,059,655

8.1 **255,914,592**

43,699,244

2,071,121

3,894,349

563,587,871

350,373,840

8.1 Net realizable value of finished goods were lower than its cost by Rs. 1.765 million on year ended June 30, 2014 (2013: Rs. 0.204 million). The write-down has been charged to cost of good sold.

9. TRADE DEBTS

Considered good

Local - unsecured

Export - secured

Note

2014
..... Rupees

159,226,652

166,870,420

9.1 -

6,380,084

159,226,652

173,250,504

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

9.2 Trade debts are non-interest bearing and are generally on 7 to 90 days credit terms.

9.3 As at June 30, 2014, trade debts aggregating Rs. 116.1 million (2013: Rs. 160.2 million) were past due for which the Company has not made any provision. Based on past experience, past track record of recoveries, management believes that the 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	Note	2014	2013
			..... Rupees	
	1-30 days		101,032,378	124,357,169
	31-90 days		11,200,986	25,365,124
	91 days and above		3,950,288	10,492,780
			116,183,652	160,215,073

10.	LOANS AND ADVANCES			
	Due from employees	10.1	3,561,394	3,331,958
	Advance to suppliers		21,653,283	3,119,037
	Advance income tax		73,717,665	59,692,579
	Advance against letters of credit		2,541,265	331,552
			101,473,607	66,475,126

10.1 These represent interest free loans to employees provided for their personal purposes as per Company policy. These are adjustable against salaries within a period of one year.

11.	OTHER RECEIVABLES	Note	2014	2013
	Considered good			
	Insurance claim receivable		5,068,345	-
	Others		-	335,261
			5,068,345	335,261

12.	OTHER FINANCIAL ASSETS			
	Investment			
	- Available for sale	12.1	25,440,588	277,548,108
	- Held-to-maturity	12.2	159,000	8,241,025
			25,599,588	285,789,133

12.1 Available for sale
Unless stated otherwise, the holdings are in the fully paid units of Rs 10 each.

2014	2013	Name of fund	2014	2013
Number of units				
2,537,791	13,689,498	ABL Cash Fund	25,440,588	137,000,391
-	14,049,573	ABL Government Securities Fund	-	140,547,717
			25,440,588	277,548,108

12.2.1	Unrealized gain on changes in fair value of available for sale investments			
	Weighted average cost of investments		25,142,619	262,000,000
	Changes in fair value of available for sale investments		297,969	15,548,108
	Market value of investments		25,440,588	277,548,108

12.2 This represents term deposit receipts held for a period of 6 months. This carries return ranging at the rate of 9.5% per annum (2013: 6.5% to 9.5% per annum).

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	Note	2014	2013
	 Rupees	
13. CASH AND BANK BALANCES			
Cash at bank			
In current accounts		52,084,902	51,547,292
In savings accounts	13.1	11,808,027	33,393,126
		63,892,929	84,940,418
Cash in hand		430,238	287,002
		64,323,167	85,227,420

13.1 These carry the markup rate ranging from 7.0% to 9.6% (2013: 6% to 7%) per annum.

14. SHARE CAPITAL

	2014	2013		2014	2013
	Number of Shares			..... Rupees	
1,000,000	<u>1,000,000</u>	1,000,000	Authorised	10,000,000	10,000,000
			Ordinary shares of Rs.10/- each		
500,000	<u>500,000</u>	500,000	Issued, subscribed and paid-up capital	5,000,000	5,000,000
			Ordinary shares of Rs. 10 each fully paid in cash		

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 free hold land, buildings, plant and machinery and electric installations of both own assets and company's share in investment in associates.

	Note	Own assets	Company's share in investment in associate's	2014	2013
				..... Rupees	
				..... Total	
Opening balance		371,047,104	132,068,970	503,116,074	526,526,970
Initial recognition of TTML shares		-	-	-	23,817,494
Transferred to unappropriated profit on account of:					
- incremental depreciation		(13,514,745)	(3,836,446)	(17,351,191)	(18,436,254)
- disposal of property, plant and equipment		(314,875)	(895,249)	(1,210,124)	(7,231,810)
Related deferred tax liability		(1,725,008)	(525,743)	(2,250,751)	(2,269,386)
		(15,554,628)	(5,257,438)	(20,812,066)	(27,937,450)
Closing balance		355,492,476	126,811,532	482,304,008	522,407,014
Related deferred tax liability					
Opening balance		21,302,406	4,367,111	25,669,517	37,426,691
Adjustment due to income subject to FTR	15.1	11,713,288	75,335	11,788,623	(10,635,148)
Change in tax rate		637,251	(207,932)	429,319	(1,234,390)
On initial recognition of TTML shares		-	-	-	2,381,739
Transferred to profit and loss account on account of:					
- incremental depreciation		(1,685,733)	(426,271)	(2,112,004)	(1,526,144)
- disposal		(39,275)	(99,472)	(138,747)	(743,241)
Derecognition of deferred tax due to FTR		-	(6,458,952)	(6,458,952)	-
Closing balance		(31,927,937)	2,750,181	(29,177,756)	(25,669,517)
Derecognition of associate's share of surplus on revaluation of property, plant and equipment - net of deferred tax		-	-	-	(19,290,940)
		323,564,539	129,561,713	453,126,252	477,446,567

15.1 This represents the reversal of opening deferred tax liability balance due to the revision of deferred tax rate from 7.02 % to 11.09% to incorporate the effect of charge in proportion of export sales and local sales which fall under Final Tax Regime (FTR).

	Note	2014	2013 (Restated)
		..... Rupees	.....
16. DEFERRED LIABILITIES			
Staff gratuity	16.1	27,322,264	25,160,263
Compensated absences		528,555	823,599
Deferred taxation	16.2	88,055,922	65,536,265
		<u>115,906,741</u>	<u>91,520,127</u>
16.1 Staff gratuity			
Workmen - Defined benefit scheme	16.1.1	10,848,005	8,998,070
Non-workmen - Other staff retirement benefits	16.1.13	16,474,259	16,162,193
		<u>27,322,264</u>	<u>25,160,263</u>

16.1.1 Workmen - Defined benefit scheme

The details of the workmen - defined benefit scheme obligation based on actuarial valuations carried out by independent actuary as at June 30, 2014 under the Projected Unit Credit Method, are as follows:

Net liability in the balance sheet

Present value of defined benefit obligation	<u>10,848,005</u>	<u>8,998,070</u>
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16.1.2 Expense recognised in the profit and loss account

Current service cost	4,351,892	3,636,053
Interest cost	715,734	718,301
	<u>5,067,626</u>	<u>4,354,354</u>

16.1.3 Remeasurement losses recognised in other comprehensive income

Actuarial losses / (gains) on defined benefit obligation:		
Changes in financial assumptions	(3,213,295)	-
Changes in demographic assumptions	(28,942)	-
Experience adjustments	5,573,146	1,404,761
	<u>2,330,909</u>	<u>1,404,761</u>

16.1.4 Movement in defined benefit obligation

Opening defined benefit obligation	8,998,070	8,253,855
Current service cost	4,351,892	3,636,053
Interest cost	715,734	718,301
Actuarial losses	2,330,909	1,404,761
Benefits paid during the year	(5,548,600)	(5,014,900)
Closing defined benefit obligation	<u>10,848,005</u>	<u>8,998,070</u>

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	Note	2014	2013 (Restated)
	 Rupees	
16.1.5 Movement in net liability in the balance sheet			
Opening balance of net liability as at July 01,		8,998,070	8,253,855
Add: Charge for the year		5,067,626	4,354,354
Remeasurement loss recognised in Other Comprehensive income		2,330,909	1,404,761
Less: Payment made during the year		(5,548,600)	(5,014,900)
Closing balance of net liability as at June 30,		<u>10,848,005</u>	<u>8,998,070</u>

16.1.6 The principal assumptions used in the valuation of gratuity (Workmen - Defined benefit scheme) are as follows:

	2014	2013
Discount rate (% per annum)	13.25	11.5
Expected rate of salary increase (% per annum)	11.25	11.5
Mortality rate	SLIC 2001-05	EFU 1961-66
Expected withdrawal rate for actuarial assumptions	Moderate	Low

16.1.7 Sensitivity analysis

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

		Increase / (decrease) in obligation	
		..... Rupees	
Discount rate	+ / - 1%	(1,539,658)	1,101,831
Expected rate of salary increase	+ / - 1%	1,116,044	(1,569,145)
Mortality rate	1 year age set back / set forward	10,837,804	10,138

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 expose the Company to the actuarial risks such as:

Salary risks

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

Mortality / withdrawal risks

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

Longevity 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, 2015 is Rs. 6,509,674.

16.1.10 There is no plan assets against defined benefit obligation.

16.1.11 The weighted average duration of the defined benefit obligation in the year.	2014	2013
	<u>15.0</u>	<u>17.6</u>
16.1.12 The expected maturity analysis of undiscounted retirement benefit obligation is:	Undiscounted Payment	
	..... Rupees	
Less than a year	1,122,428	
Between 1-2 years	1,304,441	
Between 2-3 years	1,442,642	
Between 3-4 years	1,636,973	
Between 4-5 years	1,461,531	
Between 6-10 years	7,549,256	
11 years and above	56,981,063	

16.1.13 Non-workmen - Other staff retirement benefits (defined contribution plan)	2014	2013
	..... Rupees	
Opening balance	16,162,193	13,163,782
Charge for the year	3,560,994	4,059,151
Payment made during the year	(3,248,928)	(1,060,740)
	<u>16,474,259</u>	<u>16,162,193</u>

16.2 Deferred taxation

	Deferred tax recognised in				Closing Balance
	Opening Balance (Restated)	Profit & Loss Account	Other Comprehensive Income	Surplus on revaluation of Assets	
	..... 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
- Unrealised gain on forward contracts	-	-	-	-	-
	<u>67,448,630</u>	<u>11,081,802</u>	<u>(36,873)</u>	<u>13,082,932</u>	<u>91,576,491</u>
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)
	<u>65,536,265</u>	<u>9,732,096</u>	<u>(295,371)</u>	<u>13,082,932</u>	<u>88,055,922</u>
Movement for the year ended June 30, 2013 (Restated)	<u>73,069,601</u>	<u>822,031</u>	<u>(138,354)</u>	<u>(8,217,013)</u>	<u>65,536,265</u>

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17. LONG TERM FINANCE	Note	2014	2013
From banking company - secured	 Rupees	
Term finance	17.1	-	104,163,518
Less: Current portion		-	(19,530,660)
		<u>-</u>	<u>84,632,858</u>
17.1	In previous year, the Company obtained finance from a banking company which was secured against first exclusive charge on entire fixed assets (Land, building, plant and machinery) of the Company. It was subject to mark-up at the rate of 6 months' KIBOR plus 1 % per annum.		
18. TRADE AND OTHER PAYABLES			
Creditors		44,005,028	7,394,888
Accrued liabilities	18.1 & 18.2	165,704,166	150,733,143
Advance from customers		25,203	43,508
Workers' Profit Participation Fund	18.3	5,601,177	16,378,661
Workers' Welfare Fund	18.4	27,252,312	25,011,841
Unclaimed dividend		939,536	815,100
Withholding income tax		746,211	353,143
Unrealised loss on revaluation of forward contract		2,660,000	-
Other liabilities		723,848	2,359
		<u>247,657,481</u>	<u>200,732,643</u>
18.1	This includes Rs. 90.11 million (2013: Rs. 65.65 million) payable to an associated undertaking in respect of power charges.		
18.2	This include Rs. 32.06 million (2013: 30.48 million) an 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 fee 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. 32.06 million (50%) of the value of infrastructure cess in cash and recorded liability for the remaining amount.		
	Note	2014	2013
		..... Rupees	
18.3 Workers' Profit Participation Fund			
Opening balance		16,378,661	9,938,937
Add: Allocation for the year		5,601,177	16,378,661
Interest on funds utilized in the Company's business	18.3.1	2,776,520	3,533,088
		<u>24,756,358</u>	<u>29,850,686</u>
Less: Payments made to the fund during the year		(19,155,181)	(13,472,025)
Closing balance		<u>5,601,177</u>	<u>16,378,661</u>
18.3.1	Interest on funds utilised is charged @ 37.5% (2013: 75%)		

18.4 Workers' Welfare Fund

The amendments introduced in the Worker's Welfare Fund Ordinance, 1971 through Finance Act, 2006 and 2008 respectively (Money Bills) was challenged by the Company with several other companies in the Sindh High Court (the Court). During the year, the Court has decided the said petitions and held that the amendments do not suffer from any constitutional or legal infirmity.

	Note	2014	2013
		..... Rupees	
19. ACCRUED INTEREST / MARK-UP ON BORROWINGS			
Long-term finance		-	2,810,071
Short-term borrowings		470,442	105,593
		470,442	2,915,664
20. CONTINGENCIES AND COMMITMENTS			
Contingencies			
Labour and workmen compensation cases in court of law		1,235,624	1,447,124
Commitments			
Letters of credit			
-Raw material		24,853,400	56,214,936
-Spares and machinery		2,010,738,893	2,661,284
Bank guarantees	20.1	53,452,500	38,171,100
Bills discounted		31,423,365	109,424,583
Outstanding sales contracts		52,821,320	8,933,834
Forward contracts		206,520,000	-

20.1 This includes bank guarantee related to infrastructure cess for an amount of Rs. 32.06 million (2013: Rs. 30.48 million).

21. SALES - net

Export			
-Yarn		270,635,434	432,764,873
-Yarn (indirect export)		786,937,636	1,247,072,169
		1,057,573,070	1,679,837,042
Local			
- Yarn		911,979,778	531,035,663
- Raw material		-	9,909,096
- Waste		12,970,040	11,567,036
		924,949,818	552,511,795
		1,982,522,888	2,232,348,837
Less: Sales tax @ 2%		(33,566,421)	(13,364,756)
		1,948,956,467	2,218,984,081

	Note	2014	2013
		..... Rupees	
			(Restated)
22. COST OF GOODS SOLD			
Cost of goods manufactured	22.1	1,896,453,915	1,740,255,373
Finished goods			
Opening stock		47,593,593	24,195,035
Closing stock		(257,985,713)	(47,593,593)
		(210,392,120)	(23,398,558)
Cost of manufactured goods		1,686,061,795	1,716,856,815
Cost of raw material sold		-	8,013,512
		1,686,061,795	1,724,870,327

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	Note	2014 Rupees	2013 (Restated)
22.1 Cost of goods manufactured			
Raw material consumed	22.1.1	1,417,445,404	1,355,552,085
Stores and spares consumed		30,351,774	37,363,503
Packing material consumed		26,862,922	25,289,095
Fuel and power		232,334,991	160,680,822
Salaries, wages and benefits	22.1.2	126,461,309	116,774,008
Depreciation	4.2	35,822,395	34,638,606
Insurance		5,656,846	4,527,603
Repairs and maintenance		7,854,514	2,910,900
Other overheads		9,863,960	8,094,884
		1,892,654,115	1,745,831,506
Work-in-process			
Opening stock		16,059,655	10,483,522
Closing stock	8	(12,259,855)	(16,059,655)
		3,799,800	(5,576,133)
		1,896,453,915	1,740,255,373
22.1.1 Raw material consumed			
Opening stock		286,720,592	209,367,030
Purchases - net		1,424,067,115	1,432,905,647
		1,710,787,707	1,642,272,677
Closing stock	8	(293,342,303)	(286,720,592)
		1,417,445,404	1,355,552,085
22.1.2 Salaries, wages and benefits include Rs. 7 million (2013: Rs. 7 million) in respect of staff retirement benefits.			
	Note	2014	2013
		..... Rupees	
23. DISTRIBUTION COST			
Brokerage and commission		56,662,258	51,879,111
Export expenses		4,957,558	15,476,468
Local freight and handling		9,384,343	8,560,209
Sea freight		3,391,007	4,082,756
Salaries and benefits	23.1	3,184,405	2,810,520
		77,579,571	82,809,064
23.1 Salaries and benefits include Rs. 0.277 million (2013: Rs. 0.219 million) in respect of the staff retirement benefits.			

	Note	2014	2013
		..... Rupees	
24. ADMINISTRATIVE EXPENSES			
Salaries and benefits	24.1	27,425,170	25,067,158
Travelling and conveyance		2,991,640	5,288,373
Depreciation	4.2	6,112,987	4,473,770
Rent		2,863,140	2,863,140
Electricity and gas		1,649,663	2,515,551
Charity and donation	24.2	1,575,000	2,460,500
Fees and subscription		363,859	2,379,222
Auditors' remuneration	24.3	1,090,000	1,200,000
Printing and stationery		736,246	1,186,444
Amortisation	5.1	1,093,222	1,054,487
Vehicles running and maintenance		755,486	788,919
Postage and telephone		1,061,451	784,163
Legal and professional		4,499,336	733,489
Repairs and maintenance		573,479	515,869
Insurance		469,264	419,069
Entertainment		317,874	233,565
Advertisement		78,034	48,000
Others		43,616	161,721
		<u>53,699,467</u>	<u>52,173,440</u>

24.1 Salaries and benefits include Rs. 1.35 million (2013: Rs. 1.53 million) in respect of the staff retirement benefits.

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

	Note	2014	2013
		..... Rupees	
24.3 Auditors' remuneration			
Audit fee		650,000	650,000
Other remuneration as auditor			
- Half yearly review fee		75,000	75,000
- Other services		340,000	430,000
- COGC review		25,000	25,000
- CDC certification fee		-	20,000
		<u>1,090,000</u>	<u>1,200,000</u>

25. OTHER OPERATING EXPENSES			
Workers' Welfare Fund		2,240,471	6,551,464
Workers' Profit Participation Fund		5,601,177	16,378,661
Exchange loss - net		2,210,289	5,072,597
Unrealized loss on forward contracts		2,660,000	-
		<u>12,711,937</u>	<u>28,002,722</u>

26. FINANCE COST			
Interest / Mark-up on:			
Long-term finance		6,815,816	10,526,726
Short-term borrowings		7,992,850	11,453,898
Workers' Profits Participation Fund	18.3	2,776,520	3,533,088
Letters of credit discounting charges		2,293,202	5,165,837
Bank charges and commission		1,936,740	1,193,234
		<u>21,815,128</u>	<u>31,872,783</u>

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		2014	2013
	 Rupees	
27.	OTHER INCOME		
	Income from financial assets or financial liabilities		
	Profit on saving accounts	386,925	790,418
	Profit on term deposits	1,269,892	788,100
	Gain on sale of investments	24,798,369	8,364,125
	Income from assets other than financial assets		
	Gain on disposal of property, plant and equipment	1,363,246	613,593
		<u>27,818,432</u>	<u>10,556,236</u>
28.	TAXATION	Note	
	Current		2013 (Restated)
	- for the year	31,151,499	21,566,341
	- for prior year	(12,027,469)	(4,148,413)
	Deferred		
	- for the year	9,732,096	822,031
		<u>28,856,126</u>	<u>18,239,959</u>
28.1	Relationship between tax expense and accounting profit		
	Accounting profit - before tax	<u>131,259,125</u>	<u>356,598,671</u>
	Tax @ 34% (2013: 35%)	44,628,103	124,809,535
	Effect of:		
	Income subject to final tax regime / minimum tax	(4,334,972)	(62,207,314)
	Income chargeable to tax at reduced rates	(574,235)	(26,744,623)
	Effect of expenses that are not deductible	(4,338,705)	(2,178,653)
	Income tax for prior years	(12,027,469)	(4,148,413)
	Change in tax rate	6,707,336	-
	Tax credit	(1,203,931)	(11,290,573)
		<u>28,856,126</u>	<u>18,239,959</u>
29.	EARNINGS PER SHARE - BASIC AND DILUTED	2014	2013 (Restated)
	There is no dilutive effect on the basic earnings per share of the Company which is based on:		
	Profit for the year	Rs. 102,402,999	<u>367,715,388</u>
	Weighted average number of ordinary shares outstanding during the year	500,000	<u>500,000</u>
	Earnings per share	Rs. 204.81	<u>735.43</u>

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2014		2013	
	Chief Executive	Executives	Chief Executive	Executives
	Rupees			
Managerial remuneration	3,141,250	16,606,201	3,018,250	11,908,101
Bonus / Ex-gratia	174,059	1,314,541	251,521	990,691
Retirement benefits	174,059	1,228,267	251,521	917,691
Leave encashment	-	614,134	-	495,346
	3,489,368	19,763,143	3,521,292	14,311,829
No. of persons	1	13	4	8

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

30.2 An amount of Rs. 0.120 million (2013: Rs. 0.125 million) has been charged in these financial statements in respect of fee paid to directors for attending board meetings.

31. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings and key management personnel. The transactions between the Company and the related parties are carried out as per agreed terms. Amounts due from and to related parties and key management personnel, if any, are shown under receivables and payables. Remuneration of key management personnel is disclosed in note 30 and amount due in respect of staff retirement benefits is disclosed in note 5. Other significant transactions with related parties are as follows:

Relationship with the party	Nature of transactions	Note	2014 Rupees	2013
Associated undertakings	Purchase of power		206,655,830	155,439,985
	Share of expenses received		2,748,407	818,442
	Share of expenses paid		7,418,589	1,393,076
	Dividend received			
	- Cash	6	1,602,196	1,098,900
	- Specie		-	57,726,828
	Purchase of machinery		5,250,000	-
Sale of property, plant and equipment		-	1,350,000	
Directors	Godown rent		600,000	600,000
	Office rent		2,863,140	2,863,140

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	2014	2013
 Rupees	
32. PLANT CAPACITY AND ACTUAL PRODUCTION		
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	7,472,346	7,723,906

	2014	2013
33. NUMBER OF EMPLOYEES		
The total average number of employees during the year and as at June 30, 2014 and 2013 respectively are as follows:		
Average number of employees during the year	880	710
Number of employees as at June 30	889	718

	2014	2013
	..... Rupees	
34. FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets as per balance sheet		
Held to maturity		
- Other financial assets	159,000	8,241,025
Loans and receivables at amortized cost		
- Long term deposits	1,000,610	1,000,610
- Trade debts	159,226,652	173,250,504
- Loans and advances	3,561,394	3,331,958
- Other receivables	5,068,345	335,261
- Cash and bank balances	64,323,167	85,227,420
	233,180,168	263,145,753
Available for sale		
- Other financial assets	25,440,588	277,548,108
	258,779,756	548,934,886
Financial liabilities as per balance sheet		
Financial liabilities measured at amortized cost		
- Long term finance	-	104,163,518
- Trade and other payables	211,397,781	158,988,998
- Accrued interest / mark-up on borrowing	470,442	2,915,664
	211,868,223	266,068,180

34.1 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).

	Level 1	Level 2	Level 3	Total
.....Rupees.....				
Available-for-sale financial assets				
Quoted equity securities	25,440,588	-	159,000	25,599,588
2014	25,440,588	-	159,000	25,599,588
Available-for-sale financial assets				
Quoted equity securities	277,548,108	-	8,241,025	285,789,133
2013	277,548,108	-	8,241,025	285,789,133

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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35.1.1 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 which exposes it to currency risk. As at June 30, 2014, financial assets include Rs. Nil (2013: Rs. 13.8 million) and financial liabilities include foreign commission payable amounting to Rs. 2.5 million (2013: Rs. 12.3 million). The average rates applied during the year is Rs. 102.88 / US \$ (2013: Rs. 96.85 / US \$) and the spot rate as at June 30, 2014 was Rs. 98.75 / US\$ (2013: Rs. 98.95 / US\$).

At June 30, 2014, 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. 1.07 million (2013: Rs. 0.181 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. 11.80 million (financial assets on a net basis) (2013: Rs. 70.70 million net financial liabilities). These are benchmarked to variable rates which exposes the Company to cash flow interest rate risk only.

	Carrying amount	
	2014	2013
	..... Rupees	
Variable rate instruments		
Financial assets		
- Savings accounts	11,808,027	33,393,126
Financial liabilities		
- Long term finance	-	104,163,518
- Short term borrowings	-	-
	-	104,163,518
Net financial assets / (liabilities) at variable interest rates	11,808,027	(70,770,392)

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. 3.26 million (2013: Rs. 12.03 million). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 2013.

Fixed rate instruments

The Company does not have any fixed rate instrument 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.

35.1.2 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. 258.7 million (2013 : Rs. 548.9 million), the financial assets which are subject to credit risk amounted to Rs. 194.7 million (2013 : Rs. 463.7 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:

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

35.1.3 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. 100% of the Company's debt will mature in less than one year at June 30, 2014 (2013: 74.3%) 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.

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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
2013						
Trade and other payables	-	158,988,998	-	-	-	158,988,998
Accrued interest / mark-up on loans	105,593	-	2,810,071	-	-	2,915,664
Long term finance	3 months KIBOR plus 1% p.a	-	6,510,220	13,020,440	84,632,858	104,163,518
		105,593	165,499,218	15,830,511	84,632,858	266,068,180

35.1.4 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.

36. CAPITAL RISK MANAGEMENT

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

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders or issue new shares. The Company's overall strategy remains unchanged from previous year. The Company does not have any material external borrowings.

37. OPERATING SEGMENTS

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

The information with respect to operating segment is stated below:

- Yarn sales represent 99.34% (2013: 99.48%) of overall sales of the Company.
- 53.3% (2013: 75.0%) 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 percent of total sales for the year.

38. SUBSEQUENT EVENTS

The Board of Directors at their meeting held on September 20, 2014 have proposed a dividend of Rs.5 per share (2013: Rs. 5 per share) for the year ended June 30, 2014, amounting to Rs. 2.5 million (2013: Rs. 2.5 million), subject to the approval of members at the annual general meeting to be held on October 29, 2014.

39. 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 20, 2014.

40. 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 45th Annual General Meeting of the Company at 5th Floor Textile Plaza, M.A. Jinnah Road, Karachi on Wednesday, October 29, 2014 at 11:00 am or at any adjournment thereof.

As witness my/our hand this _____ day of 2014
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.

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NOTES:

1. Proxies, in order to be effective, must be received 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.