Annual Report 2013

Kohinoor Mills Limited

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Kohinoor Mills Limited

COMPANY PROFILE

Kohinoor Mills Limited's vision is to achieve and then remain as the most progressive and profitable textile organization in Pakistan. Incorporated in 1987 as a small weaving mill, today Kohinoor Mills broadly undertakes three major businesses, weaving, dyeing and power generation. It has, and continues to develop, a portfolio of businesses that are major players within their respective industries. Bringing together outstanding knowledge of customer needs with leading edge technology platforms your company undertakes to provide superior products to its customers.

With an annual turnover of over Rs. 8 billion, today Kohinoor Mills Limited employs over 1,400 employees. It aims to create superior value for Kohinoor's customers and stakeholders without compromising its commitment to safety, environment and health for the communities in which it operates. Its products range from greige fabric to processed fabric.

COMPANY INFORMATION

Board of Directors
Mr. Rashid Ahmed ....Chairman
Mr. Aamir Fayyaz Sheikh ....Chief Executive
Mr. Asad Fayyaz Sheikh..................Director
Mr. Ali Fayyaz Sheikh ....Director
Mr. Riaz Ahmed.................................Director
Mr. Aamir Amin.................................Director (NIT Nominee)
Mr. Shahbaz Munir ....Director

Audit Committee
Mr. Riaz Ahmed.................................Chairman
Mr. Rashid Ahmed ....Member
Mr. Shahbaz Munir ....Member
Mr. Ali Fayyaz Sheikh ....Member

Human Resource & Remuneration Committee
Mr. Rashid Ahmed ....Chairman
Mr. Asad Fayyaz Sheikh..................Member
Mr. Shahbaz Munir ....Member

Chief Financial Officer
Mr. Kamran Shahid

Head of Internal Audit
Mr. Faisal Sharif

Legal Advisors
- Raja Mohammad Akram & Co.,
  Advocate & Legal Consultants, Lahore.
- Malik Muhammad Ashraf Kumma Advocate

Company Secretary
Mr. Muhammad Rizwan Khan

Auditors
M/s. Riaz Ahmad & Co.,
Chartered Accountants

Bankers
- Allied Bank Limited
- Al Baraka Islamic Bank B.S.C. (E.C)
- Askari Bank Limited
- Bank Alfalah Limited
- Faysal Bank Limited
- Habib Bank Limited
- Habib Metropolitan Bank Limited
- National Bank of Pakistan
- NIB Bank Limited
- Silk Bank Limited
- Standard Chartered Bank (Pakistan) Ltd
- The Bank of Punjab
- United Bank Limited

Registered Office & Mills
8th K.M. Manga Raiwind Road,
District Kasur.
UAN: (92-42) 111-941-941
CELL LINES: (92-333) 4998801-10
LAND LINES: (92-42) 3639340
FAX: (92-42) 35395064 & 35395065
EMAIL: info@kohinoormills.com
WEBSITE: www.kohinoormills.com

Shares Registrar
M/s. Hameed Majeed Associates (Pvt.) Ltd,
HM House, 7 Bank Square, Lahore.
LAND LINES: (92-42) 37235081 & 82
FAX: (92-42) 37358817

Stock Exchange
Kohinoor Mills Limited is a public limited Company and its shares are traded under personal goods sector at all three Stock Exchanges of Pakistan.

MISSION & VISION STATEMENT

The Kohinoor Mills Limited's stated mission is to become and then remain as the most progressive and profitable company in Pakistan in terms of industry standards and stakeholders interest.

The Company shall achieve its mission through a continuous process of having sourced, developed, implemented and managed the best leading edge technology, industry best practices, human resource and innovative products and services and sold these to its customers, suppliers and stakeholders

BUSINESS ACTIVITIES

The Company is principally engaged in the business of textile manufacturing covering weaving, bleaching, dyeing, buying and selling and otherwise dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fiber and to generate, distribute, supply and sell electricity.

CODE OF CONDUCT

Introduction to the Code

This code has been formulated to ensure that directors and employees of the company operate within acceptable standards of conduct and sound business principles which strive for development and growth. The company takes pride in adherence to its principles and continues to serve its customers, stakeholders and society.

Contents

This code identifies the acceptable standards under following headings:

- Core values
- Business culture
- Responsibilities

Core values

The credibility, goodwill and repute earned over the years can be maintained through continued conviction in our corporate values of honesty, justice, integrity, and respect. The Company strongly believes in democratic leadership style with fair, transparent, ethical and high professional standards of conduct in all areas of business activities.

Business culture

Operations

The Company shall formulate and monitor its objectives, strategies and overall business plan of the organization.

The Company shall be continuously involved in the research and development of new products while improving quality of existing products using highest level of quality control measures at every stage of its operations. Creativity and innovation must prevail at all levels of hierarchy to achieve organizational excellence.

Abidance of Law

It is Company's prime object to comply with all applicable laws and regulations and to co-operate with all governmental and regulatory bodies.

Corporate Reporting and Internal Controls

The Company maintains effective, transparent and secure financial reporting and internal control systems so as to ensure reliable performance measurement and compliance with local regulations and international accounting standards as applicable.

The Company strictly adheres to the principles of good corporate governance and is committed to high standards of corporate governance.

The Company regularly updates and upgrades manufacturing and reporting systems so as to keep abreast with technological advancements and achieve economies of production.

Integrity and Confidentiality

The Company believes in uprightness and expects it to be a fundamental responsibility of employees to act in Company's best interest while holding confidential information and neither to solicit internal information from others nor to disclose Company's figures, data or any material information to any unauthorized person/body.

Inside information about the Company, its customers, vendors, employees shall not be used for their own gain or for that of others directly or indirectly.

Responsibilities

Shareholders

The Company believes in maximizing shareholders value by providing consistent growth and fair return on their investment.

Customers

The Company considers it imperative to maintain cordial relationship with the customers as integral to its growth and development of business and is committed to provide high quality products and services that conform to highest international standards.

Employees

The Company is an equal opportunity employer at all levels with respect to issues such as color, race, gender, age, ethnicity and religious beliefs and its promotional policies are free of any discrimination.

The Company ensures that employees work towards achievement of corporate objectives, individually and collectively as a team and conduct themselves at work and in society as respectable employees and good citizens.

The Company believes in continuous development and training of its employees.

The Company has set high standards of performance and recognizes employees' contribution towards its growth and rewards them based on their performance. The Company believes development, growth and recognition result in motivated employees.

All employees of the Company are part of Kohinoor family and the families of all members are also part and parcel of Kohinoor family. The Company believes that the sense of belonging to Kohinoor fulfils an essential need of its employees and the organization and as such will always be nurtured.

Environment and Social Responsibility

Protecting the environment in which we live is an important element. The Company uses all means to ensure a clean, safe, healthy and pollution free environment not only for its workers and employees but also for the well being of all people who live in and around any of the production and manufacturing facilities. The Company will always employ such technology as may be beneficial in maintaining a healthy and hygienic working environment. It also believes in community development without political affiliations with any person or group of persons and contributes part of its resources for a better environment with an unprejudiced approach.

NOTICE OF 26th ANNUAL GENERAL MEETING

Notice is hereby given that the 26th Annual General Meeting (AGM) of the members of Kohinoor Mills Limited (the Company) will be held on Thursday, 31st day of October, 2013 at 3:00 p.m. at the Registered Office of the Company situated at 8th Kilometer, Manga Raiwind Road, District Kasur, to transact the following business:-

1. To confirm the minutes of the Extra-ordinary General Meeting held on March 28, 2013.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2013, together with Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending June 30, 2014 and fix their remuneration.
4. To transact any other Ordinary business with the permission of the Chair.

MUHAMMAD RIZWAN KHAN
Company Secretary

Kasur:
October 09, 2013

NOTES

1. The shares transfer books of the Company will remain closed from October 24, 2013 to October 31, 2013 (both days inclusive). Physical transfers/CDS Transaction IDs received in order at Shares Registrar of the Company i.e., M/s. Hameed Majeed Associates (Pvt.) Ltd, HM house, 7 Bank Square, Lahore, upto October 23, 2013, will be considered in time.

2. A member entitled to attend and vote at AGM may appoint a person/representative as proxy to vote in place of member at the meeting. Proxies in order to be effective must be received at the Company's Registered Office duly stamped and signed not later than 48 hours before the time of holding meeting. A member may not appoint more than one proxy. A copy of shareholder's attested Computerized National Identity Card (CNIC) must be attached with the proxy form.

3. The CDC account holders / sub account holders are requested to bring with them their CNIC along with participant(s) ID numbers and their account numbers at the time of attending the meeting in order to facilitate identification of the respective shareholders. In case of corporate entity, the Board of Directors' resolution/Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

4. Members, who have not yet submitted photocopies of their CNIC to Shares Registrar, are requested to send the same at earliest.

5. Shareholders are requested to promptly notify change in their addresses, if any, to Shares Registrar of the Company.

DIRECTORS' REPORT

The Directors of the Company are pleased to present the audited financial statements for the year ended June 30, 2013. These financial statements are presented in accordance with the requirements of Companies Ordinance, 1984.

Textile Industry Outlook

Financial year (FY) 2012-13 was one of the most frustrating years for the economy of Pakistan in the recent past. Crippling power and gas shortages, rising fuel prices, precarious security situation, uncertainty surrounding political transition due to General Elections and fragile geopolitical environment of the region continued to plague the economic situation. The severity of energy crisis hampered sustainability and growth of business sector resulting in heavy costs due to usage of alternate fuels at the expense of operational profitability and competitiveness.

Diversion of non-value added business of yarn and grey cloth from China to Southern Asia resulted in upswing in the profitability of the textile sector during earlier part of the FY. However, competition in value-added sector from China, India, Bangladesh and other regional players continued to impinge the bottom line. Overall, country's textile exports declined from US$ 13.07 billion in FY 2011-12 to US$ 12.81 billion in FY 2012-13. The Pakistani rupee also recorded 4.2% depreciation during the year.

Operating & Financial Results

During the financial year ended June 30, 2013, your company earned a gross profit of Rs. 1,378 million on sales of Rs. 8,452 million compared to gross profit of Rs. 919 million on sales of Rs 6,262 million for the previous financial year 2011-12. Gross margin was 16.3% compared to 14.7% in the previous year. During FY 2012-13, your company recorded a net profit of Rs. 1,009 million, compared to net profit of Rs 629 million in the previous financial year. The Earning per share was Rs. 19.81 per share compared to Rs. 12.36 for previous financial year.

Optimal capacity utilization during the year resulted in improved gross margins due to better fixed cost coverage, which otherwise remained under pressure due to escalating raw material prices and severe electricity and gas load-shedding.

IAS 39 "Financial Instruments: Recognition and Measurement" requires that substantial modification of the terms of existing borrowings at softer terms should be accounted for as an extinguishment of the original borrowings and recognition of new borrowings at fair value; with resultant gain reported in net income for the year and amortization charge-offs in subsequent years. During the first half of the current financial year, debt restructuring with all banks, including debt-asset swap was finalized.

Consequently, the adjustment required under IAS 39 was recognized during the current period. Accordingly, net profit for the year includes Rs. 824 million as gain on recognition of financial liabilities at fair value and also includes Rs. 113 million as the amortization charge of the above gain.

During the period under review, 11.251 million shares of Maple Leaf Cement Factory Limited held as short term investment have been sold and the company realized a gain of Rs. 174 million on these shares.

Dividend

In order to rebuild the working capital of the company, lost due to heavy operating losses in previous years, your directors have decided to omit any dividend this year.

Performance Overview

A brief overview of performance of your company for the year ended June 30, 2013 is discussed below. Please also refer page no. 18 of this Annual Report for six years' performance overview of your company.

Weaving Division

Better capacity utilization and increase in export volume resulted in improvement in profits in this division despite frequent fluctuations in yarn prices. Keeping in view the good order position, the management is confident that the performance in this division will be maintained in the ensuing period.

Dyeing Division

Concerted marketing efforts resulted in significant increase in sales volume in this division, which alongside improvement in yields and better capacity utilization, resulted in marked improvement in profitability in this division. Being at the value-added end of the fabric business, the management is further intensifying its product development and marketing efforts in this division, which shall ensure further improvement in profitability.

Genertek Division

The overall performance remained depressed in this division due to erratic pattern of the supply of Natural Gas by SNGPL during the current period. The 2 to 3 days a week gas load shedding in July-August was later increased to total suspension of gas supply from December to February and was only partially restored in March. The resultant reliance on LESCO and HFO-based engines for electric power escalated the overall Power and Fuel costs.

In view of the worsening gas and electricity supply situation in the country in the long run, the management is earnestly considering various alternate-fuel based energy options. The company finalized the order for bio-fuel based boiler during the year, which is expected to be operational by October 2013. The management is further exploring different options for alternate-fuel fired power generation.

Q Mart Corporation (Pvt) Ltd (a wholly owned subsidiary of your company)

The company, in line with its decision to focus on its core fabric business, has decided to pull out of retail business and has accordingly shut-down all its Q-Mart retails stores and is in the process of disposing of the fixed assets of this company.

Information Technology

Your company is making continuous efforts to have efficient IT systems supporting timely and effective decisions. It has provided its employees, the most modern facilities to achieve optimum efficiency levels. Most of manufacturing equipment and machinery used in the operations are equipped with technologically advanced software providing on line real time information for most of the production processes.

The company's intranet acts as a useful resource base providing in depth information on the company's policies and procedures along with other information for beneficial use to the employees of the company.

Human Resource & Training

With a human capital of about 1,500 employees, the company believes that the employees are vital ingredient in shaping company's future where each individual contributes directly to the success of the organization.

Your company's HR team is a group of highly skilled and experienced professionals. They work very closely with business teams to design efficient people solutions that will affectively meet the business goals.

Your company places a premium on respect for individuals, equal opportunities, advancement based on merit, effective communication, and the development of high performance culture. The company takes pride in continuous improvement at all levels and strives to ensure that opportunity for growth and varied career experiences are provided to all employees.

Your company is an equal opportunity employer and this is practiced in all aspects of the company's business activities including recruitment and employment.

Combined with state of the art technology and HR Information Systems, the result is a high performance environment within which individuals can achieve their professional and personal dreams.

Training & Development

Your company believes in human resource development through training and development and places due emphasis on training in all spheres of its production process. The company made efforts during the year with more focused and cost effective training programs for the major technical categories such as weavers, technologists and quality control inspectors. Candidates are engaged through a Trainee Scheme and trained in-house over a period of 6 months through a career path. This has helped company in preparing a highly skilled workforce and also provides replacements to cover turnover.

In-house training sessions are regularly conducted in general management, fire fighting, first aid, health and safety, computer and technical disciplines.

Safety, Health & Environment

Your company has provided safe & healthy workplace for both staff & contractors and will act responsibly towards the communities and environment in which we operate. This will be achieved by continuous improvement of our safety, health and environment performance through corporate leadership, dedication of staff and the application of the highest professional standards at workplace.

Corporate Social Responsibility

Your company has very distinct Corporate and Social Responsibility (CSR) policy in fulfilling its responsibilities of securing the community within which it operates.

Your company through its directors is actively involved in the various social responsibility initiatives in the field of primary education and health care. During the year under review, your company donated an Echo-cardiography machine worth Rs. 2.4 million to Punjab Institute of Cardiology, Lahore.

Compliance with the Code of Corporate Governance

The Board reviews the company's strategic direction on regular basis. The business plans and budgetary targets, set by the Board are also reviewed regularly. The Audit Committee is empowered for effective compliance of Code of Corporate Governance. The Board is committed to maintain a high standard of good Corporate Governance.

Corporate & Financial Reporting Frame Work

The Board of Directors of the company is fully cognizant of its responsibility as laid down in the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan. The following statements are a manifestation of its commitment towards compliance with best practices of Code of Corporate Governance.

a. The financial statements together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These Statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

b. The company has maintained proper books of account as required by the Companies Ordinance, 1984.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.

d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements except for the departure as stated in para on Debt and Corporate restructuring above.

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

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

g. There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations of the stock exchanges where the company is listed.

h. There are no significant plans for any corporate restructuring, business expansion or discontinuation of any part of company's operations.

i. Information regarding statutory payments on account of outstanding taxes, duties, levies and other charges (if any) has been given in related note(s) to the audited accounts.

j. The company strictly complies with the standard of safety rules & regulations. It also follows environmental friendly policies.

k. The valuation of investment made by the staff retirement benefit fund (Provident Fund), based on their respective un-audited accounts is as follows:

June 30, 2013	Rs 85.45 million
June 30, 2012	Rs 54.64 million

Board of Directors

The Board of Directors is responsible for the overall governance and administration of the company. All directors are aware of their duties and powers conferred by the Companies Ordinance, 1984, Code of Corporate Governance and Company's Memorandum and Articles of Association. They exercise their fiduciary responsibilities through board meetings which are held every quarter for reviewing and approving the adoption of company's financial statements in addition to review and adoption of company's significant plans and decisions, projections, forecasts, and budgets having regard to the recommendations of the Audit Committee. The responsibilities include establishing the company's strategic objectives, providing leadership, supervising the management of the business and reporting to shareholders on their stewardship.

During the year under review four (4) meetings of the Board of Directors were held. The attendance by each Director is as follows:

Name of Directors	No. of Meetings Attended
Mr. Aamir Fayyaz Sheikh	4
Mr. Rashid Ahmed	4
Mr. Asad Fayyaz Sheikh	4
Mr. Ali Fayyaz Sheikh	4
Mr. Aamir Amin	4
Mr. Kamran Shahid*	3
Mr. Mohammad Aamir Alam Qureshi*	3
Mr. Riaz Ahmed*	1
Mr. Shahbaz Munir*	1

* On completion of term of office of Directors, elections were held on March 28, 2013 and accordingly Board of Directors was reconstituted. Mr. Riaz Ahmed and Mr. Shahbaz Munir joined the Board in place of Mr. Kamran Shahid and Mr. Mohammad Aamir Alam Qureshi. The Board wishes to place on record its sincere appreciation for the valuable services rendered by the retiring Directors.

Other than those set out below, there has been no trading during the year under review by the Directors, Chief Executive, Chief Financial Officer, Head of Internal Audit, Company Secretary, their spouses and minor children:

Name of Directors	Designation	Purchased	Sold
		No. of Shares	
Mr. Aamir Fayyaz Sheikh	CEO/Director	2,060,552	-
Mr. Riaz Ahmed	Director	5,000	-

During the year under review, Board of Directors of the Company approved revision of remunerations of Mr. Aamir Fayyaz Sheikh, Chief Executive and Mr. Asad Fayyaz Sheikh, whole-time working Director of the Company. The Board approved a sum of Rs. 700,000/- towards monthly remuneration of the CEO and Rs. 500,000/- for the above named Director along with other facilities as per Company policy.

Audit Committee

The Audit Committee operates according to the terms of reference determined by the Board of Directors of the company. It focuses on monitoring compliance with the best practices of the Code of Corporate Governance and relevant statutory requirements, changes in accounting policies and practices, compliance with applicable accounting standards and listing regulations.

It recommends to the Board of Directors the terms of appointment of external auditors and reviews their recommendations relating to audit. Other responsibilities include monitoring the internal audit function, safeguarding company's assets through appropriate internal control systems including financial and operational controls, accounting system and reporting structure, preliminary review of business plans and quarterly, half-yearly and annual results prior to approval and publication by the Board.

Pursuant to the requirements of Code of Corporate Governance, 2012, the Board of Directors reconstituted the Audit Committee on April 22, 2013 in the following manner:

Mr. Riaz Ahmed	Chairman - Independent Director
Mr. Rashid Ahmed	Member - Non-executive Director
Mr. Shahbaz Munir	Member - Non-executive Director
Mr. Ali Fayyaz Sheikh	Member - Non-executive Director

During the year under review five (5) meetings of the Audit Committee were held. The attendance by each member was as follows:

Name of Member	No. of Meetings Attended
Mr. Rashid Ahmed	5
Mr. Asad Fayyaz Sheikh	4
Mr. Ali Fayyaz Sheikh	5
Mr. Riaz Ahmed	1
Mr. Shahbaz Munir	-*

* Leave of absence was granted to the member unable to attend the meeting.

Human Resource and Remuneration Committee

Pursuant to clause (xxv) of the Code of Corporate Governance 2012, the Board of Directors of the Company formed a Human Resource and Remuneration Committee (HR & R). The Committee will operate according to terms of reference agreed by the Board of Director and is going to be responsible for recommending human resource management policies to the board, selection, evaluation, compensation (including retirement benefits) and succession planning of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit; and consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO.

The HR & R Committee currently comprises of the following three non-executive directors:

Mr. Rashid Ahmed	Chairman - Non-executive Director
Mr. Asad Fayyaz Sheikh	Member - Non-executive Director
Mr. Shahbaz Munir	Member - Non-executive Director

Code of Conduct

In order to promote integrity for the Board, senior management and other employees of the Company, the Board has prepared and disseminated Code of Conduct on Company's website for information of his/her understanding of the professional standards and corporate values for everybody associated or dealing with the Company.

Pattern of Shareholding

The Statement of Pattern of Shareholding along with categories of shareholders of the company as at June 30, 2013, as required under section 236 of Companies Ordinance, 1984 and Code of Corporate Governance is annexed with this report.

Future Prospects

The Pakistani economy, overall, faces significant challenges on several fronts. The continuing power-crisis, sharp decline in the value of Pak Rupee, flight of foreign capital, "war on terror", recurring natural calamities and excessive reliance on assistance from multilateral agencies have weakened the government's ability to respond to the economic challenges. Further, the continuing global recession and increasing competition from regional players in value-added sector is only adding to the woes of the export-based textile industry. However, some recent steps by newly elected government, including tackling of energy crisis and prioritizing the needs of the industry reflect a changed pro-business approach, which is a positive sign in an otherwise gloomy picture.

Your management is cognizant of the difficult times your company is facing. Accordingly, it has devised a detailed strategy for tiding over this challenging situation. The strategy encompasses increased revenues and better margins by intensive marketing efforts focusing on market development and penetration, product development, especially niche products for famous brands and technical textiles. On cost-saving side, better supply-chain management for raw materials and increased reliance on alternate fuels for power-generation are pivotal parts of the strategy. The current order book of the company is healthy and it has confirmed orders up to December 2013 at full capacity. Therefore, the management is confident that the company shall be able to build on its performance, going forward.

Auditors

The external auditors of the company, M/s Riaz Ahmad & Company, Chartered Accountants shall retire on the conclusion of forthcoming Annual General Meeting. Being eligible for re-appointment under the Companies Ordinance, 1984, they have offered their services as auditors of the company for the year ending June 30, 2014. The Board of Directors endorsed its recommendations of Audit Committee for their re-appointment.

The auditors have conveyed that they have been assigned satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan and the firm is fully compliant with the code of ethics issued by International Federation of Accountants (IFAC). Further they are also not rendering any related services to the company. The auditors have also confirmed that neither the firm nor any of their partners, their spouses or minor children at any time during the year held or traded in the shares of the company.

Acknowledgment

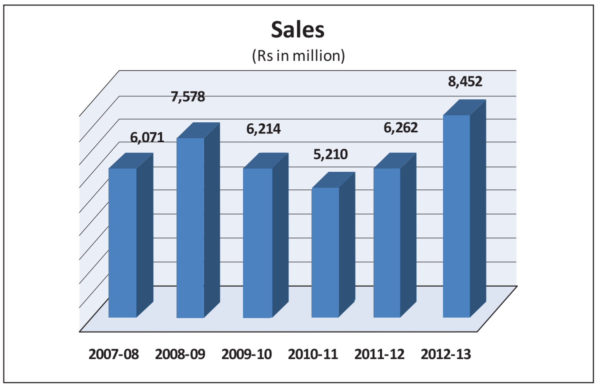
The board places on record its profound gratitude for its valued shareholders, banks, financial institutions and customers, whose cooperation, continued support and patronage have enabled the company to strive for constant improvement. During the period under review, relations between the management and employees remained cordial and we wish to place on record our appreciation for the dedication, perseverance and diligence of the staff and workers of the company.

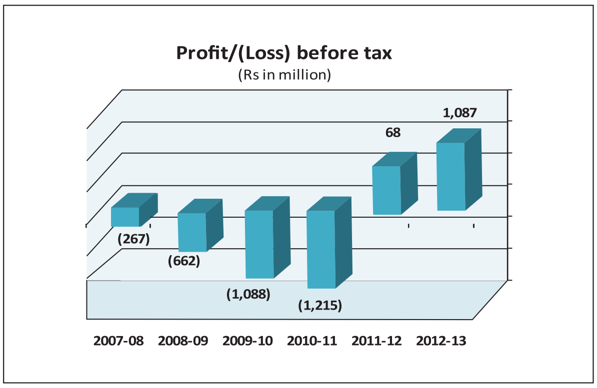
For and on behalf of the Board

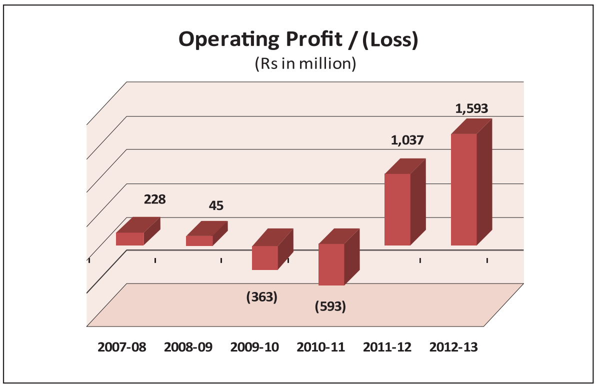
AAMIR FAYYAZ SHEIKH
Chief Executive

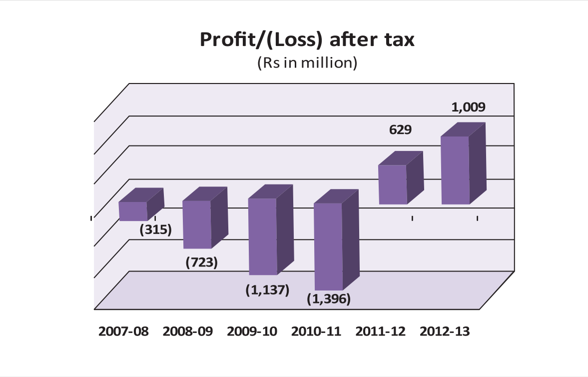
Kasur:
September 26, 2013

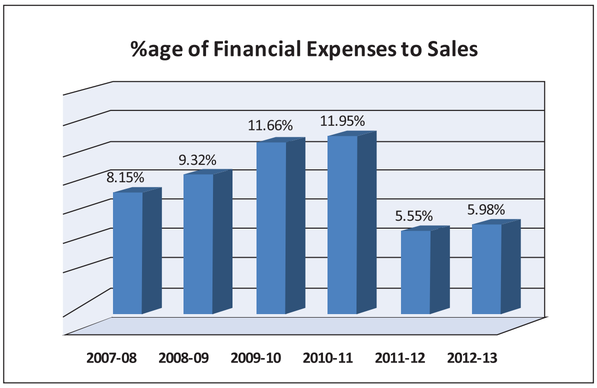
PERFORMANCE OVERVIEW

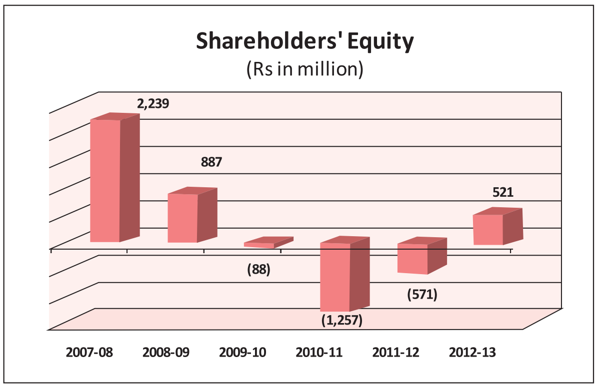


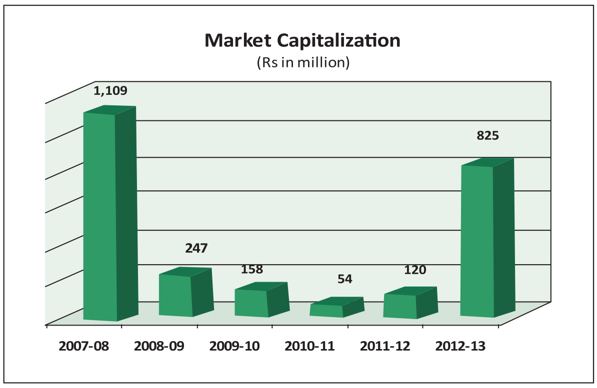


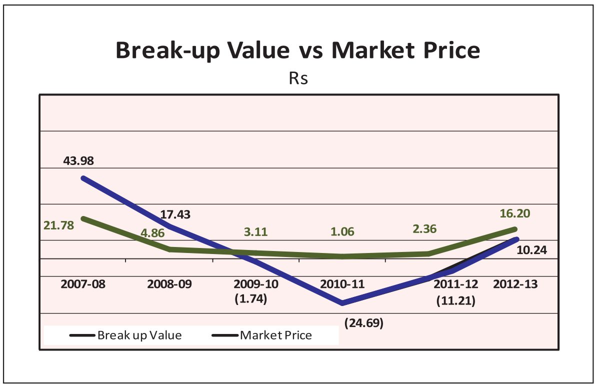


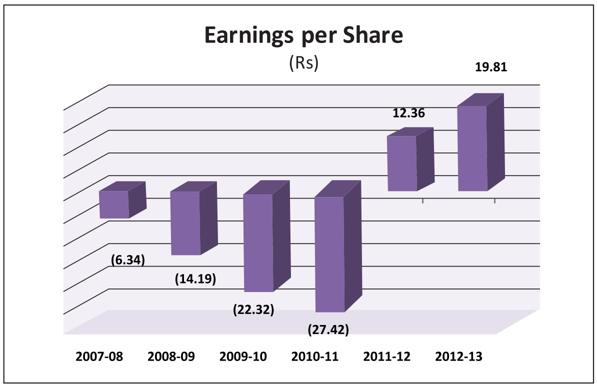


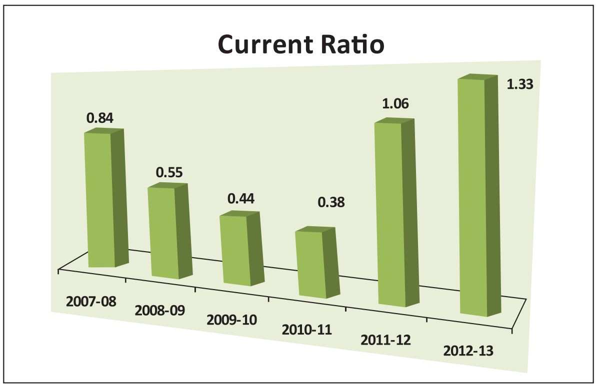



Shareholders' Equity
(Rs in million)
2,239
887
(88)
(1,257)
(571)
521
2007-08
2008-09
2009-10
2010-11
2011-12
2012-13


Market Capitalization
(Rs in million)
1,109
247
158
54
120
825
2007-08
2008-09
2009-10
2010-11
2011-12
2012-13


Break-up Value vs Market Price
Rs
43.98
21.78
17.43
4.86
3.11
1.06
2.36
16.20
10.24
2007-08
2008-09
2009-10
(1.74)
2010-11
2011-12
(11.21)
2012-13
(24.69)
Break up Value
Market Price


Earnings per Share
(Rs)
19.81
12.36
(6.34)
(14.19)
(22.32)
(27.42)
2007-08
2008-09
2009-10
2010-11
2011-12
2012-13


Current Ratio
0.84
0.55
0.44
0.38
1.06
1.33
2007-08
2008-09
2009-10
2010-11
2011-12
2012-13

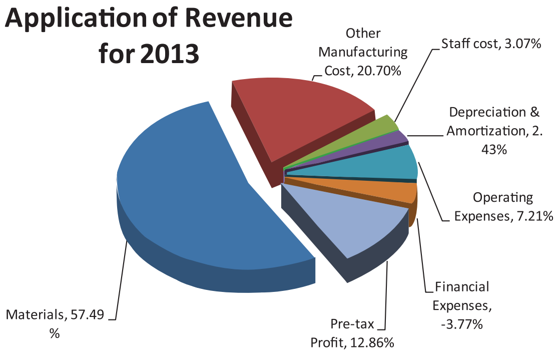
SIX YEARS' PERFORMANCE

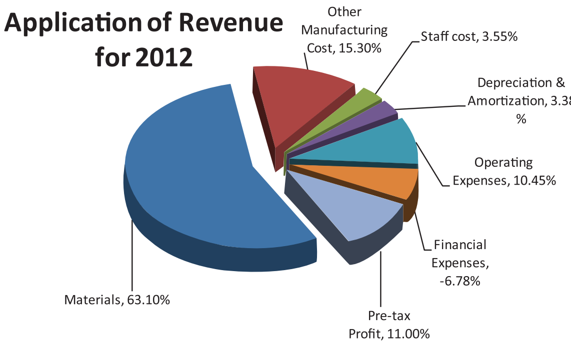
		2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
OPERATING							
Gross Margin*	%	16.31	14.67	(1.81)	5.23	8.70	13.07
Pre Tax Margin*	%	12.86	11.00	(23.32)	(17.50)	(8.73)	(4.40)
Net Margin	%	11.93	10.05	(26.79)	(18.30)	(9.53)	(5.19)
PERFORMANCE							
Return on Long Term Assets	%	29.17	17.58	(41.38)	(20.73)	(12.74)	(7.30)
Total Assets Turnover	x	1.44	1.08	0.90	0.71	0.84	0.67
Fixed Assets Turnover	x	2.52	1.83	1.70	1.20	1.40	1.49
Inventory Turnover	Days	42.99	53.41	63.84	84.00	74.00	96.00
Return on Equity	%	1.93	nm	nm	nm	(81.44)	(14.06)
Return on Capital Employed	%	48.03	36.36	nm	(103.72)	2.34	6.71
Retention	%	100	100	-	-	-	-
LEVERAGE							
Debt:Equity		82:18	nm	nm	107:(7)	59:41	39:61
LIQUIDITY							
Current		1.33	1.06	0.38	0.44	0.55	0.84
Quick		0.82	0.67	0.26	0.24	0.30	0.49
VALUATION							
Earning per share (pre tax)*	Rs.	21.36	13.53	(23.87)	(21.36)	(13.00)	(5.38)
Earning per share (after tax)	Rs.	19.81	12.36	(27.42)	(22.32)	(14.19)	(6.34)
Breakup value	Rs.	10.24	(11.21)	(24.69)	(1.74)	17.43	43.98
Dividend payout - Cash	Rs.	-	-	-	-	-	-
Bonus issue	%	-	-	-	-	-	-
Payout ratio - Cash (after tax)	%	-	-	-	-	-	-
Price earning ratio	Rs.	0.82	0.19	(0.04)	(0.14)	(0.34)	(3.43)
Market price to breakup value	Rs.	1.58	(0.21)	(0.04)	(1.79)	0.28	0.50
Dividend yield	%	-	-	-	-	-	-
Market value per share	Rs.	16.20	2.36	1.06	3.11	4.86	21.78
Market capitalization	Rs.(000)	824,758	120,150	53,966	158,333	247,428	1,108,842
HISTORICAL TRENDS							
Turnover*	Rs.(000)	8,451,771	6,261,868	5,210,209	6,214,371	7,578,457	6,071,271
Gross profit*	Rs.(000)	1,378,313	918,875	(94,544)	324,598	659,138	793,521
Profit/(Loss) before tax*	Rs.(000)	1,087,212	689,071	(1,215,277)	(1,087,528)	(661,761)	(267,105)
Profit/(Loss) after tax	Rs.(000)	1,008,667	629,489	(1,396,003)	(1,136,512)	(722,552)	(314,802)
FINANCIAL POSITION							
Shareholder's funds	Rs.(000)	521,434	(570,526)	(1,256,932)	(88,488)	887,261	2,238,857
Property Plant and Equipment	Rs.(000)	3,354,568	3,412,683	3,062,840	5,181,770	5,404,086	4,062,382
Current assets	Rs.(000)	2,402,673	2,243,136	2,413,795	3,199,998	3,378,901	4,771,035
Current liabilities	Rs.(000)	1,804,023	2,115,791	6,345,402	7,317,408	6,109,691	5,689,702
Long term assets	Rs.(000)	3,457,392	3,580,165	3,373,358	5,491,986	5,672,331	4,311,432
Long term liabilities	Rs.(000)	2,794,148	3,422,637	31,085	438,911	1,016,955	1,153,908

nm: not meaningful
*for continued operations only

STATEMENT OF VALUE ADDITION

Value Added	2013		2012	
	%age	Rupees (000)	%age	Rupees (000)
Local Sales	13.42%	1,134,504	16.99%	1,063,590
Export Sales	86.58%	7,317,266	83.01%	5,198,278
Total Sales	**100%**	**8,451,771**	**100%**	**6,261,868**
Value Allocated				
Materials	57.49%	4,859,232	63.10%	3,951,056
Other Manufacturing Cost	20.70%	1,749,765	15.30%	958,152
Staff cost	3.07%	259,363	3.55%	222,228
Depreciation & Amortization	2.43%	205,098	3.38%	211,557
Operating Expenses	7.21%	609,423	10.45%	654,657
Financial Expenses	-3.77%	(318,321)	-6.78%	(424,853)
Pre-tax Profit	12.86%	1,087,212	11.00%	689,071
	100%	**8,451,771**	**100%**	**6,261,868**





Statement of Compliance with the Code of Corporate Governance [Clause (XI)]
For the Year Ended June 30, 2013.

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

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

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

Category	Names
Independent Directors	Mr. Riaz Ahmed
Executive Directors	Mr. Aamir Fayyaz Sheikh Mr. Asad Fayyaz Sheikh
Non-Executive Directors	Mr. Ali Fayyaz Sheikh Mr. Rashid Ahmed Mr. Shahbaz Munir Mr. Aamir Amin

The above named independent director meets the criteria of independence under clause i (b) of the CCG.

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

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

4. The board of directors of the company completed its term of three years on March 31, 2013 and the new board of directors was elected for next three years. Mr. Riaz Ahmed and Mr. Shahbaz Munir joined the board in place of Mr.Kamran Shahid and Mr. Mohammad Aamir Alam Qureshi. However, casual vacancy occurred on the board on July 16, 2012 was filled up by the directors in accordance to the requirements of clause (iii) of the CCG.

5. The company 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 conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

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 meetings were appropriately recorded and circulated.

9. During the year under review, Mr. Riaz Ahmed, independent director of the company successfully completed directors training programme conducted by Institute of Chartered Accountants of Pakistan held at Lahore in March and June 2013.

10. During the year the board did not approve any fresh appointment of CFO, Company Secretary and Head of Internal Audit. However, remuneratin of the above officers was revised as per Company policy approved by the board.

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

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

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

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

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

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

17. The board has also formed a Human Resource and Remuneration Committee. It comprises three members, of whom all are non-executive directors including chairman of the meeting.

18. The board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program 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 the company's securities, was determined and intimated to directors, employees and stock exchange(s).

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

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

For and on behalf of the Board

AAMIR FAYYAZ SHEIKH
Chief Executive

Kasur:
September 26, 2013

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of KOHINOOR MILLS LIMITED (“the Company”) for the year ended 30 June 2013, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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's 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.

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Septermber 26, 2013

LAHORE:

Kohinoor Mills Limited

FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KOHINOOR MILLS LIMITED** as at 30 June 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2013 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

DATE: 26 September 2013

LAHORE:

BALANCE SHEET AS AT 30 JUNE 2013

	Note	2013 Rupees	2012 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital	3	1,100,000,000	1,100,000,000
Issued, subscribed and paid-up share capital	4	509,110,110	509,110,110
Reserves	5	12,324,332	(1,079,636,012)
Total equity		521,434,442	(570,525,902)
Surplus on revaluation of operating fixed assets - net of deferred income tax	6	785,458,501	855,399,156
LIABILITIES			
Non-current liabilities			
Long term financing - secured	7	1,994,125,496	3,102,896,832
Sponsor's loan	8	272,000,000	272,000,000
Deferred liabilities	9	483,022,877	47,740,202
		2,749,148,373	3,422,637,034
Current liabilities			
Trade and other payables	10	814,538,309	682,165,263
Accrued markup	11	110,743,721	445,334,605
Short term borrowings - secured	12	671,405,785	784,099,087
Current portion of long term financing	7	127,360,657	141,277,366
Provision for taxation		79,975,000	62,914,863
		1,804,023,472	2,115,791,184
Total liabilities		4,553,171,845	5,538,428,218
Contingencies and commitments	13		
TOTAL EQUITY AND LIABILITIES		5,860,064,788	5,823,301,472

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

AAMIR FAYYAZ SHEIKH
Chief Executive

	Note	2013 Rupees	2012 Rupees
ASSETS			
Non-current assets			
Fixed assets	14	3,354,568,091	3,412,682,623
Long term investments	15	82,235,864	146,700,000
Long term security deposits		20,587,740	20,782,740
		3,457,391,695	3,580,165,363
Current assets			
Stores, spares and loose tools	16	315,856,083	252,126,678
Stock-in-trade	17	614,534,124	575,669,852
Trade debts	18	679,533,395	754,942,849
Advances	19	90,306,682	125,692,850
Trade deposits and short term prepayments	20	7,595,341	13,039,403
Other receivables	21	237,728,166	190,653,753
Sales tax recoverable		195,540,934	93,339,609
Short term investments	22	132,357,244	129,544,580
Cash and bank balances	23	129,221,124	108,126,535
		2,402,673,093	2,243,136,109
TOTAL ASSETS		5,860,064,788	5,823,301,472

RIAZ AHMED
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Rupees	2012 Rupees
SALES	24	8,451,770,781	6,261,867,722
COST OF SALES	25	(7,073,457,332)	(5,342,992,987)
GROSS PROFIT		1,378,313,449	918,874,735
DISTRIBUTION COST	26	(618,804,629)	(384,145,110)
ADMINISTRATIVE EXPENSES	27	(195,040,088)	(183,949,049)
OTHER EXPENSES	28	(176,879,315)	(158,157,347)
		(990,724,032)	(726,251,506)
		387,589,417	192,623,229
OTHER INCOME	29	1,205,045,128	844,479,690
PROFIT FROM OPERATIONS		1,592,634,545	1,037,102,919
FINANCE COST	30	(505,422,696)	(348,032,232)
PROFIT BEFORE TAXATION		1,087,211,849	689,070,687
TAXATION	31	(78,545,167)	(59,582,169)
PROFIT AFTER TAXATION		1,008,666,682	629,488,518
EARNINGS PER SHARE - BASIC AND DILUTED	32	19.81	12.36

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

AAMIR FAYYAZ SHEIKH
Chief Executive

RIAZ AHMED
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	2013 Rupees	2012 Rupees
PROFIT AFTER TAXATION	1,008,666,682	629,488,518
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss:		
Surplus arising on re-measurement of available for sale investment to fair value	54,904,794	51,655,824
Reclassification adjustment relating to disposal of available for sale investment	(28,915,070)	-
Deferred income tax relating to surplus on re-measurement of available for sale investment to fair value	(13,425,111)	(5,969,448)
Other comprehensive income for the year - net of tax	12,564,613	45,686,376
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,021,231,295	675,174,894

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

AAMIR FAYYAZ SHEIKH
Chief Executive

RIAZ AHMED
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,087,211,849	689,070,687
Adjustment for non-cash charges and other items:		
Depreciation on operating fixed assets	217,589,840	232,055,878
Amortization on intangible asset	864,689	931,067
Dividend income	(2,574,668)	(965,500)
Loss / (gain) on sale of operating fixed assets	4,389,325	(13,680,040)
Gain on sale of investment	(173,527,189)	-
Impairment loss on investment in subsidiary company	64,464,136	153,300,000
Gain on recognition of long term financing at fair value	(823,743,568)	-
Adjustment due to impact of IAS - 39	112,590,198	-
Provision for doubtful trade debts	86,833,187	1,525,385
Irrecoverable trade debts written off	2,148,015	-
Advances written off	6,036,407	-
Accrued markup written back	(61,161,270)	(772,885,676)
Donation	-	1,865,000
Finance cost	392,832,498	348,032,232
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL	913,953,449	639,249,033
(INCREASE) / DECREASE IN CURRENT ASSETS		
Stores, spares and loose tools	(63,729,405)	(15,575,150)
Stock-in-trade	(38,864,272)	(76,300,586)
Trade debts	(13,571,748)	(257,665,543)
Advances	29,349,761	79,155,086
Trade deposits and short term prepayments	5,444,062	(11,508,937)
Other receivables	(16,892,557)	54,305,429
Sales tax recoverable	(102,201,325)	(23,516,162)
INCREASE / (DECREASE) IN CURRENT LIABILITIES		
Trade and other payables	120,373,046	(167,020,082)
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES	(80,092,438)	(418,125,945)
CASH GENERATED FROM OPERATIONS	833,861,011	221,123,088
Income tax paid	(93,007,155)	(68,994,226)
Net decrease / (increase) in long term security deposits	195,000	(10,264,490)
Finance cost paid	(242,275,885)	(126,715,321)
	(335,088,040)	(205,974,037)
NET CASH GENERATED FROM OPERATING ACTIVITIES	498,772,971	15,149,051
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on operating fixed assets	(244,961,046)	(82,919,585)
Proceeds from disposal of operating fixed assets	6,686,775	95,493,904
Proceed from disposal of short term investment	145,677,342	-
Dividend received	2,574,668	965,500
NET CASH (USED IN) / FROM INVESTING ACTIVITIES	(90,022,261)	13,539,819
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(198,073,490)	(342,414,016)
Sponsor's loan	-	272,000,000
Short term borrowings - net	(189,582,631)	(79,498,494)
NET CASH USED IN FINANCING ACTIVITIES	(387,656,121)	(149,912,510)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	21,094,589	(121,223,640)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	108,126,535	229,350,175
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	129,221,124	108,126,535

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

AAMIR FAYYAZ SHEIKH
Chief Executive

RIAZ AHMED
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	ISSUED SUBSCRIBED AND PAID-UP SHARE CAPITAL	RESERVES							Total Equity
		CAPITAL RESERVES			REVENUE RESERVES			Total reserves	
		Share premium reserves	Fair Value reserves	Sub-Total	General reserve	Accumulated Loss	Sub-Total		
	RUPEES								
Balance as at 30 June 2011	509,110,110	213,406,310	39,830,550	253,236,860	1,058,027,640	(3,077,306,954)	(2,019,279,314)	(1,766,042,454)	(1,256,932,344)
Transferred from surplus on revaluation of operating fixed assets - net of deferred income tax	-	-	-	-	-	11,231,548	11,231,548	11,231,548	11,231,548
Profit for the year	-	-	-	-	-	629,488,518	629,488,518	629,488,518	629,488,518
Other comprehensive income for the year	-	-	45,686,376	45,686,376	-	-	-	45,686,376	45,686,376
Total comprehensive income for the year ended 30 June 2012	-	-	45,686,376	45,686,376	-	629,488,518	629,488,518	675,174,894	675,174,894
Balance as at 30 June 2012	509,110,110	213,406,310	85,516,926	298,923,236	1,058,027,640	(2,436,586,888)	(1,378,559,248)	(1,079,636,012)	(570,525,902)
Transferred from surplus on revaluation of operating fixed assets - net of deferred income tax	-	-	-	-	-	18,369,573	18,369,573	18,369,573	18,369,573
Surplus realized on disposal of operating fixed asset	-	-	-	-	-	52,359,476	52,359,476	52,359,476	52,359,476
Profit for the year	-	-	-	-	-	1,008,666,682	1,008,666,682	1,008,666,682	1,008,666,682
Other comprehensive income for the year	-	-	12,564,613	12,564,613	-	-	-	12,564,613	12,564,613
Total comprehensive income for the year ended 30 June 2013	-	-	12,564,613	12,564,613	-	1,008,666,682	1,008,666,682	1,021,231,295	1,021,231,295
Balance as at 30 June 2013	**509,110,110**	**213,406,310**	**98,081,539**	**311,487,849**	**1,058,027,640**	**(1,357,191,157)**	**(299,163,517)**	**12,324,332**	**521,434,442**

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

AAMIR FAYYAZ SHEIKH
Chief Executive

RIAZ AHMED
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. THE COMPANY AND ITS OPERATIONS

Kohinoor Mills Limited ("the Company") is a public limited Company incorporated on 21 December 1987 in Pakistan under the Companies Ordinance, 1984 and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The registered office of the Company is situated at 8-K.M., Manga Raiwind Road, District Kasur. The Company is principally engaged in the business of textile manufacturing covering weaving, bleaching, dyeing, buying, selling and otherwise dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fiber and to generate, and supply electricity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of preparation

a) 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 the 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 or directives of the Companies Ordinance, 1984 shall prevail.

b) Accounting convention

These financial statements have been prepared under the historical cost convention, except for lands and buildings which are carried at revalued amounts and certain financial instruments which are carried at their fair value.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on conditions existing at the balance sheet date.

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairments on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provision for doubtful debts

The Company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

d) Amendments to published approved standards that are effective in current year and are relevant to the Company

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2012:

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendments does not address which items are presented in OCI. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

e) Amendments to published approved standards that are effective in current year but not relevant to the Company

There are other amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2012 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards and amendments to published approved standards that are not yet effective but relevant to the Company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2013 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The clarifying amendments to IAS 32 are effective for annual periods beginning on or after 01 January 2014. However, these amendments are not expected to have a material impact on the Company's financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 01 January 2013). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Consolidated and Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation – Special Purpose Entities' in its entirety. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 01 January 2013) provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for annual periods beginning on or after 01 January 2014) provide 'investment entities' an exemption from the consolidation of particular subsidiaries and instead require that: an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss; requires additional disclosures; and require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial statements.

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard is not expected to have a material impact on the Company's financial statements.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash- generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.

On 17 May 2012, IASB issued Annual Improvements to IFRSs: 2009 – 2011 Cycle, incorporating amendments to five IFRSs more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial instruments: Presentation', that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

g) Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Company

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2013 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Employee benefit

The Company operates a funded contributory provident fund scheme for its permanent employees. The Company and employees make equal monthly contributions of 8.33 percent of the basic salary, towards the fund. The Company's contribution is charged to the profit and loss account.

2.3 Provisions

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

2.4 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.5 Foreign currencies

The financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses, where applicable, are recognized in the profit and loss account.

2.6 Fixed assets

2.6.1 Property, plant and equipment and depreciation

Owned

a) Cost

Property, plant and equipment except freehold land and buildings are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss, buildings are stated at revalued amount less accumulated depreciation and any identified impairment loss, while capital work-in-progress is stated at cost less any identified impairment loss.

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

Increases in the carrying amount arising on revaluation of operating fixed assets are credited to surplus on revaluation of operating fixed assets. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to income. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the income) and depreciation based on the assets' original cost is transferred from surplus on revaluation of operating fixed assets to retained earnings. All transfers to / from surplus on revaluation of operating fixed assets are net of applicable deferred income tax.

b) Depreciation

Depreciation on all operating fixed assets is charged to income on a reducing balance method so as to write off cost / depreciable amount of an asset over its estimated useful life at the rates as disclosed in note 14.1. Depreciation on additions is charged from the month in which the asset is put to use and on disposal up to the month of disposal. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

c) **Derecognition**

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognized.

Leased

a) **Finance leases**

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to income over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to income.

b) **Operating leases**

Leases where significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income on a straight-line basis over the period of lease.

2.6.2 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

2.7 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is initially measured at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investment in subsidiary company, which is tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

a) Investments at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

b) Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

c) Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in statement of profit or loss and other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. These are sub-categorized as under:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'.

d) **Equity investments in associated companies**

The investments in associates in which the Company does not have significant influence are classified as "Available-for-Sale".

e) **Investment in subsidiary company**

Investment in subsidiary company is accounted for at cost less impairment loss, if any, in accordance with IAS 27 'Consolidated and Separate Financial Statements'.

2.8 Inventories

Inventories, except for stock in transit, waste stock and rejected goods are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spares and loose tools

Useable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. In transit stores and spares are valued at cost comprising invoice value plus other charges paid thereon.

Stock in trade

Cost of raw material is based on weighted average cost.

Cost of work in process and finished goods comprises prime cost and appropriate production overheads determined on weighted average cost. Cost of goods purchased for resale are valued at their respective purchase price by using first-in-first-out method.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock and rejected goods are valued at net realizable value.

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

2.9 Non-current assets held for sale

Non-current assets classified as assets held for sale are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recoverable principally through a sale transaction rather than through continuing use.

2.10 Borrowing costs

Borrowing costs are recognized as expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing cost, if any, are capitalized as part of the cost of that asset.

2.11 Revenue recognition

Revenue from different sources is recognized as under.

(a) Revenue from sale of goods is recognized on dispatch of goods to customer.

(b) Dividend on equity investments is recognized as income when right to receive payment is established.

(c) Profit on bank deposits is recognized on a time proportion basis taking into account, the principal outstanding and rates of profits applicable thereon.

2.12 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.13 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

2.14 Financial instruments

Financial instruments are recognized at fair value when the Company becomes party to the contractual provisions of the instrument by following trade date accounting. Any gain or loss on the subsequent measurement is charged to the profit and loss account except for available for sale investments. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses the control over contractual right that comprises the financial asset or a portion of financial asset. While a financial liability or a part of financial liability is derecognized from the balance sheet when, and only when, it is extinguished, i.e., when the obligation specified in contract is discharged, cancelled or expired.

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

Financial assets are investments, trade debts, deposits, loans and advances and other receivables, cash and bank balances.

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term financing, short term borrowings, sponsor's loan, accrued markup and trade and other payables.

2.14.1 Trade debts and other receivables

Trade debts and other receivable are initially measured at fair value and subsequently at amortized cost using effective interest rate method less provision for impairment. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

2.14.2 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

2.14.3 Markup bearing borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost, any difference between the proceeds and the redemption value is recognized in the income statement over the period of the borrowing using the effective interest rate method.

2.14.4 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current accounts, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.15 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

The Company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in equity are recognized in profit and loss account in the periods when the hedged item will affect profit or loss.

2.16 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which can not be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has three reportable business segments. Weaving (Producing different quality of greige fabric using yarn), Dyeing (Converting greige into dyed fabric) and Power Generation (Generating and distributing power).

Transaction among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

2.17 Off setting of financial assets and liabilities

Financial assets and liabilities are set off and the net amount is reported in the financial statements when there is legally enforceable right to set off and the Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.18 Dividend and other appropriations

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3. AUTHORIZED SHARE CAPITAL

2013 (NUMBER OF SHARES)	2012 (NUMBER OF SHARES)		2013 Rupees	2012 Rupees
80,000,000	80,000,000	Ordinary shares of Rupees 10 each	800,000,000	800,000,000
30,000,000	30,000,000	Preference shares of Rupees 10 each	300,000,000	300,000,000
110,000,000	110,000,000		1,100,000,000	1,100,000,000

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2013 (NUMBER OF SHARES)	2012 (NUMBER OF SHARES)		2013 Rupees	2012 Rupees
28,546,003	28,546,003	Ordinary shares of Rupees 10 each fully paid in cash	285,460,030	285,460,030
18,780,031	18,780,031	Ordinary shares of Rupees 10 each as fully paid bonus shares	187,800,310	187,800,310
3,584,977	3,584,977	Ordinary shares of Rupees 10 each issued due to merger with Kohinoor Genertek Limited as per scheme of arrangement	35,849,770	35,849,770
50,911,011	50,911,011		509,110,110	509,110,110

5. RESERVES

Composition of reserves is as follows:

	2013 Rupees	2012 Rupees
Capital		
Share premium reserve (Note 5.1)	213,406,310	213,406,310
Fair value reserve - net of deferred income tax (Note 5.2)	98,081,539	85,516,926
	311,487,849	298,923,236
Revenue reserves		
General reserve	1,058,027,640	1,058,027,640
Accumulated loss	(1,357,191,157)	(2,436,586,888)
	(299,163,517)	(1,378,559,248)
	12,324,332	(1,079,636,012)

5.1 This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

	2013 Rupees	2012 Rupees
5.2 FAIR VALUE RESERVE - NET OF DEFERRED INCOME TAX		
Balance as at 01 July	105,663,349	54,007,525
Fair value adjustment on investments:		
Impact of revaluation of investment	54,904,794	51,655,824
Fair value gain realized on disposal of investment	(28,915,070)	-
	25,989,724	51,655,824
	131,653,073	105,663,349
Less: Deferred income tax liability on unquoted equity investment	33,571,534	20,146,423
Balance as at 30 June	98,081,539	85,516,926

5.2.1 This represents the unrealized gain on re-measurement of available for sale investments at fair value and is not available for distribution. This will be transferred to profit and loss account on realization.

	2013 Rupees	2012 Rupees
6. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF DEFERRED INCOME TAX		
Balance as at 01 July	882,992,935	684,505,769
Add: Surplus incorporated during the year:		
Land	-	45,829,000
Buildings	-	164,735,099
	-	210,564,099
Less: Surplus realized on disposal of land during the year	52,359,476	-
Less: Incremental depreciation	19,709,842	12,076,933
	810,923,617	882,992,935
Less: Related deferred income tax liability	25,465,116	27,593,779
Balance as at 30 June	785,458,501	855,399,156

7. LONG TERM FINANCING - SECURED

	2013 Rupees	2012 Rupees
Financing from banking companies (Note 7.1 and 7.2)	2,121,486,153	3,244,174,198
Less: Current portion shown under current liabilities	127,360,657	141,277,366
	1,994,125,496	3,102,896,832

7.1

Lender	2013	2012	Revised terms after restructuring	Security
	-------- Rupees --------			
National Bank of Pakistan	487,495,119	670,719,000	This loan is repayable in 32 stepped up quarterly installments commencing from 30 September 2013 and ending on 30 June 2021. This loan carries markup at the rate of 7.70% per annum based on the average cost of funds of the bank which will be reviewed annually. Markup will be accrued over nine years during which the principal will be repaid. The accrued markup will be repaid in twelve equal quarterly installments commencing on 30 September 2021 and ending on 30 June 2024.	First joint pari passu charge of Rupees 628.394 million over fixed assets and Rupees 42.424 million over current assets of the Company with 25% margin.
United Bank Limited	251,941,542	349,484,532	This loan is repayable in 28 equal quarterly installments of Rupees 13.540 million each commenced from 09 February 2012 and ending on 09 November 2018. Markup is payable quarterly at the rate of 5.00% per annum.	First pari passu charge of Rupees 606.000 million (with 25% margin) over all present and future current assets and Rupees 200.000 million over fixed assets of the Company. Personal guarantees of two directors.
The Bank of Punjab	441,757,486	706,710,288	This loan is repayable in 31 stepped up quarterly installments commenced from 30 June 2011 and ending on 31 December 2018. This loan carried markup at the rate of 9.55% per annum based on the cost of funds of the bank approved by SBP upto 31 March 2013 and thereafter carries markup at 5.00% per annum. Markup is payable quarterly. Markup accrued upto 31 March 2013 will be repaid in three equal quarterly installments commencing on 31 March 2019 and ending on 30 September 2019.	Joint pari passu charge of Rupees 566.667 million over fixed assets, pari passu charge of Rupees 534.000 million and ranking charge of Rupees 268.000 million on all present and future current assets of the Company.
Faysal Bank Limited	219,970,172	269,142,161	This loan is repayable in 31 stepped up quarterly installments commenced from 31 March 2013 and ending on 30 September 2020. Markup is payable quarterly at the rate of 5.00% per annum.	First pari passu charge of Rupees 266.800 million over current assets, ranking charge of Rupees 240.000 million over current assets and exclusive charge of Rupees 94.000 million on power generators of the Company.
NIB Bank Limited	252,933,209	381,288,600	This loan is repayable in 36 stepped up quarterly installments commenced from 30 September 2011 and ending on 30 June 2020. Markup is payable quarterly at the rate of 5.00% per annum.	First pari passu charge of Rupees 107.000 million over Company's machinery and joint pari passu charge of Rupees 800.000 million over current assets of the Company.

Lender	2013	2012	Revised terms after restructuring	Security
	-------- Rupees --------			
Askari Bank Limited	119,926,696	167,919,000	This loan is repayable in 32 quarterly installments of Rupees 5.282 million each commenced from 30 June 2013 and ending on 31 March 2021. Markup is payable quarterly at the rate of 5.00% per annum.	First joint pari passu charge of Rupees 506.667 million over current assets by way of hypothecation and ranking charge of Rupees 169.000 million over fixed assets of the Company by way of hypothecation.
Bank Alfalah Limited	124,578,593	234,584,199	This loan is repayable in 32 stepped up quarterly installments commenced from 01 July 2012 and ending on 01 April 2020. This loan carries markup at the rate of 8.30% per annum based on the cost of funds of the bank which will be reviewed monthly. Markup will be accrued over nine years during which the principal will be repaid. The accrued markup will be paid in thirty six equal monthly installments commencing on 01 May 2020 and ending on 01 April 2023.	First joint pari passu charge of Rupees 410.000 million over all present and future current assets of the Company.
Silk Bank Limited	-	169,326,418	Out of total financing, Rupees 76.890 million has been transferred to short term borrowings and remaining balance has been fully repaid during the year. This loan carried mark-up at the rate of 11.52% per annum.	First joint pari passu charge of Rupees 360.000 million over all present and future current assets by way of hypothecation and ranking charge of Rupees 170.000 million over fixed assets of the Company.
Habib Bank Limited	222,883,336	295,000,000	This loan is repayable in 32 stepped up quarterly installments commenced from 30 June 2012 and ending on 31 March 2020. Markup is payable quarterly at the rate of 5.00% per annum.	irst joint pari passu charge of Rupees 1,160.000 million over current assets, joint pari passu charge of Rupees 146.600 million and ranking charge of Rupees 362.000 million over fixed assets of the Company. Personal guarantees of two directors.
	2,121,486,153	3,244,174,198		

7.2 Fair value of long term financing is estimated at the present value of future cash flows discounted at the effective interest rates ranging from 9.31 % to 13.56 % per annum. Recognition of long term financing at fair value has resulted in gain of Rupees 823.744 million.

8. SPONSOR'S LOAN

8.1 This represents unsecured interest free loan from director of the Company with un-defined period of repayment.

9. DEFERRED LIABILITIES

	2013 Rupees	2012 Rupees
Deferred accrued markup (Note 9.1)	423,986,227	-
Deferred income tax liability (Note 9.2)	59,036,650	47,740,202
	483,022,877	47,740,202

9.1 Deferred accrued markup

	2013 Rupees	2012 Rupees
National Bank of Pakistan	179,959,921	-
The Bank of Punjab	139,309,000	-
Bank Alfalah Limited	38,098,878	-
Faysal Bank Limited	66,618,428	-
	423,986,227	-

9.1.1 This represents accrued markup on long term financing deferred in accordance with the terms of restructuring disclosed in Note 7.1 to these financial statements.

9.2 Deferred income tax

The liability / (asset) for deferred taxation originated due to temporary differences relating to:

	2013 Rupees	2012 Rupees
Taxable temporary differences on:		
Accelerated tax depreciation and amortization	91,210,286	95,133,167
Surplus on revaluation of operating fixed assets	25,465,116	27,593,779
Surplus on revaluation of investment - available for sale	33,571,534	20,146,423
	150,246,936	142,873,369
Deductible temporary difference on:		
Accumulated tax losses	(323,523,385)	(276,825,386)
Net deferred income tax asset	(173,276,449)	(133,952,017)
Less: Deferred income tax asset not recognized (Note 9.2.1)	232,313,099	181,692,219
Deferred income tax liability recognized	59,036,650	47,740,202

9.2.1 Deferred income tax liability on surplus on revaluation of operating fixed assets and surplus on revaluation of investment available for sale has been recognized in these financial statements. Remaining net deferred income tax asset of Rupees 232.313 million (2012: Rupees 181.692 million) has not been recognized in these financial statements as the temporary differences are not expected to reverse in the foreseeable future.

	2013 Rupees	2012 Rupees
10. TRADE AND OTHER PAYABLES		
Creditors	465,555,242	451,899,376
Advances from customers	88,989,029	99,106,673
Sales commission payable	84,259,114	48,607,837
Income tax deducted at source	15,837,271	15,185,716
Security deposits - interest free	607,278	597,278
Payable to employees' provident fund trust	2,046,036	-
Accrued and other liabilities (Note 10.1)	145,072,276	62,036,847
Workers' profit participation fund (Note 28)	7,440,527	-
Unclaimed dividend	4,731,536	4,731,536
	814,538,309	682,165,263

10.1 This includes an amount of Rupees 0.721 million (2012: Rupees Nil) payable to Q Mart Corporation (Private) Limited - subsidiary company and amount of Rupees 70.000 million (2012: Rupees Nil) payable to spouse of a director of the Company.

	2013 Rupees	2012 Rupees
11. ACCRUED MARKUP		
Long term financing	37,205,165	344,523,260
Short term borrowings	73,538,556	100,811,345
	110,743,721	445,334,605
12. SHORT TERM BORROWINGS - SECURED		
From banking companies		
SBP refinance (Note 12.1 and 12.2)	327,796,329	537,927,000
Other short term finances (Note 12.1 and 12.3)	343,609,456	246,172,087
	671,405,785	784,099,087

12.1 These facilities are secured against hypothecation charge on current assets, lien on export contracts / letters of credit, first and second pari passu charge on fixed and current assets, personal guarantees of directors and ranking charge on current assets of the Company.

12.2 The rates of markup range from 9.2% to 11% per annum (2012: 11% per annum).

12.3 The rates of markup range from 5% to 13.25% per annum (2012: 5% to 16.06% per annum).

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 The Deputy Collector (Refund – Gold) by order dated 19 June 2007 rejected the input tax claim of the Company, for the month of June 2005, amounting to Rupees 10.345 million incurred in zero rated local supplies of textile and articles thereof on the grounds that the input tax claim is in contravention of SRO 992(I)/2005 which states that no registered person engaged in the export of specified goods (including textile and articles thereof) shall, either through zero-rating or otherwise, be entitled to deduct or reclaim input tax paid in respect of stocks of such goods acquired up to 05 June 2005, if not used for the purpose of exports made up to the 31 December 2005. Consequently, the Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR). ATIR has decided this appeal in favour of the Company subject to necessary verification. Pending the outcome of necessary verification, no provision for inadmissible input tax has been recognized in these financial statements, since the Company is confident of the outcome of verification.

13.1.2 The Additional Collector, Sales Tax Department has raised sales tax demand amounting to Rupees 8.956 million alongwith additional tax and penalty, as a result of sales tax audit for the year 1999-2000 conducted by the Sales Tax Department. The Company is contesting the demand and management is confident that decision will be in favour of the Company, hence, no provision their against has been made in these financial statements.

13.1.3 As a result of sales tax audit for the year 2009-2010 conducted by Regional Tax Office, Lahore, Assistant Commissioner Inland Revenue, Sales Tax Department has raised sales tax demand amounting to Rupees 9.975 million along with additional tax and penalty. Currently the case is pending for hearing at Appellate Tribunal Inland Revenue, Lahore and the management is confident that decision will be in favour of the Company, hence, no provision their against has been made in these financial statements.

13.1.4 Bank guarantees of Rupees 70.15 million (2012: Rupees 65.80 million) are given by the banks of the Company in favour of Sui Northern Gas Pipelines Limited against gas connections.

13.1.5 Bank guarantee of Rupees 6.5 million (2012: Rupees 6.5 million) is given by the bank of the Company in favour of Director, Excise and Taxation to cover the disputed amount of infrastructure cess.

13.1.6 Bank guarantees of Rupees 8.331 million (2012: Rupees 8.331 million) are given by the bank of the Company in favour of Lahore Electric Supply Company Limited against electricity connections.

13.1.7 Lahore Electric Supply Company Limited (LESCO) has served a notice to the Company in connection with violation of Power Purchase Agreement. According to the aforesaid notice, the Company was using gas alongwith Refined Furnace Oil (RFO) in the ratio of 50:50 as co-fuel in order to generate electric power for sale to LESCO whereas tariff was charged to LESCO on the basis of RFO. The matter is being resolved under the provisions of above said Power Purchase Agreement and referred to Mr. Justice (Retd.) Syed Jamshed Ali Shah for arbitration. The proceedings of arbitration are in process. An amount of Rupees 86.833 million receivable by the Company from LESCO is still unpaid. Full provision has been made in these financial statements against this receivable. However, the Company is confident that the said amount will be recovered.

13.2 Commitments

13.2.1 Aggregate commitments for capital expenditures and revenue expenditures are amounting to Rupees 51.450 million and Rupees 39.562 million (2012: Rupees 79.324 million and Rupees 22.220 million) respectively.

13.2.2 Post dated cheques issued to suppliers are amounting to Rupees 46.016 million (2012: Rupees 9.694 million).

14. FIXED ASSETS

	2013 Rupees	2012 Rupees
Property, plant and equipment		
Operating fixed assets (Note 14.1)	3,199,125,210	3,372,275,939
Capital work-in-progress (Note 14.2)	154,776,302	38,875,416
	3,353,901,512	3,411,151,355
Intangible asset - computer software (Note 14.1)	666,579	1,531,268
	3,354,568,091	3,412,682,623

14.1 Reconciliation of carrying amounts of operating fixed assets and intangible asset at the beginning and end of the year are as follows:

Description	Operating fixed assets										Intangible asset
	Freehold land	Residential Building	Factory Building	Plant and machinery	Stand-by equipment	Electric Installations	Furniture, fixtures and equipment	Computers	Motor vehicles	Total	
	(RUPEES)										
As at 30 June 2011											
Cost / revalued amount	269,863,000	208,799,286	455,920,869	3,882,763,526	-	76,412,428	73,075,256	31,007,120	69,082,242	5,066,923,727	7,571,877
Accumulated depreciation / amortization	-	(37,738,542)	(182,310,616)	(1,673,643,993)	-	(45,659,934)	(39,727,624)	(23,998,894)	(32,742,416)	(2,035,822,019)	(6,834,564)
Net book value	269,863,000	171,060,744	273,610,253	2,209,119,533	-	30,752,494	33,347,632	7,008,226	36,339,826	3,031,101,708	737,313
Year ended 30 June 2012											
Opening net book value	269,863,000	171,060,744	273,610,253	2,209,119,533	-	30,752,494	33,347,632	7,008,226	36,339,826	3,031,101,708	737,313
Additions	-	-	1,098,288	26,685,489	-	34,873,175	1,661,501	5,805,197	3,196,163	73,319,813	1,725,022
Disposals:											
Cost / revalued amount	(1,865,000)	-	-	(307,538,516)	-	-	-	(56,000)	(6,809,243)	(316,268,759)	-
Accumulated depreciation	-	-	-	228,871,631	-	-	-	18,734	3,699,530	232,589,895	-
	(1,865,000)	-	-	(78,666,885)	-	-	-	(37,266)	(3,109,713)	(83,678,864)	-
Transferred from non-current assets held for sale:											
Cost / revalued amount	250,000,000	-	-	145,342,099	-	11,836,398	19,851,218	2,688,125	-	429,717,840	-
Accumulated depreciation	-	-	-	(44,213,458)	-	(4,591,479)	(5,734,753)	(2,153,089)	-	(56,692,779)	-
	250,000,000	-	-	101,128,641	-	7,244,919	14,116,465	535,036	-	373,025,061	-
Depreciation charge / amortization	-	(8,553,037)	(13,709,348)	(189,795,096)	-	(6,482,326)	(5,627,556)	(3,278,192)	(4,610,323)	(232,055,878)	(931,067)
Surplus on revaluation	45,829,000	2,662,292	162,072,807	-	-	-	-	-	-	210,564,099	-
Closing net book value	563,827,000	165,169,999	423,072,000	2,068,471,682	-	66,388,262	43,498,042	10,033,001	31,815,953	3,372,275,939	1,531,268
As at 30 June 2012											
Cost / revalued amount	563,827,000	211,461,578	619,091,964	3,747,252,598	-	123,122,001	94,587,975	39,444,442	65,469,162	5,464,256,720	9,296,899
Accumulated depreciation / amortization	-	(46,291,579)	(196,019,964)	(1,678,780,916)	-	(56,733,739)	(51,089,933)	(29,411,441)	(33,653,209)	(2,091,980,781)	(7,765,631)
Net book value	563,827,000	165,169,999	423,072,000	2,068,471,682	-	66,388,262	43,498,042	10,033,001	31,815,953	3,372,275,939	1,531,268
Year ended 30 June 2013											
Opening net book value	563,827,000	165,169,999	423,072,000	2,068,471,682	-	66,388,262	43,498,042	10,033,001	31,815,953	3,372,275,939	1,531,268
Additions	-	370,400	2,941,461	102,456,294	1,615,659	5,323,840	638,872	3,257,565	12,456,069	129,060,160	-
Disposals:											
Cost / revalued amount	(79,734,375)	-	-	-	-	-	(3,340,126)	(57,326)	(7,202,857)	(90,334,684)	-
Accumulated depreciation	-	-	-	-	-	-	1,499,302	31,308	4,183,025	5,713,635	-
	(79,734,375)	-	-	-	-	-	(1,840,824)	(26,018)	(3,019,832)	(84,621,049)	-
Depreciation charge / amortization	-	(8,274,526)	(21,196,364)	(168,519,230)	(105,847)	(6,789,124)	(4,323,152)	(3,488,773)	(4,892,824)	(217,589,840)	(864,689)
Closing net book value	484,092,625	157,265,873	404,817,097	2,002,408,746	1,509,812	64,922,978	37,972,938	9,775,775	36,359,366	3,199,125,210	666,579
As at 30 June 2013											
Cost / revalued amount	484,092,625	211,831,978	622,033,425	3,849,708,892	1,615,659	128,445,841	91,886,721	42,644,681	70,722,374	5,502,982,196	9,296,899
Accumulated depreciation / amortization	-	(54,566,105)	(217,216,328)	(1,847,300,146)	(105,847)	(63,522,863)	(53,913,783)	(32,868,906)	(34,363,008)	(2,303,856,986)	(8,630,320)
Net book value	484,092,625	157,265,873	404,817,097	2,002,408,746	1,509,812	64,922,978	37,972,938	9,775,775	36,359,366	3,199,125,210	666,579
Depreciation / amortization rate % per annum	-	5	5	10	10	10	10	30	20		20

14.1.1 Lands and buildings of the Company were revalued as at 30 June 2009 by an independent valuer. The latest revaluation as at 30 June 2012 was carried out by Messrs Hamid Mukhtar and Company (Private) Limited, the approved valuer. Had there been no revaluation, the value of the assets would have been lower by Rupees 810.924 million (2012: Rupees 882.993 million).

14.1.2 The book value of lands and buildings on cost basis is Rupees 47.656 million and Rupees 187.596 million (2012: Rupees 75.030 million and Rupees 194.045 million) respectively.

14.1.3 Detail of operating fixed assets exceeding book value of Rupees 50,000 disposed of during the year is as follows:

Particulars	Cost/revealed amount	Accumulated depreciation	Net book value	Consideration	Gain / (loss)	Mode of disposal	Particulars of purchasers
	---------------------(RUPEES)				------------------------		
Freehold land	79,734,375	-	79,734,375	73,544,949	(6,189,426)	Swap against Loan	M/s Silk Bank Limited
	79,734,375	-	79,734,375	73,544,949	(6,189,426)		
Furniture, fixtures and equipment							
Fire hydrant	3,340,126	1,499,302	1,840,824	1,000,000	(840,824)	Negotiation	M/s Interloop (Private) Limited
	3,340,126	1,499,302	1,840,824	1,000,000	(840,824)		
Motor vehicles							
Honda Civic LZZ- 420	1,113,000	666,788	446,212	450,002	3,790	Company Policy	Mr. Tahir Bashir Solehria (Company's Ex Employee)
Toyota Corolla LRZ-979	872,110	611,547	260,563	900,000	639,437	Insurance Claim	M/s Adamjee Insurance Company Limited
Suzuki Cultus LEB-7278	645,151	331,965	313,186	500,088	186,902	Company Policy	Mr. Jamil Ahmad (Company's Ex Employee)
Suzuki Cultus LEB-1888	578,450	341,872	236,578	350,000	113,422	Company Policy	Mr. Aman Ullah Shah (Company's Ex Employee)
Suzuki Bolan LEJ-07-8499	370,106	204,138	165,968	430,000	264,032	Negotiation	Mr. Imran Kamal
Suzuki Liana LWL- 250	1,091,450	688,078	403,372	600,000	196,628	Negotiation	Mr. Imran Kamal
Suzuki Cultus LEA-5316	515,582	273,085	242,497	540,000	297,503	Negotiation	Mr. Imran Kamal
Suzuki Cultus LEB-8506	431,891	163,082	268,809	500,000	231,191	Negotiation	Mr. Imran Kamal
Suzuki Cultus LRX-550	518,117	197,115	321,002	800,000	478,998	Negotiation	Mr. Imran Kamal
Toyota Corolla LZV-2967	1,067,000	705,355	361,645	590,000	228,355	Company Policy	Mr. Sohail Hafiz Chaudhary (Company's Ex Employee)
	7,202,857	4,183,025	3,019,832	5,660,090	2,640,258		
Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 50,000	57,326	31,308	26,018	26,685	667		
	90,334,684	5,713,635	84,621,049	80,231,724	(4,389,325)		

14.1.4 The depreciation charge for the year has been allocated as follows:

	2013 Rupees	2012 Rupees
Cost of sales (Note 25)	203,016,481	214,267,743
Distribution cost (Note 26)	1,135,705	1,246,919
Administrative expenses (Note 27)	13,437,654	16,541,216
	217,589,840	232,055,878

14.1.5 The amortization of intangible asset amounting to Rupees 0.865 million (2012: Rupees 0.931 million) is included in administrative expenses.

	2013 Rupees	2012 Rupees
14.2 Capital work-in-progress		
Plant and machinery	67,673,320	38,715,669
Civil works	40,494,914	159,747
Advances for capital expenditures	46,608,068	-
	154,776,302	38,875,416

15. LONG TERM INVESTMENTS

Investment in subsidiary company - at cost		
Q Mart Corporation (Private) Limited - unquoted 30,000,000 (2012: 30,000,000) ordinary shares of Rupees 10 each	300,000,000	300,000,000
Less: Impairment loss (Note 15.1)	217,764,136	153,300,000
	82,235,864	146,700,000
Available for sale		
Associated company (without significant influence)		
K-2 Hosiery (Private) Limited - unquoted 1,194,000 (2012: 1,194,000) ordinary shares of Rupees 10 each (Note 15.2)	-	-
	82,235,864	146,700,000

15.1 Impairment loss

Balance as at 01 July	153,300,000	-
Add: Provision for the year (Note 28)	64,464,136	153,300,000
Balance as at 30 June	217,764,136	153,300,000

15.2 Investment in K-2 Hosiery (Private) Limited has been impaired and written off against provision.

	2013 Rupees	2012 Rupees
16. STORES, SPARES AND LOOSE TOOLS		
Stores and spares	312,280,156	247,853,445
Loose tools	3,575,927	4,273,233
	315,856,083	252,126,678

	2013 Rupees	2012 Rupees
17. STOCK-IN-TRADE		
Raw material	147,672,090	117,407,790
Work-in-process	152,308,086	123,171,757
Finished goods (Note 17.1 and 17.2)	314,553,948	335,090,305
	614,534,124	575,669,852

17.1 This includes finished goods of Rupees 7.528 million (2012: Rupees 56.582 million) valued at net realizable value.

17.2 Finished goods include stock-in-transit amounting to Rupees 4.992 million (2012: Rupees 69.532 million).

	2013 Rupees	2012 Rupees
18. TRADE DEBTS		
Considered good:		
Secured (against letters of credit)	500,684,703	519,241,862
Unsecured	178,848,692	235,700,987
	679,533,395	754,942,849
Considered doubtful:		
Others - unsecured	88,358,572	1,525,385
Less: Provision for doubtful trade debts		
Balance as at 01 July	1,525,385	-
Add: Provision for the year (Note 28)	86,833,187	1,525,385
Balance as at 30 June	88,358,572	1,525,385
	-	-

18.1 As on 30 June 2013, trade debts of Rupees 54.434 million (2012: Rupees 181.246 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The age analysis of these trade debts is as follows:

	2013 Rupees	2012 Rupees
Upto 1 month	7,664,632	8,889,044
1 to 6 months	5,592,468	33,184,798
More than 6 months	41,176,795	139,172,533
	54,433,895	181,246,375

18.2 As at 30 June 2013, trade debts of Rupees 88.359 million (2012: Rupees 1.525 million) were impaired. The aging of these trade debts was more than three years. These trade debts have been provided for in the books of account.

	2013 Rupees	2012 Rupees
19. ADVANCES		
Considered good:		
Q Mart Corporation (Private) Limited - wholly owned subsidiary company	-	10,050,643
Advances to:		
- staff (Note 19.1)	8,445,589	6,990,394
- suppliers	78,103,547	101,865,168
- contractors	-	100,000
Letters of credit	3,757,546	6,686,645
	90,306,682	125,692,850

19.1 This includes interest free advances to executives amounting to Rupees 3.374 million (2012: Rupees 4.846 million).

	2013 Rupees	2012 Rupees
20. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Security deposits	7,468,101	7,943,768
Short term prepayments	127,240	5,095,635
	7,595,341	13,039,403
21. OTHER RECEIVABLES		
Considered good:		
Advance income tax	137,860,496	107,678,640
Export rebate and claims	82,291,725	80,907,115
Receivable from employees' provident fund trust	-	1,752,723
Miscellaneous	17,575,945	315,275
	237,728,166	190,653,753

	2013 Rupees	2012 Rupees
22. SHORT TERM INVESTMENTS		
Available for sale		
Quoted		
Maple Leaf Cement Factory Limited		
Nil (2012: 11,251,000) ordinary shares of Rupees 10 each	-	23,177,060
Add: Fair value adjustment	-	28,915,070
	-	52,092,130
Unquoted		
Security General Insurance Company Limited (Note 22.1)		
643,667 (2012: 643,667) fully paid ordinary shares of Rupees 10 each	704,171	704,171
Add: Fair value adjustment	131,653,073	76,748,279
	132,357,244	77,452,450
	132,357,244	129,544,580

22.1 Ordinary shares of Security General Insurance Company Limited have been valued by the management at Rupees 205.63 (2012: Rupees 120.33) per share using the net assets based valuation method.

23. CASH AND BANK BALANCES

	2013 Rupees	2012 Rupees
Cash in hand (Note 23.1)	3,581,704	1,548,234
Cash with banks:		
On current accounts (Note 23.2 and 23.4)	20,564,655	28,714,540
On deposit accounts (Note 23.3 and 23.5)	105,074,765	77,863,761
	125,639,420	106,578,301
	129,221,124	108,126,535

23.1 Cash in hand includes foreign currency of US$ 5,285 and Euro 1,410 (2012: US$ Nil and Euro Nil).

23.2 Cash with banks on current accounts includes foreign currency balance of US$ 788.72 (2012: US$ 790.04).

23.3 Rate of profit on bank deposits ranges from 5% to 10% (2012: 5% to 10%) per annum.

23.4 Cash with banks on current accounts includes an amount of Rupees 8.491 million (2012: Rupees 7.884 million) with Allied Bank Limited, in a non-checking account, to secure performance of certain conditions of restructuring arrangements.

23.5 This includes term deposit receipts of Rupees 55.660 million (2012: Rupees 55.660) which is under lien with the bank.

24. SALES

	2013 Rupees	2012 Rupees
Export	7,283,073,851	5,171,284,521
Local (Note 24.1)	1,134,504,491	1,063,589,849
Export rebate	34,192,439	26,993,352
	8,451,770,781	6,261,867,722

24.1 Local sales

	2013 Rupees	2012 Rupees
Sales	1,033,817,172	924,340,246
Less: Sales tax	12,869,643	35,443
	1,020,947,529	924,304,803
Processing income	113,556,962	139,285,046
	1,134,504,491	1,063,589,849

25. COST OF SALES

	2013 Rupees	2012 Rupees
Raw material consumed (Note 25.1)	4,729,503,889	3,354,453,055
Chemicals consumed	645,678,812	528,605,525
Salaries, wages and other benefits	247,735,902	217,065,323
Employees' provident fund contributions	8,993,774	8,010,208
Cloth conversion and processing charges	29,656,816	46,540,459
Fuel, oil and power	907,188,093	750,177,055
Stores, spares and loose tools consumed	85,843,381	74,518,724
Packing materials consumed	49,854,115	39,886,281
Repair and maintenance	31,678,204	44,653,643
Insurance	6,275,542	6,135,441
Other manufacturing expenses	56,229,898	48,403,332
Depreciation on operating fixed assets (Note 14.1.4)	203,016,481	214,267,743
	7,001,654,907	5,332,716,789
Work-in-process inventory		
As on 01 July	123,171,757	57,287,055
As on 30 June	(152,308,086)	(123,171,757)
	(29,136,329)	(65,884,702)
Cost of goods manufactured	6,972,518,578	5,266,832,087
Cost of yarn and cloth purchased for resale	80,402,397	78,736,286
	7,052,920,975	5,345,568,373
Finished goods inventory		
As on 01 July	335,090,305	332,514,919
As on 30 June	(314,553,948)	(335,090,305)
	20,536,357	(2,575,386)
	7,073,457,332	5,342,992,987

25.1 Raw material consumed

	2013 Rupees	2012 Rupees
Opening stock	117,407,790	109,567,292
Purchased during the year	4,759,768,189	3,362,293,553
	4,877,175,979	3,471,860,845
Less: Closing stock	(147,672,090)	(117,407,790)
	4,729,503,889	3,354,453,055

	2013 Rupees	2012 Rupees
26. DISTRIBUTION COST		
Salaries and other benefits	43,143,544	36,640,240
Employees' provident fund contributions	1,651,696	1,442,249
Travelling, conveyance and entertainment	19,454,158	15,114,564
Printing and stationery	179,646	212,400
Communications	24,295,081	18,336,335
Vehicles' running	3,469,907	3,214,693
Insurance	1,861,604	2,017,035
Repair and maintenance	46,045	25,889
Commission to selling agents	285,328,260	174,776,528
Outward freight and handling	194,594,509	100,920,226
Clearing and forwarding	36,150,774	24,676,359
Sales promotion and advertising	6,004,427	4,446,591
Depreciation on operating fixed assets (Note 14.1.4)	1,135,705	1,246,919
Miscellaneous	1,489,273	1,075,082
	618,804,629	384,145,110
27. ADMINISTRATIVE EXPENSES		
Salaries and other benefits	89,061,525	73,937,873
Employees' provident fund contributions	1,798,324	1,777,308
Travelling, conveyance and entertainment	34,812,432	39,461,759
Printing and stationery	3,937,628	2,951,371
Communications	3,585,075	3,788,742
Vehicles' running	8,970,140	7,997,670
Legal and professional	6,539,493	8,966,004
Insurance	5,127,359	3,859,797
Fee, subscription and taxes	879,108	4,266,769
Rent	747,920	1,276,417
Repair and maintenance	6,777,971	5,042,837
Electricity, gas and water	213,822	154,204
Auditors' remuneration (Note 27.1)	1,275,000	1,263,000
Depreciation on operating fixed assets (Note 14.1.4)	13,437,654	16,541,216
Amortization on intangible asset (Note 14.1.5)	864,689	931,067
Miscellaneous	17,011,948	11,733,015
	195,040,088	183,949,049
27.1 Auditors' remuneration		
Audit fee	1,050,000	1,050,000
Half yearly review and other certifications	200,000	200,000
Reimbursable expenses	25,000	13,000
	1,275,000	1,263,000

	2013 Rupees	2012 Rupees
28. OTHER EXPENSES		
Workers' profit participation fund (Note 10)	7,440,527	-
Donations (Note 28.1)	3,922,940	3,137,695
Loss on sale of operating fixed assets	4,389,325	-
Impairment loss on investment in subsidiary company (Note 15.1)	64,464,136	153,300,000
Provision for doubtful trade debts (Note 18)	86,833,187	1,525,385
Irrecoverable trade debts written off	2,148,015	-
Advances written off	6,036,407	-
Miscellaneous	1,644,778	194,267
	176,879,315	158,157,347

28.1 There is no interest of any director or his spouse in donees' fund. However, donations given in financial year 2012 includes land having cost of Rupees 1.865 million given as donation to Punjab Social Security Health Management Company in which Mr. Amir Fayyaz Sheikh (director of the Company) is Chairman of the Board of Directors.

	2013 Rupees	2012 Rupees
29. OTHER INCOME		
Income from financial assets		
Gain on sale of investment - available for sale	173,527,189	-
Dividend on equity investment	2,574,668	965,500
Exchange gain - net	7,960,894	24,822,940
Return on bank deposits	6,336,038	12,161,953
Accrued markup written back	61,161,270	772,885,676
Gain on recognition of long term financing at fair value (Note 7.2)	823,743,568	-
Bad debts recovered	96,013,984	-
Income from non-financial assets		
Scrap sales and others	33,028,569	19,963,581
Gain on sale of operating fixed assets	-	13,680,040
Others	698,948	-
	1,205,045,128	844,479,690

	2013 Rupees	2012 Rupees

30. FINANCE COST

	2013 Rupees	2012 Rupees
Markup on long term financing	199,644,025	229,361,620
Mark up on short term borrowings	75,217,795	88,635,161
Adjustment due to impact of IAS - 39	112,590,198	-
Bank commission and other financial charges	117,970,678	30,035,451
	505,422,696	348,032,232

31. TAXATION

	2013 Rupees	2012 Rupees
Current (Note 31.1)	79,975,000	62,914,863
Prior year adjustment	(89,564)	(2,487,309)
Deferred tax	(1,340,269)	(845,385)
	78,545,167	59,582,169

31.1 Provision for current income tax represents final tax on export sales under section 169 and minimum tax on local sales under section 113 of Income Tax Ordinance, 2001. As the Company has carry forwardable tax losses of Rupees 951.539 million (2012: Rupees 790.929 million), therefore, it is impracticable to prepare the tax charge reconciliation for the years presented.

32. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share, which is based on:

		2013	2012
Profit attributable to ordinary shares	(Rupees)	1,008,666,682	629,488,518
Weighted average number of ordinary shares	(Numbers)	50,911,011	50,911,011
Earnings per share	(Rupees)	19.81	12.36

33. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration, including all benefits to chief executive, directors and other executives are as follows:

	2013			2012		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees)					
Managerial remuneration	3,135,000	3,217,500	26,385,210	2,640,000	6,979,500	20,383,100
House rent	783,750	969,375	6,769,145	660,023	1,744,878	5,402,124
Utilities	313,500	321,750	2,638,124	263,931	697,878	2,079,830
Special allowance	627,000	478,500	4,836,327	528,000	1,395,900	3,669,700
Contribution to provident fund	261,147	268,015	2,197,898	219,912	597,930	1,712,112
Other allowances	840,750	862,875	5,190,965	708,046	1,772,844	3,298,038
	5,961,147	6,118,015	48,017,669	5,019,912	13,188,930	36,544,904
Number of persons	1	2	24	1	4	24

33.1 Chief executive, directors and executives of the Company are provided with free use of Company's owned and maintained cars.

33.2 Meeting fee of Rupees 330,000 (2012: Rupees 200,000) was paid to four non- executive directors for attending meetings.

33.3 No remuneration was paid to non-executive directors of the Company.

34. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of subsidiary company, other related parties, key management personnel and provident fund trust. The Company in the normal course of business carries out transactions with related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2013 Rupees	2012 Rupees
Q Mart Corporation (Private) Limited - Subsidiary company		
Sale of goods	-	303,456
Purchase of operating fixed assets	2,518,104	-
Purchase of goods	4,068,868	2,760,689
Purchase of operating fixed assets as a part of settlement of loan from Silk Bank Limited	12,000,000	-
Rent	240,000	360,000

35. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on un-audited financial statements of the provident fund for the year ended 30 June 2013 and audited financial statements of the provident fund for the year ended 30 June 2012:

	2013 Rupees	2012 Rupees
Size of the fund - Total assets	91,622,193	64,397,434
Cost of investments	84,257,836	70,392,866
Percentage of investments made	93.26%	84.85%
Fair value of investments	85,449,542	54,640,867

35.1 The break-up of fair value of investments is as follows:

	2013	2012	2013	2012
	Percentage		Rupees	Rupees
Deposits	37.23	27.36	31,812,872	14,947,891
Mutual funds	37.21	56.59	31,795,742	30,921,639
Listed securities	25.56	16.05	21,840,928	8,771,337
	100.00	100.00	85,449,542	54,640,867

35.2 The investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

36. NUMBER OF EMPLOYEES

	2013	2012
Number of employees as on June 30		
Permanent	1393	1337
Contractual	43	37
Average number of employees during the year		
Permanent	1369	1337
Contractual	42	38

37. SEGMENT INFORMATION

37.1 The Company has three reportable segments. The following summary describes the operation in each of the Company's reportable segments:

Weaving	Production of different qualities of greige fabric using yarn
Dyeing	Processing of greige fabric for production of dyed fabric
Power Generation	Generation and distribution of power using gas, oil and steam

	Weaving		Dyeing		Power Generation		Elimination of inter-segment transactions		Total- Company	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	(Rupees)									
Sales										
-External	1,729,562,680	1,347,547,035	6,722,208,101	4,914,320,687	-	-	-	-	8,451,770,781	6,261,867,722
-Intersegment	2,439,172,633	2,161,417,396	25,416,986	39,254,999	792,541,530	657,665,592	(3,257,131,149)	(2,858,337,987)	-	-
	4,168,735,313	3,508,964,431	6,747,625,087	4,953,575,686	792,541,530	657,665,592	(3,257,131,149)	(2,858,337,987)	8,451,770,781	6,261,867,722
Cost of sales	(3,793,391,971)	(3,257,056,400)	(5,757,125,365)	(4,231,109,395)	(780,071,145)	(713,165,179)	3,257,131,149	2,858,337,987	(7,073,457,332)	(5,342,992,987)
Gross profit / (loss)	375,343,342	251,908,031	990,499,722	722,466,291	12,470,385	(55,499,587)	-	-	1,378,313,449	918,874,735
Distribution cost	(101,766,328)	(67,833,794)	(517,038,301)	(316,311,316)	-	-	-	-	(618,804,629)	(384,145,110)
Administrative expenses	(90,063,538)	(92,647,530)	(95,277,003)	(79,042,206)	(9,699,547)	(12,259,313)	-	-	(195,040,088)	(183,949,049)
	(191,829,866)	(160,481,324)	(612,315,304)	(395,353,522)	(9,699,547)	(12,259,313)	-	-	(813,844,717)	(568,094,159)
Profit / (loss) before taxation and unallocated income / expenses	183,513,476	91,426,707	378,184,418	327,112,769	2,770,838	(67,758,900)	-	-	564,468,732	350,780,576
Unallocated income and expenses:										
Finance cost									(505,422,696)	(348,032,232)
Other expenses									(176,879,315)	(158,157,347)
Other income									1,205,045,128	844,479,690
Taxation									(78,545,167)	(59,582,169)
									444,197,950	278,707,942
Profit after taxation									1,008,666,682	629,488,518

37.2 Reconciliation of reportable segment assets and liabilities

	Weaving		Dyeing		Power Generation		Total - Company	
	2013	2012	2013	2012	2013	2012	2013	2012
	(Rupees)							
Segment assets	1,883,209,663	2,030,965,073	2,507,593,247	2,318,913,805	800,653,779	863,108,074	5,191,456,689	5,212,986,952
Non-current assets held for sale								
Unallocated assets							668,608,099	610,314,520
Total assets as per balance sheet							5,860,064,788	5,823,301,472
Segment liabilities	241,238,767	221,373,127	362,643,302	225,245,033	64,517,633	75,751,150	668,399,702	522,369,310
Unallocated liabilities:								
Long term financing - secured							2,121,486,153	3,244,174,198
Sponsor's loan							272,000,000	272,000,000
Accrued markup							110,743,721	445,334,605
Short term borrowings - secured							671,405,785	784,099,087
Deferred liabilities							483,022,877	47,740,202
Provision for taxation							79,975,000	62,914,863
Unallocated liabilities							146,138,607	159,795,953
Total liabilities as per balance sheet							4,553,171,845	5,538,428,218

37.3 Geographical information

The Company's revenue from external customers by geographical location is detailed below:

	2013 Rupees	2012 Rupees
Australia	371,954,125	269,737,850
Asia	4,320,231,205	3,173,873,062
Europe	1,232,086,726	748,920,159
United States of America and Canada	266,600,639	368,186,153
Africa	1,126,393,595	637,560,649
Pakistan	1,134,504,491	1,063,589,849
	8,451,770,781	6,261,867,722

37.4 All non-current assets of the Company as at reporting dates are located and operating in Pakistan.

37.5 Revenue from major customers

The Company's revenue is earned from a large mix of customers.

38. PLANT CAPACITY AND PRODUCTION

	2013	2012
Weaving		
Number of looms in operation	174	174
Rated capacity of operative looms converted to 60 picks (square meter)	48,892,878	48,892,878
Actual production converted to 60 picks (square meter)	47,933,566	42,933,292
Number of days worked during the year (3 shifts per day)	365	366
Dyeing		
Rated capacity in 3 shifts (linear meter)	30,000,000	30,000,000
Actual production for three shifts (linear meter)	29,586,279	24,123,863
No. of days worked during the year (3 shifts per day)	365	355
Genertek		
Number of generators installed	9	9
Installed capacity (Mega Watt Hours)	300,381	300,406
Actual generation (Mega Watt Hours)	27,023	29,678

38.1 Underutilization of available capacity for weaving and dyeing divisions is due to normal maintenance.

38.2 Actual power generation in Genertek in comparison to installed is low due to periodical scheduled and unscheduled maintenance of generators and low demand.

39. FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors (the Board). The Company's finance department evaluates and hedges financial risk. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) 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. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro. Currently, the Company's foreign exchange risk exposure is restricted to foreign currency bank balances and the amounts receivable from / payable to the foreign entities. The Company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Company's exposure to currency risk was as follows:

	2013	2012
Cash in hand - USD	5,285	-
Cash in hand - Euro	1,410	-
Cash at banks - USD	789	790
Trade debts - USD	13,375,230	15,157,520
Trade and other payable - USD	1,420,262	457,739
Net exposure - USD	11,961,042	14,700,571
Net exposure - Euro	1,410	-

The following significant exchange rates were applied during the year:

	2013	2012
Rupees per US Dollar		
Average rate	96.32	88.72
Reporting date rate	98.95	94.10
Rupees per Euro		
Average rate	124.62	119.60
Reporting date rate	129.25	118.56

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD and Euro with all other variables held constant, the impact on profit after taxation for the year would have been higher / lower by Rupees 55.705 million (2012: Rupees 68.453 million) mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents 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 interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

Sensitivity analysis

The table below summarises the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Company's profit after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index. As at 30 June 2013, the Company has no such equity instrument.

Index	Impact on profit after taxation			Statement of other comprehensive income (fair value reserve)		
		2013 Rupees	2012 Rupees		2013 Rupees	2012 Rupees
KSE 100 (5% increase)	Decrease in profit	-	-	Increase in fair value reserve	-	2,604,607
KSE 100 (5% decrease)	Increase in profit	-	-	Decrease in fair value reserve	-	2,604,607

Equity (fair value reserve) increases / decreases as a result of gains / losses on equity investments classified as available for sale.

(iii) Interest rate risk

This represents 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 has no significant long-term interest-bearing assets except for bank balances on saving accounts. The Company's interest rate risk arises from long term financing and short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	2013 Rupees	2012 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	1,509,412,441	1,462,834,293
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	105,074,765	77,863,761
Financial liabilities		
Long term financing	612,073,712	1,781,339,905
Short term borrowings	671,405,785	784,099,087

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuate by 1% higher / lower with all other variables held constant, profit for the year would have been Rupees 11.195 million lower / higher (2012: Rupees 24.876 million), mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at reporting dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2013 Rupees	2012 Rupees
Investments	132,357,244	129,544,580
Advances	8,445,589	17,041,037
Deposits	28,055,841	28,726,508
Trade debts	679,533,395	754,942,849
Other receivables	17,575,945	315,275
Bank balances	125,639,420	106,578,301
	991,607,434	1,037,148,550

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2013	2012
	Short Term	Long Term	Agency	-------- Rupees --------	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	150,744	150,744
Allied Bank Limited	A1+	AA+	PACRA	6,897,060	11,657,085
Askari Bank Limited	A1+	AA	PACRA	719,627	4,395,515
Bank Alfalah Limited	A1+	AA	PACRA	39,796	1,215,073
Faysal Bank Limited	A1+	AA	PACRA	406,216	407,209
Habib Bank Limited	A-1+	AAA	JCR-VIS	13,008,561	10,435,062
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	55,879,362	58,313,216
The Bank of Punjab	A1+	AA-	PACRA	115,621	1,939
MCB Bank Limited	A1+	AAA	PACRA	976,796	756,259
NIB Bank Limited	A1+	AA -	PACRA	30,325,384	4,537,568
Silk Bank Limited	A-2	A -	JCR-VIS	905,410	1,047,063
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	4,669,868	12,813,508
United Bank Limited	A-1+	AA+	JCR-VIS	11,469,979	597,800
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	74,996	250,260
				125,639,420	106,578,301
Investments					
Maple Leaf Cement Factory Limited	B	BB	PACRA	-	52,092,130
Security General Insurance Company Limited	A+		JCR-VIS	132,357,244	77,452,450
				132,357,244	129,544,580
				257,996,664	236,122,881

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 18.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash. At 30 June 2013, the Company has Rupees 129.221 million (2012: Rupees 108.127 million) cash and bank balances. The management believes the liquidity risk to be manageable. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2013

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	(Rupees)					
Long term financing	2,121,486,153	2,435,899,755	76,955,117	50,405,540	165,283,931	2,143,255,167
Sponsor's loan	272,000,000	272,000,000	-	-	-	272,000,000
Trade and other payables	700,225,446	700,225,446	700,225,446	-	-	-
Accrued markup	534,729,948	534,729,948	110,743,721	-	-	423,986,227
Short term borrowings	671,405,785	689,269,929	689,269,929	-	-	-
	4,299,847,332	4,632,125,078	1,577,194,213	50,405,540	165,283,931	2,839,241,394

Contractual maturities of financial liabilities as at 30 June 2012

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	(Rupees)					
Long term financing	3,244,174,198	4,441,317,925	64,906,340	134,957,487	351,946,309	3,889,507,789
Sponsor's loan	272,000,000	272,000,000	-	-	-	272,000,000
Trade and other payables	567,872,874	567,872,874	567,872,874	-	-	-
Accrued markup	445,334,605	445,334,605	445,334,605	-	-	-
Short term borrowings	784,099,087	828,024,863	828,024,863	-	-	-
	5,313,480,764	6,554,550,267	1,906,138,682	134,957,487	351,946,309	4,161,507,789

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 7 and note 12 to these financial statements.

39.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable:

	Level 1	Level 2	Level 3	Total
	.... Rupees			
As at 30 June 2013				
Assets				
Available for sale financial assets	-	-	132,357,244	132,357,244
As at 30 June 2012				
Assets				
Available for sale financial assets	52,092,130	-	77,452,450	129,544,580

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the company is the current bid price. These financial instruments are classified under level 1 in above referred table. The Company has no such type of financial instrument as at 30 June 2013.

The fair value of financial instruments that are not traded in active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimate. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2. The Company has no such type of financial instruments as at 30 June 2013.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

39.3 Financial instruments by categories

Assets as per balance sheet

	2013			2012		
	Loans and receivables	**Available for sale**	**Total**	**Loans and receivables**	**Available for sale**	**Total**
	---------- **Rupees** ----------			---------- **Rupees** ----------		
Investments	-	132,357,244	132,357,244	-	129,544,580	129,544,580
Advances	8,445,589	-	8,445,589	17,041,037	-	17,041,037
Deposits	28,055,841	-	28,055,841	28,726,508	-	28,726,508
Trade debts	679,533,395	-	679,533,395	754,942,849	-	754,942,849
Other receivables	17,575,945	-	17,575,945	315,275	-	315,275
Cash and bank balances	129,221,124	-	129,221,124	108,126,535	-	108,126,535
	862,831,894	132,357,244	995,189,138	909,152,204	129,544,580	1,038,696,784

	2013 Rupees	2012 Rupees
Financial liabilities at amortized cost		
Sponsor's loan	272,000,000	272,000,000
Long term financing	2,121,486,153	3,244,174,198
Accrued markup	534,729,948	445,334,605
Short term borrowings	671,405,785	784,099,087
Trade and other payables	700,225,446	567,872,874
	4,299,847,332	5,313,480,764

39.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stake holders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to share holders, issue new shares or sell assets to reduce debt.

40. AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors of the Company on 26 September 2013.

41. CORRESPONDING FIGURES

Corresponding figures have been rearranged / regrouped, wherever necessary, for the purpose of comparison. However, no significant rearrangements / regroupings have been made.

42. GENERAL

Figures have been rounded off to nearest of Rupee.

AAMIR FAYYAZ SHEIKH
Chief Executive

RIAZ AHMED
Director

CONSOLIDATED
FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors are pleased to present the consolidated audited results of Kohinoor Mills Limited and its subsidiary Q-Mart Corporation (Private) Limited (the Group) for the year ended 30 June, 2013. The group results are being presented as required by section 237 of the Companies Ordinance, 1984.

During the financial year ended 30 June 2013, the Group earned a net profit after tax of Rs. 1,009 million, compared to net profit of Rupees 730 million during the preceding financial year. Optimal capacity utilization during the year by the parent company resulted in improved gross margins due to better fixed cost coverage, which otherwise remained under pressure due to escalating raw material prices and severe electricity and gas load-shedding.

The current order book of the parent company is healthy and it has confirmed orders up to December 2013 at full capacity. Thus the management is confident that the parent company shall be able to build on its performance, going forward. However, the group, in line with its decision to focus on its core fabric business, has decided to pull out of retail business and has accordingly shut-down all its Q-Mart retails stores and is in the process of disposing of the fixed assets of this company.

The Directors' Report giving a detailed analysis of the performance of Kohinoor Mills Limited and Q-Mart Corporation (Private) Limited for the year ended 30 June 2013, has also been presented separately.

On behalf of the Board

Aamir Fayyaz Sheikh
Chief Executive

Lahore:
September 26, 2013

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Kohinoor Mills Limited (the Holding Company) and its Subsidiary Company, Q Mart Corporation (Private) Limited as at 30 June 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Kohinoor Mills Limited and its Subsidiary Company, Q Mart Corporation (Private) Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Kohinoor Mills Limited and its Subsidiary Company, Q Mart Corporation (Private) Limited as at 30 June 2013 and the results of their operations for the year then ended.

We draw attention to Note No. 1.2.2 to these consolidated financial statements, which states that the Subsidiary Company, Q Mart Corporation (Private) Limited is no longer a going concern for the reasons stated in the aforesaid note. Therefore, all assets and liabilities of the Subsidiary Company, Q Mart Corporation (Private) Limited reported in these consolidated financial statements are based on estimated realizable / settlement values. Our report is not qualified in respect of this matter.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: September 26, 2013

LAHORE

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital	3	1,100,000,000	1,100,000,000
Issued, subscribed and paid-up share capital	4	509,110,110	509,110,110
Reserves	5	13,375,618	(1,079,455,844)
Total equity		522,485,728	(570,345,734)
Surplus on revaluation of operating fixed assets - net of deferred income tax	6	812,888,074	883,435,872
LIABILITIES			
Non-current liabilities			
Long term financing - secured	7	1,994,125,496	3,102,896,832
Sponsor's loan	8	272,000,000	272,000,000
Deferred liabilities	9	483,022,877	47,740,202
		2,749,148,373	3,422,637,034
Current liabilities			
Trade and other payables	10	819,818,276	709,499,929
Loan from director	11	11,000,000	5,000,000
Accrued markup	12	110,743,721	445,334,605
Short term borrowings - secured	13	671,405,785	784,099,087
Current portion of long term financing	7	127,360,657	141,277,366
Provision for taxation		79,975,000	62,914,863
		1,820,303,439	2,148,125,850
Total liabilities		4,569,451,812	5,570,762,884
Contingencies and commitments	14		
TOTAL EQUITY AND LIABILITIES		5,904,825,614	5,883,853,022

The annexed notes form an integral part of these consolidated financial statements.

AAMIR FAYYAZ SHEIKH
Chief Executive

	Note	2013 Rupees	2012 Rupees
ASSETS			
Non-current assets			
Fixed assets	15	3,479,531,750	3,585,613,550
Long term investment	16	-	-
Deferred income tax asset	17	-	13,009,734
Long term security deposits		20,587,740	21,881,662
		3,500,119,490	3,620,504,946
Current assets			
Stores, spares and loose tools	18	315,856,083	252,126,678
Stock-in-trade	19	614,534,124	597,268,843
Trade debts	20	679,533,395	754,942,849
Advances	21	90,306,682	121,381,005
Trade deposits and short term prepayments	22	7,595,341	13,489,403
Other receivables	23	239,292,847	192,006,973
Sales tax recoverable		195,174,232	93,339,609
Short term investments	24	132,357,244	129,544,580
Cash and bank balances	25	130,056,176	109,248,136
		2,404,706,124	2,263,348,076
TOTAL ASSETS		5,904,825,614	5,883,853,022

RIAZ AHMED
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Rupees	2012 Rupees
SALES	26	8,545,474,609	6,449,086,412
COST OF SALES	27	(7,185,347,408)	(5,548,984,935)
GROSS PROFIT		1,360,127,201	900,101,477
DISTRIBUTION COST	28	(618,804,629)	(384,145,110)
ADMINISTRATIVE EXPENSES	29	(200,296,971)	(188,865,312)
OTHER EXPENSES	30	(150,086,883)	(39,385,387)
		(969,188,483)	(612,395,809)
		390,938,718	287,705,668
OTHER INCOME	31	1,215,117,892	848,271,498
PROFIT FROM OPERATIONS		1,606,056,610	1,135,977,166
FINANCE COST	32	(505,571,051)	(348,415,082)
PROFIT BEFORE TAXATION		1,100,485,559	787,562,084
TAXATION	33	(91,818,876)	(57,269,420)
PROFIT AFTER TAXATION		1,008,666,683	730,292,664
EARNINGS PER SHARE - BASIC AND DILUTED	34	19.81	14.34

The annexed notes form an integral part of these consolidated financial statements.

AAMIR FAYYAZ SHEIKH
Chief Executive

RIAZ AHMED
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	2013 Rupees	2012 Rupees
PROFIT AFTER TAXATION	1,008,666,683	730,292,664
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss:		
Surplus arising on re-measurement of available for sale investment to fair value	54,904,794	51,655,824
Reclassification adjustment relating to disposal of available for sale investment	(28,915,070)	-
Deferred income tax relating to surplus on re-measurement of available for sale investment to fair value	(13,425,111)	(5,969,448)
Other comprehensive income for the year - net of tax	12,564,613	45,686,376
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,021,231,296	775,979,040

The annexed notes form an integral part of these consolidated financial statements.

AAMIR FAYYAZ SHEIKH
Chief Executive

RIAZ AHMED
Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,100,485,559	787,562,084
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	225,976,859	244,042,224
Amortization on intangible asset	1,460,814	2,400,872
Dividend income	(2,574,668)	(965,500)
Loss / (gain) on sale of operating fixed assets	22,782,067	(13,680,040)
Gain on sale of investment	(173,527,189)	-
Gain on recognition of long term financing at fair value	(823,743,568)	-
Adjustment due to impact of IAS - 39	112,590,198	-
Impairment of goodwill	-	33,884,785
Provision for doubtful debts	86,833,187	1,525,385
Irrecoverable trade debts written off	2,148,015	-
Operating fixed assets written off	3,920,011	-
Capital work-in-progress written off	156,220	-
Advances written off	12,563,576	-
Credit balances written back	(7,501,580)	(1,794,807)
Accrued mark up written back	(61,161,270)	(772,885,676)
Security deposits written off	417,922	-
Insurance claim receivable written off	202,501	-
Donation	-	1,865,000
Finance cost	392,980,853	348,415,082
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL	894,009,507	630,369,409
(INCREASE) / DECREASE IN CURRENT ASSETS		
Stores, spares and loose tools	(63,729,405)	(15,575,150)
Stock-in-trade	(17,265,281)	(75,806,552)
Trade debts	(13,571,748)	(257,665,543)
Advances	18,510,747	84,236,080
Trade deposits and short term prepayments	5,894,062	(11,646,678)
Other receivables	(17,161,777)	54,190,376
Sales tax recoverable	(101,834,623)	(23,982,952)
INCREASE / (DECREASE) IN CURRENT LIABILITIES		
Trade and other payables	105,819,927	(166,549,859)
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES	(83,338,098)	(412,800,278)
CASH GENERATED FROM OPERATIONS	810,671,409	217,569,131
Income tax paid	(93,151,898)	(69,619,818)
Net decrease / (increase) in long term security deposits	876,000	(10,714,490)
Finance cost paid	(242,424,240)	(127,098,171)
	(334,700,138)	(207,432,479)
NET CASH GENERATED FROM OPERATING ACTIVITIES	475,971,271	10,136,652
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on operating fixed assets	(252,604,868)	(83,809,255)
Advances for purchase of land received back	-	500,000
Proceeds from disposal of operating fixed assets	30,845,748	95,493,904
Proceed from disposal of short term investment	145,677,342	-
Dividend received	2,574,668	965,500
NET CASH (USED IN) / FROM INVESTING ACTIVITIES	(73,507,110)	13,150,149
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(198,073,490)	(342,414,016)
Sponsor's loan	-	272,000,000
Loan from director	6,000,000	4,000,000
Short term borrowings - net	(189,582,631)	(79,498,494)
NET CASH USED IN FINANCING ACTIVITIES	(381,656,121)	(145,912,510)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	20,808,040	(122,625,709)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	109,248,136	231,873,845
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	130,056,176	109,248,136

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

AAMIR FAYYAZ SHEIKH
Chief Executive

RIAZ AHMED
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	ISSUED SUBSCRIBED AND PAID-UP SHARE CAPITAL	RESERVES							Total Equity
		CAPITAL RESERVES			REVENUE RESERVES			Total reserves	
		Share premium reserves	Fair Value reserves	Sub-Total	General reserve	Accumulated Loss	Sub-Total		
	RUPEES								
Balance as at 30 June 2011	509,110,110	213,406,310	39,830,550	253,236,860	1,058,027,640	(3,178,834,004)	(2,120,806,364)	(1,867,569,504)	(1,358,459,394)
Transferred from surplus on revaluation of operating fixed assets - net of deferred income tax	-	-	-	-	-	12,134,620	12,134,620	12,134,620	12,134,620
Profit for the year	-	-	-	-	-	730,292,664	730,292,664	730,292,664	730,292,664
Other comprehensive income for the year	-	-	45,686,376	45,686,376	-	-	-	45,686,376	45,686,376
Total comprehensive income for the year ended 30 June 2012	-	-	45,686,376	45,686,376	-	730,292,664	730,292,664	775,979,040	775,979,040
Balance as at 30 June 2012	509,110,110	213,406,310	85,516,926	298,923,236	1,058,027,640	(2,436,406,720)	(1,378,379,080)	(1,079,455,844)	(570,345,734)
Transferred from surplus on revaluation of operating fixed assets - net of deferred income tax	-	-	-	-	-	19,240,690	19,240,690	19,240,690	19,240,690
Surplus realized on disposal of operating fixed assets	-	-	-	-	-	52,359,476	52,359,476	52,359,476	52,359,476
Profit for the year	-	-	-	-	-	1,008,666,683	1,008,666,683	1,008,666,683	1,008,666,683
Other comprehensive income for the year	-	-	12,564,613	12,564,613	-	-	-	12,564,613	12,564,613
Total comprehensive income for the year ended 30 June 2013	-	-	12,564,613	12,564,613	-	1,008,666,683	1,008,666,683	1,021,231,296	1,021,231,296
Balance as at 30 June 2013	509,110,110	213,406,310	98,081,539	311,487,849	1,058,027,640	(1,356,139,871)	(298,112,231)	13,375,618	522,485,728

The annexed notes form an integral part of these consolidated financial statements.

AAMIR FAYYAZ SHEIKH
Chief Executive

RIAZ AHMED
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

THE GROUP

The Group consists of:
Holding Company
- Kohinoor Mills Limited
Subsidiary Company (wholly owned)
- Q Mart Corporation (Private) Limited

1.1 Kohinoor Mills Limited

Kohinoor Mills Limited ("the Holding Company") is a public limited company incorporated on 21 December 1987 in Pakistan under the Companies Ordinance, 1984 and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The registered office of the Company is situated at 8-K.M., Manga Raiwind Road, District Kasur. The Company is principally engaged in the business of textile manufacturing covering weaving, bleaching, dyeing, buying, selling and otherwise dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fiber and to generate and supply electricity.

1.2 Q Mart Corporation (Private) Limited

1.2.1 Q Mart Corporation (Private) Limited ("the Subsidiary Company"), a wholly owned subsidiary of Kohinoor Mills Limited was incorporated in Pakistan on 18 July 2005 as a private limited Company under the Companies Ordinance, 1984. The registered office of the Company is situated at 8-K.M., Manga Raiwind Road, District Kasur. The principal activity of the Company is to carry on business as a retailer in all types of general merchandise.

1.2.2 During the year, the Holding Company, in line with its decision to focus on its core fabric business, has decided to pull out of retail business and has accordingly shut-down all Q-Mart retail stores. The Subsidiary Company has disposed of all fixed assets (except for freehold land and building on freehold land) and stock-in-trade. A large number of receivables and payables have been settled. As the Subsidiary Company has ceased trading and disposed of majority of its assets, hence, the Subsidiary Company is not considered a going concern. All assets and liabilities of the Subsidiary Company reported in these consolidated financial statements are based on estimated realizable / settlement values.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of preparation

a) Statement of compliance

These consolidated 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 the 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 or directives of the Companies Ordinance, 1984 shall prevail.

b) Accounting convention

These consolidated financial statements have been prepared under the historical cost convention, except for lands and buildings which are carried at revalued amounts and certain financial instruments which are carried at their fair value.

c) Critical accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to these consolidated financial statements or where judgments were exercised in application of accounting policies are as follows:

Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on conditions existing at the balance sheet date.

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management. Further, the values of assets are reviewed for possible impairments on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Taxation

In making the estimates for income tax liability, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provision for doubtful debts

Receivables are reviewed against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

d) Amendments to published approved standards that are effective in current year and are relevant to the Group

The following amendments to published approved standards are mandatory for the Group's accounting periods beginning on or after 01 July 2012:

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on consolidated profit or loss, consolidated other comprehensive income and consolidated total comprehensive income.

e) Amendments to published approved standards that are effective in current year but not relevant to the Group

There are other amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2012 but are considered not to be relevant or do not have any significant impact on the Group's consolidated financial statements and are therefore not detailed in these consolidated financial statements.

f) Standards and amendments to published approved standards that are not yet effective but relevant to the Group

Following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 July 2013 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The clarifying amendments to IAS 32 are effective for annual periods beginning on or after 01 January 2014. However, these amendments are not expected to have a material impact on the Group's consolidated financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities.

IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 01 January 2013). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Consolidated and Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation – Special Purpose Entities' in its entirety. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Group's consolidated financial statements.

Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 01 January 2013) provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for annual periods beginning on or after 01 January 2014) provide 'investment entities' an exemption from the consolidation of particular subsidiaries and instead require that: an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss; requires additional disclosures; and require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Group's consolidated financial statements.

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard is not expected to have a material impact on the Group's consolidated financial statements.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Group's consolidated financial statements.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash- generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Group's consolidated financial statements.

On 17 May 2012, IASB issued Annual Improvements to IFRSs: 2009 – 2011 Cycle, incorporating amendments to five IFRSs more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial instruments: Presentation', that are considered relevant to the Group's consolidated financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. These amendments are unlikely to have a significant impact on the Group's consolidated financial statements and have therefore not been analyzed in detail.

g) Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Group

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2013 but are considered not to be relevant or do not have any significant impact on the Group's consolidated financial statements and are therefore not detailed in these consolidated financial statements.

2.2 Consolidation

Subsidiary

Subsidiaries are those entities in which the Holding Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the Subsidiary Company are included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of Subsidiary Company have been consolidated on a line by line basis and the carrying value of investment held by the Holding Company is eliminated against Holding Company's share in paid up capital of the Subsidiary Company.

Inter Group balances and transactions have been eliminated.

Non-controlling interests are that part of net results of the operations and of net assets of the Subsidiary Company attributable to interest which are not owned by the Holding Company. Non-controlling interests are presented as a separate item in the consolidated financial statements.

2.3 Employee benefit

The Holding Company operates a funded contributory provident fund scheme for its permanent employees. The Holding Company and employees make equal monthly contributions of 8.33 percent of the basic salary, towards the fund. The Holding Company's contribution is charged to the profit and loss account.

2.4 Provisions

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

2.5 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the consolidated profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.6 Foreign currencies

These consolidated financial statements are presented in Pak Rupees, which is the Group's functional currency. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses, where applicable, are recognized in the consolidated profit and loss account.

2.7 Fixed assets

2.7.1 Property, plant and equipment and depreciation

Owned

a) Cost

Property, plant and equipment except freehold land and buildings are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss, buildings are stated at revalued amount less accumulated depreciation and any identified impairment loss, while capital work-in-progress is stated at cost less any identified impairment loss.

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

Increases in the carrying amount arising on revaluation of operating fixed assets are credited to surplus on revaluation of operating fixed assets. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to income. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the income) and depreciation based on the assets' original cost is transferred from surplus on revaluation of operating fixed assets to accumulated loss. All transfers to / from surplus on revaluation of operating fixed assets are net of applicable deferred income tax.

b) Depreciation

Depreciation on all operating fixed assets is charged to income on a reducing balance method so as to write off cost / depreciable amount of an asset over its estimated useful life at the rates as disclosed in note 15.1. Depreciation on additions is charged from the month in which the asset is put to use and on disposal up to the month of disposal. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

c) Derecognition

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the consolidated profit and loss account in the year the asset is derecognized.

Leased

a) Finance leases

Leases where the Group has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to income over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to income.

b) Operating leases

Leases where significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income on a straight-line basis over the period of lease.

2.7.2 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortization method are reviewed and adjusted, if appropriate, at each balance sheet date.

2.8 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is initially measured at fair value.

a) Investments at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in the consolidated profit and loss account.

b) Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

c) Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in consolidated statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in the consolidated statement of other comprehensive income is included in the consolidated profit and loss account. These are sub-categorized as under:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'.

d) Equity investments in associated companies

The investments in associates in which the Group does not have significant influence are classified as "Available-for-Sale".

2.9 Inventories

Inventories, except for stock in transit, waste stock and rejected goods are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spares and loose tools

Useable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. In transit stores and spares are valued at cost comprising invoice value plus other charges paid thereon.

Stock-in-trade

Cost of raw material is based on weighted average cost.

Cost of work in process and finished goods comprises prime cost and appropriate production overheads determined on weighted average cost. Cost of goods purchased for resale are valued at their respective purchase price by using first-in-first-out method.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock and rejected goods are valued at net realizable value.

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

2.10 Non-current assets held for sale

Non-current assets classified as assets held for sale are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recoverable principally through a sale transaction rather than through continuing use.

2.11 Borrowing costs

Borrowing costs are recognized as expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing cost, if any, are capitalized as part of the cost of that asset.

2.12 Revenue recognition

Revenue from different sources is recognized as under.

(a) Revenue is recognized when the Group has transferred significant risks and rewards associated with ownership of the goods to the buyers. Export sales and local sales are recognized on shipment and dispatch of goods to the customers respectively.

(b) Dividend on equity investments is recognized as income when right to receive payment is established.

(c) Profit on bank deposits is recognized on a time proportion basis taking into account, the principal outstanding and rates of profits applicable thereon.

2.13 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in consolidated profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had non impairment loss been recognized for the assets in prior years. Such reversal is recognized in consolidated profit and loss account.

2.14 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

2.15 Financial instruments

Financial instruments are recognized at fair value when the Group becomes party to the contractual provisions of the instrument by following trade date accounting. Any gain or loss on the subsequent measurement is charged to the consolidated profit and loss account except for available for sale investments. The Group derecognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses the control over contractual right that comprises the financial asset or a portion of financial asset. While a financial liability or a part of financial liability is derecognized from the consolidated balance sheet when, and only when, it is extinguished, i.e., when the obligation specified in contract is discharged, cancelled or expired.

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

Financial assets are investments, trade debts, deposits, loans and advances, other receivables, and cash and bank balances.

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term financing, short term borrowings, accrued markup, sponsors' loan, loan from director and trade and other payables.

2.15.1 Trade debts and other receivables

Trade debts and other receivable are initially measured at fair value and subsequently at amortized cost using effective interest rate method less provision for impairment. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

2.15.2 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

2.15.3 Markup bearing borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost, any difference between the proceeds and the redemption value is recognized in the consolidated income statement over the period of the borrowing using the effective interest rate method.

2.15.4 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current accounts, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.16 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as cash flow hedges.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in the consolidated statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated profit and loss account.

Amounts accumulated in equity are recognized in the consolidated profit and loss account in the periods when the hedged item will affect profit or loss.

2.17 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which can not be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Group has four reportable business segments. Weaving (Producing different quality of greige fabric using yarn), Dyeing (Converting greige into dyed fabric), Power Generation (Generating and distributing power) and Retail (Selling all type of general merchandise).

Transaction among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

2.18 Off setting of financial assets and liabilities

Financial assets and liabilities are set off and the net amount is reported in the consolidated financial statements when there is legally enforceable right to set off and the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.19 Dividend and other appropriations

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

2.20 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment is recognized immediately through the consolidated income statement and is not subsequently reversed.

			2013 Rupees	2012 Rupees

3. AUTHORIZED SHARE CAPITAL

2013 (NUMBER OF SHARES)	2012 (NUMBER OF SHARES)		2013 Rupees	2012 Rupees
80,000,000	80,000,000	Ordinary shares of Rupees 10 each	800,000,000	800,000,000
30,000,000	30,000,000	Preference shares of Rupees 10 each	300,000,000	300,000,000
110,000,000	110,000,000		1,100,000,000	1,100,000,000

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2013 (NUMBER OF SHARES)	2012 (NUMBER OF SHARES)		2013 Rupees	2012 Rupees
28,546,003	28,546,003	Ordinary shares of Rupees 10 each fully paid in cash	285,460,030	285,460,030
18,780,031	18,780,031	Ordinary shares of Rupees 10 each as fully paid bonus shares	187,800,310	187,800,310
3,584,977	3,584,977	Ordinary shares of Rupees 10 each issued due to merger with Kohinoor Genertek Limited as per scheme of arrangement	35,849,770	35,849,770
50,911,011	50,911,011		509,110,110	509,110,110

5. RESERVES

Composition of reserves is as follows:

	2013 Rupees	2012 Rupees
Capital reserves		
Share premium reserve (Note 5.1)	213,406,310	213,406,310
Fair value reserve - net of deferred income tax (Note 5.2)	98,081,539	85,516,926
	311,487,849	298,923,236
Revenue reserves		
General reserve	1,058,027,640	1,058,027,640
Accumulated loss	(1,356,139,871)	(2,436,406,720)
	(298,112,231)	(1,378,379,080)
	13,375,618	(1,079,455,844)

5.1 This reserve can be utilized only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

	2013 Rupees	2012 Rupees
5.2 Fair value reserve - net of deferred income tax		
Balance as at 01 July	105,663,349	54,007,525
Fair value adjustment on investments:		
Impact of revaluation of investment	54,904,794	51,655,824
Fair value gain realized on disposal of investment	(28,915,070)	-
	25,989,724	51,655,824
	131,653,073	105,663,349
Less: Deferred income tax liability on unquoted equity investment	33,571,534	20,146,423
Balance as at 30 June	98,081,539	85,516,926

5.2.1 This represents the unrealized gain on re-measurement of available for sale investments at fair value and is not available for distribution. This will be transferred to profit and loss account on realization.

	2013 Rupees	2012 Rupees
6. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF DEFERRED INCOME TAX		
Balance as at 01 July	920,268,774	723,170,950
Add: Surplus incorporated during the year:		
Land	-	45,829,000
Buildings	-	164,735,099
	-	210,564,099
Less: Surplus realized on disposal during the year	52,359,476	-
Less: Incremental depreciation	21,029,717	13,466,275
	846,879,581	920,268,774
Less: Related deferred income tax liability	33,991,507	36,832,902
Balance as at 30 June	812,888,074	883,435,872

7. LONG TERM FINANCING - SECURED

Obtained by the holding Company

	2013 Rupees	2012 Rupees
Financing from banking companies (Note 7.1 and 7.2)	2,121,486,153	3,244,174,198
Less: Current portion shown under current liabilities	127,360,657	141,277,366
	1,994,125,496	3,102,896,832

7.1

Lender	2013	2012	Revised terms after restructuring	Security
	-------- Rupees --------			
National Bank of Pakistan	487,495,119	670,719,000	This loan is repayable in 32 stepped up quarterly installments commencing from 30 September 2013 and ending on 30 June 2021. This loan carries markup at the rate of 7.70% per annum based on the average cost of funds of the bank which will be reviewed annually. Markup will be accrued over nine years during which the principal will be repaid. The accrued markup will be repaid in twelve equal quarterly installments commencing on 30 September 2021 and ending on 30 June 2024.	First joint pari passu charge of Rupees 628.394 million over fixed assets and Rupees 42.424 million over current assets of the Holding Company with 25% margin.
United Bank Limited	251,941,542	349,484,532	This loan is repayable in 28 equal quarterly installments of Rupees 13.540 million each commenced from 09 February 2012 and ending on 09 November 2018. Markup is payable quarterly at the rate of 5.00% per annum.	First pari passu charge of Rupees 606.000 million (with 25% margin) over all present and future current assets and Rupees 200.000 million over fixed assets of the Holding Company. Personal guarantees of two directors of the Holding Company.
The Bank of Punjab	441,757,486	706,710,288	This loan is repayable in 31 stepped up quarterly installments commenced from 30 June 2011 and ending on 31 December 2018. This loan carried markup at the rate of 9.55% per annum based on the cost of funds of the bank approved by SBP upto 31 March 2013 and thereafter carries markup at 5.00% per annum. Markup is payable quarterly. Markup accrued upto 31 March 2013 will be repaid in three equal quarterly installments commencing on 31 March 2019 and ending on 30 September 2019.	Joint pari passu charge of Rupees 566.667 million over fixed assets, pari passu charge of Rupees 534.000 million and ranking charge of Rupees 268.000 million on all present and future current assets of the Holding Company.
Faysal Bank Limited	219,970,172	269,142,161	This loan is repayable in 31 stepped up quarterly installments commenced from 31 March 2013 and ending on 30 September 2020. Markup is payable quarterly at the rate of 5.00% per annum.	First pari passu charge of Rupees 266.800 million over current assets, ranking charge of Rupees 240.000 million over current assets and exclusive charge of Rupees 94.000 million on power generators of the Holding Company.
NIB Bank Limited	252,933,209	381,288,600	This loan is repayable in 36 stepped up quarterly installments commenced from 30 September 2011 and ending on 30 June 2020. Markup is payable quarterly at the rate of 5.00% per annum.	First pari passu charge of Rupees 107.000 million over the holding Company's machinery and joint pari passu charge of Rupees 800.000 million over current assets of the Holding Company.

Lender	2013	2012	Revised terms after restructuring	Security
	-------- Rupees --------			
Askari Bank Limited	119,926,696	167,919,000	This loan is repayable in 32 quarterly installments of Rupees 5.282 million each commenced from 30 June 2013 and ending on 31 March 2021. Markup is payable quarterly at the rate of 5.00% per annum.	First joint pari passu charge of Rupees 506.667 million over current assets by way of hypothecation and ranking charge of Rupees 169.000 million over fixed assets of the Holding Company by way of hypothecation.
Bank Alfalah Limited	124,578,593	234,584,199	This loan is repayable in 32 stepped up quarterly installments commenced from 01 July 2012 and ending on 01 April 2020. This loan carries markup at the rate of 8.30% per annum based on the cost of funds of the bank which will be reviewed monthly. Markup will be accrued over nine years during which the principal will be repaid. The accrued markup will be paid in thirty six equal monthly installments commencing on 01 May 2020 and ending on 01 April 2023.	First joint pari passu charge of Rupees 410.000 million over all present and future current assets of the Holding Company.
Silk Bank Limited	-	169,326,418	Out of total financing, Rupees 76.890 million has been transferred to short term borrowings and remaining balance has been fully repaid during the year. This loan carried mark-up at the rate of 11.52% per annum.	First joint pari passu charge of Rupees 360.000 million over all present and future current assets by way of hypothecation and ranking charge of Rupees 170.000 million over fixed assets of the Holding Company.
Habib Bank Limited	222,883,336	295,000,000	This loan is repayable in 32 stepped up quarterly installments commenced from 30 June 2012 and ending on 31 March 2020. Markup is payable quarterly at the rate of 5.00% per annum.	irst joint pari passu charge of Rupees 1,160.000 million over current assets, joint pari passu charge of Rupees 146.600 million and ranking charge of Rupees 362.000 million over fixed assets of the Holding Company. Personal guarantees of two directors of the Holding Company.
	2,121,486,153	3,244,174,198		

7.2 Fair value of long term financing is estimated at the present value of future cash flows discounted at the effective interest rates ranging from 9.31 % to 13.56 % per annum. Recognition of long term financing at fair value has resulted in gain of Rupees 823.744 million.

8. SPONSOR'S LOAN

8.1 This represents unsecured interest free loan from director of the Holding Company with un-defined period of repayment.

	2013 Rupees	2012 Rupees
9. DEFERRED LIABILITIES		
Deferred accrued markup (Note 9.1)	423,986,227	-
Deferred income tax liability (Note 9.2)	59,036,650	47,740,202
	483,022,877	47,740,202
9.1 Deferred accrued markup		
National Bank of Pakistan	179,959,921	-
The Bank of Punjab	139,309,000	-
Bank Alfalah Limited	38,098,878	-
Faysal Bank Limited	66,618,428	-
	423,986,227	-

9.1.1 This represents accrued markup on long term financing (obtained by the Holding Company) deferred in accordance with the terms of restructuring disclosed in Note 7.1 to these consolidated financial statements.

	2013 Rupees	2012 Rupees
9.2 Deferred income tax		
The liability / (asset) for deferred taxation originated due to temporary differences relating to:		
Taxable temporary differences of the Holding Company on:		
Accelerated tax depreciation and amortization	91,210,286	95,133,167
Surplus on revaluation of operating fixed assets	25,465,116	27,593,779
Surplus on revaluation of investment - available for sale	33,571,534	20,146,423
	150,246,936	142,873,369
Deductible temporary difference of the Holding Company on:		
Accumulated tax losses	(323,523,385)	(276,825,246)
Net deferred income tax asset	(173,276,449)	(133,951,877)
Less: Deferred income tax asset not recognized (Note 9.2.1)	232,313,099	181,692,079
Deferred income tax liability recognized	59,036,650	47,740,202

9.2.1 Deferred income tax liability on surplus on revaluation of operating fixed assets and surplus on revaluation of investment available for sale has been recognized in these consolidated financial statements. Remaining net deferred income tax asset of Rupees 232.313 million (2012: Rupees 181.692 million) has not been recognized in these consolidated financial statements as the temporary differences are not expected to reverse in the foreseeable future.

	2013 Rupees	2012 Rupees
10. TRADE AND OTHER PAYABLES		
Creditors	470,725,393	476,059,882
Advances from customers	88,989,029	99,106,673
Sales commission payable	84,259,114	48,607,837
Income tax deducted at source	15,890,103	15,350,382
Security deposits - interest free	607,278	597,278
Payable to employees' provident fund trust	2,046,036	1,185,835
Accrued and other liabilities (Note 10.1)	145,129,260	63,860,506
Workers' profit participation fund (Note 30)	7,440,527	-
Unclaimed dividend	4,731,536	4,731,536
	819,818,276	709,499,929

10.1 This includes an amount of Rupees 70.000 million (2012: Rupees Nil) payable to spouse of a director of the Holding Company.

11. LOAN FROM DIRECTOR

This represents unsecured and interest free loan obtained by the Subsidiary Company from its director. This loan is repayable on demand.

	2013 Rupees	2012 Rupees
12. ACCRUED MARKUP		
Long term financing	37,205,165	344,523,260
Short term borrowings	73,538,556	100,811,345
	110,743,721	445,334,605
13. SHORT TERM BORROWINGS - SECURED		
Obtained by the Holding Company		
From banking companies		
SBP refinance (Note 13.1 and 13.2)	327,796,329	537,927,000
Other short term finances (Note 13.1 and 13.3)	343,609,456	246,172,087
	671,405,785	784,099,087

13.1 These facilities are secured against hypothecation charge on current assets, lien on export contracts / letters of credit, first and second pari passu charge on fixed and current assets, personal guarantees of directors and ranking charge on current assets of the Holding Company.

13.2 The rates of markup range from 9.2% to 11% per annum (2012: 11% per annum).

13.3 The rates of markup range from 5% to 13.25% per annum (2012: 5% to 16.06% per annum).

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

Holding Company

14.1.1 The Deputy Collector (Refund – Gold) by order dated 19 June 2007 rejected the input tax claim of the Holding Company, for the month of June 2005, amounting to Rupees 10.345 million incurred in zero rated local supplies of textile and articles thereof on the grounds that the input tax claim is in contravention of SRO 992(I)/2005 which states that no registered person engaged in the export of specified goods (including textile and articles thereof) shall, either through zero-rating or otherwise, be entitled to deduct or reclaim input tax paid in respect of stocks of such goods acquired up to 05 June 2005, if not used for the purpose of exports made up to the 31 December 2005. Consequently, the Holding Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR). ATIR has decided this appeal in favour of the Holding Company subject to necessary verification. Pending the outcome of necessary verification, no provision for inadmissible input tax has been recognized in these consolidated financial statements, since the Holding Company is confident of the outcome of verification.

14.1.2 The Additional Collector, Sales Tax Department has raised sales tax demand amounting to Rupees 8.956 million along with additional tax and penalty, as a result of sales tax audit for the year 1999-2000 conducted by the Sales Tax Department. The Holding Company is contesting the demand and management is confident that decision will be in favour of the Holding Company, hence, no provision their against has been made in these consolidated financial statements.

14.1.3 As a result of sales tax audit for the year 2009-2010 conducted by Regional Tax Office, Lahore, Assistant Commissioner Inland Revenue, Sales Tax Department has raised sales tax demand amounting to Rupees 9.975 million along with additional tax and penalty. Currently, the case is pending for hearing at Appellate Tribunal Inland Revenue, Lahore and the management is confident that decision will be in favour of the Holding Company, hence, no provision there against has been made in these consolidated financial statements.

14.1.4 Bank guarantees of Rupees 70.15 million (2012: Rupees 65.80 million) are given by the banks of the Holding Company in favour of Sui Northern Gas Pipelines Limited against gas connections.

14.1.5 Bank guarantee of Rupees 6.5 million (2012: Rupees 6.5 million) is given by the bank of the Holding Company in favour of Director, Excise and Taxation to cover the disputed amount of infrastructure cess.

14.1.6 Bank guarantees of Rupees 8.331 million (2012: Rupees 8.331 million) are given by the bank of the Holding Company in favour of Lahore Electric Supply Company Limited against electricity connections.

14.1.7 Lahore Electric Supply Company Limited (LESCO) has served a notice to the Holding Company in connection with violation of Power Purchase Agreement. According to the aforesaid notice, the Holding Company was using gas along with Refined Furnace Oil (RFO) in the ratio of 50:50 as co-fuel in order to generate electric power for sale to LESCO whereas tariff was charged to LESCO on the basis of RFO. The matter is being resolved under the provisions of above said Power

Purchase Agreement and referred to Mr. Justice (Retd.) Syed Jamshed Ali Shah for arbitration. The proceedings of arbitration are in process. An amount of Rupees 86.833 million receivable by the Holding Company from LESCO is still unpaid. Full provision has been made in these consolidated financial statements against this receivable. However, the Holding Company is confident that the said amount will be recovered.

Subsidiary Company

	2013 Rupees	2012 Rupees
14.1.8 Contingencies	NIL	NIL

14.2 Commitments

Holding Company

14.2.1 Aggregate commitments for capital expenditures and revenue expenditures are amounting to Rupees 51.450 million and Rupees 39.562 million (2012: Rupees 79.324 million and Rupees 22.220 million) respectively.

14.2.2 Post dated cheques issued to suppliers are amounting to Rupees 46.016 million (2012: Rupees 9.694 million).

Subsidiary Company

14.2.3 Post dated cheques issued to suppliers are amounting to Rupees Nil (2012: Rupees 0.202 million).

	2013 Rupees	2012 Rupees
15. FIXED ASSETS		
Property, plant and equipment		
Operating fixed assets (Note 15.1)	3,324,088,869	3,544,541,241
Capital work-in-progress (Note 15.2)	154,776,302	38,944,916
	3,478,865,171	3,583,486,157
Intangible asset - computer software (Note 15.1)	666,579	2,127,393
	3,479,531,750	3,585,613,550

15.1 Reconciliation of carrying amounts of operating assets at the beginning and end of the year is as follows:

Description	Operating fixed assets											Intangible asset
	Freehold land	Residential Building	Factory Building	Building on leasehold	Plant and machinery land	Stand-by equipment	Electric Installations	Fumiture, fixtures and equipment	Computers	Motor vehicles	Total	
	(RUPEES)											
As at 30 June 2011												
Cost / revalued amount	300,450,850	334,211,034	455,920,869	13,682,782	3,882,763,526	-	98,692,286	105,698,489	37,985,548	72,747,349	5,302,152,733	13,696,423
Accumulated depreciation / amortization	-	(58,903,290)	(182,310,616)	(8,035,263)	(1,673,643,993)	-	(52,190,972)	(49,396,394)	(28,880,641)	(34,258,377)	(2,087,619,546)	(10,893,180)
Net book value	300,450,850	275,307,744	273,610,253	5,647,519	2,209,119,533	-	46,501,314	56,302,095	9,104,907	38,488,972	3,214,533,187	2,803,243
Year ended 30 June 2012												
Opening net book value	300,450,850	275,307,744	273,610,253	5,647,519	2,209,119,533	-	46,501,314	56,302,095	9,104,907	38,488,972	3,214,533,187	2,803,243
Additions	-	320,319	1,098,288	14,600	26,685,489	-	35,054,425	1,965,501	5,805,197	3,196,163	74,139,982	1,725,022
Disposals:												
Cost / revalued amount	(1,865,000)	-	-	-	(307,538,516)	-	-	-	(56,000)	(6,809,243)	(316,268,759)	-
Accumulated depreciation	-	-	-	-	228,871,631	-	-	-	18,734	3,699,530	232,589,895	-
	(1,865,000)	-	-	-	(78,666,885)	-	-	-	(37,266)	(3,109,713)	(83,678,864)	-
Transferred from non-current assets held for sale:												
Cost	250,000,000	-	-	-	145,342,099	-	11,836,398	19,851,218	2,688,125	-	429,717,840	-
Accumulated depreciation	-	-	-	-	(44,213,458)	-	(4,591,479)	(5,734,753)	(2,153,089)	-	(56,692,779)	-
	250,000,000	-	-	-	101,128,641	-	7,244,919	14,116,465	535,036	-	373,025,061	-
Depreciation / amortization charge	-	(13,777,399)	(13,709,348)	(1,865,287)	(189,795,096)	-	(8,060,998)	(8,681,329)	(3,278,192)	(4,874,575)	(244,042,224)	(2,400,872)
Surplus on revaluation	45,829,000	2,662,292	162,072,807	-	-	-	-	-	-	-	210,564,099	-
Closing net book value	594,414,850	264,512,956	423,072,000	3,796,832	2,068,471,682	-	80,739,660	63,702,732	12,129,682	33,700,847	3,544,541,241	2,127,393
As at 30 June 2012												
Cost / revalued amount	594,414,850	337,193,645	619,091,964	13,697,382	3,747,252,598	-	145,583,109	127,515,208	46,422,870	69,134,269	5,700,305,895	15,421,445
Accumulated depreciation / amortization	-	(72,680,689)	(196,019,964)	(9,900,550)	(1,678,780,916)	-	(64,843,449)	(63,812,476)	(34,293,188)	(35,433,422)	(2,155,764,654)	(13,294,052)
Net book value	594,414,850	264,512,956	423,072,000	3,796,832	2,068,471,682	-	80,739,660	63,702,732	12,129,682	33,700,847	3,544,541,241	2,127,393
Year ended 30 June 2013												
Opening net book value	594,414,850	264,512,956	423,072,000	3,796,832	2,068,471,682	-	80,739,660	63,702,732	12,129,682	33,700,847	3,544,541,241	2,127,393
Additions	-	370,400	2,941,461	3,936,413	102,456,294	1,615,659	4,599,840	5,280,494	3,257,565	12,159,136	136,617,262	-
Disposals:												
Cost / revalued amount	(79,734,375)	-	-	(13,713,784)	-	-	(22,363,138)	(51,142,475)	(57,326)	(10,570,173)	(177,581,271)	-
Accumulated depreciation	-	-	-	10,657,288	-	-	9,506,473	24,062,486	31,308	6,150,952	50,408,507	-
	(79,734,375)	-	-	(3,056,496)	-	-	(12,856,665)	(27,079,989)	(26,018)	(4,419,221)	(127,172,764)	-
Depreciation / amortization charge	-	(13,241,675)	(21,196,364)	(756,738)	(168,519,230)	(105,847)	(7,559,858)	(6,026,978)	(3,488,773)	(5,081,396)	(225,976,859)	(1,460,814)
Assets written off	-	-	-	(3,920,011)	-	-	-	-			(3,920,011)	
Closing net book value	514,680,475	251,641,681	404,817,097	-	2,002,408,746	1,509,812	64,922,977	35,876,259	11,872,456	36,359,366	3,324,088,869	666,579
As at 30 June 2013												
Cost / revalued amount	514,680,475	337,564,045	622,033,425	-	3,849,708,892	1,615,659	127,819,811	81,653,227	49,623,109	70,723,232	5,655,421,875	15,421,445
Accumulated depreciation / amortization	-	(85,922,364)	(217,216,328)	-	(1,847,300,146)	(105,847)	(62,896,834)	(45,776,968)	(37,750,653)	(34,363,866)	(2,331,333,006)	(14,754,866)
Net book value	514,680,475	251,641,681	404,817,097	-	2,002,408,746	1,509,812	64,922,977	35,876,259	11,872,456	36,359,366	3,324,088,869	666,579
Depreciation / amortization rate % per annum	-	5	5	33	10	10	10	10	30	20		20

15.1.1 Lands and buildings of the Holding Company were revalued as at 30 June 2009 by an independent valuer. The latest revaluation as at 30 June 2012 was carried out by Messrs Hamid Mukhtar and Company (Private) Limited, the approved valuer. Land Buildings of the Subsidiary Company were revalued as at 30 June 2011 by an independent valuer, M/s Haseeb Associates (Private) Limited. Had there been no revaluation, the value of the assets would have been lower by Rupees 846.880 million (2012: Rupees 920.269 million).

15.1.2 The book value of lands and buildings on cost basis is Rupees 65.365 million and Rupees 256.894 million (2012: Rupees 94.740 million and Rupees 266.990 million) respectively.

15.1.3 Freehold land includes two pieces of land having carrying value of Rupees 22.747 million (2012: Rupees 22.747 million) and Rupees 5.355 million (2012: Rupees 5.355 million) which are in the name of Mr. Amir Fayyaz Sheikh (director of the subsidiary company) and Mrs. Amir Fayyaz Shiekh respectively. The management is in the process of selling these lands. Previously, titles of these lands were not transferred in the name of the Subsidiary Company to save Subsidiary Company's expenses on transfer duties.

15.1.4 Detail of operating fixed assets exceeding book value of Rupees 50,000 disposed of during the year is as follows:

Particulars	Cost/revealed amount	Accumulated depreciation	Net book value	Consideration	Gain / (loss)	Mode of disposal	Particulars of purchasers
	---------------------(RUPEES)				------------------------		
Freehold Land	79,734,375	-	79,734,375	73,544,949	(6,189,426)	Swap against Loan	M/s Silk Bank Limited
	79,734,375	-	79,734,375	73,544,949	(6,189,426)		
Building on leasehold land							
DHA Store	367,403	160,929	206,474	257,000	50,526	Negotiation	Mr. Muhammad Saeed Ikram Ullah
Mandi Bahauddin Store	918,908	663,149	255,759	120,528	(135,231)	Negotiation	Mr. Allah Rakha
Bhalwal Store	2,459,650	1,998,198	461,452	203,047	(258,405)	Negotiation	Mr. Farooq Ahmed Khan (Ex-Employee)
Manga Store	9,967,823	7,835,012	2,132,811	8,065,252	5,932,441	Negotiation	M/s Silk Bank Limited - as part of settlement of Holding Company's loan
	13,713,784	10,657,288	3,056,496	8,645,827	5,589,331		
Furniture, fixtures and equipment							
Store Racking - Mandi Bahauddin Store	447,500	131,971	315,529	149,625	(165,904)	Negotiation	Mr. Allah Rakha
Store Racking - DHA Store	386,580	196,259	190,321	240,931	50,610	Negotiation	Mr. Muhammad Saeed Ikram Ullah
Store Racking - Bhalwal Store	778,650	548,499	230,151	257,681	27,530	Negotiation	Mr. Farooq Ahmed Khan (Ex-Employee)
Store Racking - Manga Store	710,000	200,078	509,922	275,500	(234,422)	Negotiation	Mr. Shahid Saleem
Store Racking - Sargodha Store	1,147,671	323,414	824,257	688,066	(136,191)	Negotiation	Various Parties
Fire hydrant	3,340,126	1,499,302	1,840,824	1,000,000	(840,824)	Negotiation	M/s Interloop (Private) Limited
	6,810,527	2,899,523	3,911,004	2,611,803	(1,299,201)		
Motor vehicles							
Toyota Corrolla LZT - 2254	1,182,500	922,026	260,474	500,000	239,526	Negotiation	Mr. Farooq Ahmed Khan (Ex-Employee)
Toyota Corrolla LED - 10 - 5118	1,381,000	503,298	877,702	1,050,000	172,298	Negotiation	Mr. Syed Murtaza Abbass (Ex-Employee)
Hyundai LZR - 7732	532,316	354,939	177,377	710,000	532,623	Negotiation	Mr.Farooq Ahmed Khan (Ex-Employee)
Honda Civic LZZ- 420	1,113,000	666,788	446,212	450,002	3,790	Company Policy	Mr. Tahir Bashir Solehria (Ex Employee)
Toyota Corolla LRZ-979	872,110	611,547	260,563	900,000	639,437	Insurance Claim	M/s Adamjee Insurance Company Limited
Suzuki Cultus LEB-7278	645,151	331,965	313,186	500,088	186,902	Company Policy	Mr. Jamil Ahmad (Ex Employee)
Suzuki Cultus LEB-1888	578,450	341,872	236,578	350,000	113,422	Company Policy	Mr. Aman Ullah Shah (Ex Employee)
Suzuki Bolan LEJ-07-8499	370,106	204,138	165,968	430,000	264,032	Negotiation	Mr. Imran Kamal
Suzuki Liana LWL- 250	1,091,450	688,078	403,372	600,000	196,628	Negotiation	Mr. Imran Kamal
Suzuki Cultus LEA-5316	515,582	273,085	242,497	540,000	297,503	Negotiation	Mr. Imran Kamal
Suzuki Cultus LEB-8506	431,891	163,082	268,809	500,000	231,191	Negotiation	Mr. Imran Kamal
Suzuki Cultus LRX-550	518,117	197,115	321,002	800,000	478,998	Negotiation	Mr. Imran Kamal
Toyota Corolla LZV-2967	1,067,000	705,355	361,645	590,000	228,355	Company Policy	Mr. Sohail Hafiz Chaudhary (Ex Employee)
	10,298,673	5,963,288	4,335,385	7,920,090	3,584,705		
Electric installations							
Air Conditioner General 2 Ton	158,928	80,010	78,918	120,032	41,114	Negotiation	Mr. Muhammad Saeed Ikram Ullah
Generator 5 KVA	65,000	3,227	61,773	49,092	(12,681)	Negotiation	Mr. Muhammad Saeed Ikram Ullah
UPS 3KVA	132,500	68,402	64,098	28,204	(35,894)	Negotiation	Mr. Farooq Ahmed Khan (Ex-Employee)
General AC 2 Ton	127,143	65,105	62,038	74,259	12,221	Negotiation	Mr. Farooq Ahmed Khan (Ex-Employee)
Arrora Diesel 5KV Gent Set	98,000	7,255	90,745	39,929	(50,816)	Negotiation	Mr. Farooq Ahmed Khan (Ex-Employee)
Electrification of Manga store	3,553,943	1,001,501	2,552,442	3,934,748	1,382,306	Negotiation	M/s Silk Bank Limited - as part of settlement of Holding Company's loan
Acson 04 TON AC	589,000	165,980	423,020	240,000	(183,020)	Negotiation	Mr. Naseer Ahmed
General Split AC	254,000	71,577	182,423	86,000	(96,423)	Negotiation	Various Parties
Generator - 110 KVA Greaves	1,000,000	371,238	628,762	710,000	81,238	Negotiation	Ghalib Enterprises
Generator - 140 KVA Perkins	1,260,870	584,588	676,282	955,000	278,718	Negotiation	Ghalib Enterprises
	7,239,384	2,418,883	4,820,501	6,237,264	1,416,763		
Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 50,000	59,784,528	28,469,525	31,315,003	5,430,764	(25,884,239)		
	177,581,271	**50,408,507**	**127,172,764**	**104,390,697**	**(22,782,067)**		

	2013 Rupees	2012 Rupees
15.1.5 The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 27)	210,564,861	225,055,454
Distribution cost (Note 28)	1,135,705	1,246,919
Administrative expenses (Note 29)	14,276,293	17,739,851
	225,976,859	244,042,224
15.1.6 The amortization charge for the year has been allocated as follows:		
Cost of sales (Note 27)	536,513	1,322,825
Administrative expenses (Note 29)	924,301	1,078,047
	1,460,814	2,400,872
15.2 Capital work-in-progress		
Plant and machinery	67,673,320	38,715,669
Civil works	40,494,914	229,247
Advances for capital expenditures	46,608,068	-
	154,776,302	38,944,916
16. LONG TERM INVESTMENTS		
Available for sale		
Associated company (without significant influence)		
K-2 Hosiery (Private) Limited - unquoted 1,194,000 (2012: 1,194,000) ordinary shares of Rupees 10 each (Note 15.2)	-	-
	-	-

16.1 Investment in K-2 Hosiery (Private) Limited has been impaired and written off against provision.

	2013 Rupees	2012 Rupees
17. DEFERRED INCOME TAX ASSET		
Deferred income tax liability on taxable temporary differences of the Subsidiary Company :		
Accelerated tax depreciation and amortization	(14,471,226)	(22,062,690)
Surplus on revaluation of operating fixed assets	(8,526,391)	(9,239,124)
	(22,997,617)	(31,301,814)
Deferred income tax asset on deductible temporary differences of the Subsidiary Company :		
Accumulated tax losses	84,897,118	82,354,241
Deferred income tax asset - net	61,899,501	51,052,427
Deferred income tax asset - net, not recognized in the consolidated financial statements	61,899,501	38,042,693
Deferred income tax asset - net, recognized in the consolidated financial statements	-	13,009,734

17.1 The net deferred income tax asset of Rupees 61.900 million (2012: Rupees 38.043 million) as at the reporting date has not been recognized in these consolidated financial statements as these temporary differences are not likely to reverse in the foreseeable future.

	2013 Rupees	2012 Rupees
18. STORES, SPARES AND LOOSE TOOLS		
Stores and spares	312,280,156	247,853,445
Loose tools	3,575,927	4,273,233
	315,856,083	252,126,678
19. STOCK-IN-TRADE		
Raw material	147,672,090	117,407,790
Work-in-process	152,308,086	123,171,757
Finished goods (Note 19.1 and 19.2)	314,553,948	356,689,296
	614,534,124	597,268,843

19.1 This includes finished goods of Rupees 7.528 million (2012: Rupees 56.582 million) valued at net realizable value.

19.2 Finished goods include stock-in-transit amounting to Rupees 4.992 million (2012: Rupees 69.532 million).

20. TRADE DEBTS	**2013 Rupees**	**2012 Rupees**
Considered good:		
Secured (against letters of credit)	500,684,703	519,241,862
Unsecured	178,848,692	235,700,987
	679,533,395	754,942,849
Considered doubtful:		
Others - unsecured	88,358,572	1,525,385
Less: Provision for doubtful trade debts		
Balance as at 01 July	1,525,385	-
Add: Provision for the year (Note 30)	86,833,187	1,525,385
Balance as at 30 June	88,358,572	1,525,385
	-	-

20.1 As on 30 June 2013, trade debts of Rupees 54.434 million (2012: Rupees 181.246 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The age analysis of these trade debts is as follows:

	2013 Rupees	**2012 Rupees**
Upto 1 month	7,664,632	8,889,044
1 to 6 months	5,592,468	33,184,798
More than 6 months	41,176,795	139,172,533
	54,433,895	181,246,375

20.2 As at 30 June 2013, trade debts of Rupees 88.359 million (2012: Rupees 1.525 million) were impaired. The aging of these trade debts was more than three years. These trade debts have been provided for in the books of account.

	2013 Rupees	2012 Rupees
21. ADVANCES		
Considered good:		
Advances to:		
- staff (Note 19.1)	8,445,589	7,442,561
- suppliers	78,103,547	107,151,799
- contractors	-	100,000
Letters of credit	3,757,546	6,686,645
	90,306,682	121,381,005

21.1 This includes interest free advances to executives of the Holding Company amounting to Rupees 3.374 million (2012: Rupees 4.846 million).

	2013 Rupees	2012 Rupees
22. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Security deposits	7,468,101	7,943,768
Short term prepayments	127,240	5,545,635
	7,595,341	13,489,403

	2013 Rupees	2012 Rupees
23. OTHER RECEIVABLES		
Considered good:		
Advance income tax	139,040,904	108,714,306
Export rebate and claims	82,291,725	80,907,115
Receivable from employees' provident fund trust	-	1,752,723
Miscellaneous	17,960,218	632,829
	239,292,847	192,006,973

	2013 Rupees	2012 Rupees
24. SHORT TERM INVESTMENTS		
Available for sale		
Quoted		
Maple Leaf Cement Factory Limited		
Nil (2012: 11,251,000) ordinary shares of Rupees 10 each	-	23,177,060
Add: Fair value adjustment	-	28,915,070
	-	52,092,130
Unquoted		
Security General Insurance Company Limited (Note 24.1) 643,667 (2012: 643,667) fully paid ordinary shares of Rupees 10 each	704,171	704,171
Add: Fair value adjustment	131,653,073	76,748,279
	132,357,244	77,452,450
	132,357,244	129,544,580

24.1 Ordinary shares of Security General Insurance Company Limited have been valued by the management at Rupees 205.63 (2012: Rupees 120.33) per share using the net assets based valuation method.

	2013 Rupees	2012 Rupees
25. CASH AND BANK BALANCES		
Cash in hand (Note 25.1)	3,581,704	2,077,647
Cash with banks:		
On current accounts (Note 25.2 and 25.4)	21,373,474	29,043,106
On deposit accounts (Note 25.3 and 25.5)	105,100,998	78,127,383
	126,474,472	107,170,489
	130,056,176	109,248,136

25.1 Cash in hand includes foreign currency of US$ 5,285 and Euro 1,410 (2012: US$ Nil and Euro Nil).

25.2 Cash with banks on current accounts includes foreign currency balance of US$ 788.72 (2012: US$ 790.04).

25.3 Rate of profit on bank deposits ranges from 5% to 10% (2012: 5% to 10%) per annum.

25.4 Cash with banks on current accounts includes an amount of Rupees 8.491 million (2012: Rupees 7.884 million) with Allied Bank Limited, in a non-checking account, to secure performance of certain conditions of restructuring arrangements.

25.5 This includes term deposit receipts of Rupees 55.660 million (2012: Rupees 55.660) which is under lien with the bank of the Holding company.

26. SALES

	2013 Rupees	2012 Rupees
Export	7,283,073,851	5,171,284,521
Local (Note 26.1)	1,228,208,319	1,250,808,539
Export rebate	34,192,439	26,993,352
	8,545,474,609	6,449,086,412

26.1 Local sales

Sales	1,128,259,307	1,112,980,235
Less: Sales tax	13,573,358	1,423,132
Less: Discount	34,592	33,610
	1,114,651,357	1,111,523,493
Processing income	113,556,962	139,285,046
	1,228,208,319	1,250,808,539

	2013 Rupees	2012 Rupees
27. COST OF SALES		
Raw material consumed (Note 27.1)	4,729,503,889	3,354,453,055
Stock consumed (Note 27.2)	90,742,098	169,086,015
Chemicals consumed	645,678,812	528,605,525
Salaries, wages and other benefits	255,737,213	230,144,224
Employees' provident fund contributions	8,993,774	8,010,208
Travelling, conveyance and entertainment	282,581	493,093
Printing and stationery	55,727	79,728
Communications	445,573	960,034
Vehicles' running	223,855	636,143
Fee and subscription	67,950	60,866
Rent, rates and taxes	1,489,200	3,631,666
Cloth conversion and processing charges	29,656,816	46,540,459
Fuel, oil and power	910,167,420	754,047,774
Security	511,885	824,048
Freight and carriage	303,381	362,054
Stores, spares and loose tools consumed	81,774,513	71,758,035
Packing materials consumed	49,854,115	41,285,348
Repair and maintenance	33,486,365	46,026,586
Insurance	7,042,282	6,798,576
Other manufacturing expenses	56,229,898	48,403,321
Depreciation on operating fixed assets (Note 15.1.5)	210,564,861	225,055,454
Amortization on intangible asset (Note 15.1.6)	536,513	1,322,825
Miscellaneous	196,262	123,700
	7,113,544,983	5,538,708,737
Work-in-process inventory		
As on 01 July	123,171,757	57,287,055
As on 30 June	(152,308,086)	(123,171,757)
	(29,136,329)	(65,884,702)
Cost of goods manufactured	7,084,408,654	5,472,824,035
Cost of yarn and cloth purchased for resale	80,402,397	78,736,286
	7,164,811,051	5,551,560,321
Finished goods inventory		
As on 01 July	335,090,305	332,514,919
As on 30 June	(314,553,948)	(335,090,305)
	20,536,357	(2,575,386)
	7,185,347,408	5,548,984,935
27.1 Raw material consumed		
Opening stock	117,407,790	109,567,292
Add: Purchases during the year	4,759,768,189	3,362,293,553
	4,877,175,979	3,471,860,845
Less: Closing stock	(147,672,090)	(117,407,790)
	4,729,503,889	3,354,453,055

	2013 Rupees	2012 Rupees
27.2 Stock consumed - Subsidiary Company		
Opening Stock	21,598,991	22,093,025
Add: Purchases during the year	69,143,107	168,591,981
	90,742,098	190,685,006
Less: Closing stock	-	(21,598,991)
	90,742,098	169,086,015

	2013 Rupees	2012 Rupees
28. DISTRIBUTION COST		
Salaries and other benefits	43,143,544	36,640,240
Employees' provident fund contributions	1,651,696	1,442,249
Travelling, conveyance and entertainment	19,454,158	15,114,564
Printing and stationery	179,646	212,400
Communications	24,295,081	18,336,335
Vehicles' running	3,469,907	3,214,693
Insurance	1,861,604	2,017,035
Repair and maintenance	46,045	25,889
Commission to selling agents	285,328,260	174,776,528
Outward freight and handling	194,594,509	100,920,226
Clearing and forwarding	36,150,774	24,676,359
Sales promotion and advertising	6,004,427	4,446,591
Depreciation on operating fixed assets (Note 15.1.5)	1,135,705	1,246,919
Miscellaneous	1,489,273	1,075,082
	618,804,629	384,145,110

	2013 Rupees	2012 Rupees
29. ADMINISTRATIVE EXPENSES		
Salaries and other benefits	91,749,382	75,848,209
Employees' provident fund contributions	1,798,324	1,777,308
Travelling, conveyance and entertainment	35,465,415	40,223,711
Printing and stationery	4,002,816	3,018,924
Communications	3,820,163	3,918,331
Vehicles' running	9,276,418	8,277,124
Legal and professional	6,539,493	9,093,904
Insurance	5,184,100	3,930,547
Fee, subscription and taxes	879,108	4,266,769
Rent	510,800	1,094,242
Repair and maintenance	6,941,957	5,189,124
Electricity, gas and water	213,822	154,204
Auditors' remuneration (Note 29.1)	1,537,000	1,522,000
Depreciation on operating fixed assets (Note 15.1.5)	14,276,293	17,739,851
Amortization on intangible asset (Note 15.1.6)	924,301	1,078,047
Miscellaneous	17,177,579	11,733,017
	200,296,971	188,865,312

	2013 Rupees	2012 Rupees
29.1 Auditors' remuneration		
Audit fee	1,300,000	1,300,000
Half yearly review and other certifications	200,000	200,000
Reimbursable expenses	37,000	22,000
	1,537,000	1,522,000

30. OTHER EXPENSES

	2013 Rupees	2012 Rupees
Workers' profit participation fund (Note 10)	7,440,527	-
Donations (Note 30.1)	3,922,940	3,175,084
Loss on sale of operating fixed assets	22,782,067	-
Operating fixed assets written off	3,920,011	-
Capital work-in-progress written off	156,220	
Impairment of goodwill	-	33,884,785
Provision for doubtful trade debts (Note 20)	86,833,187	1,525,385
Pilferage / expiry	8,055,139	605,866
Irrecoverable trade debts written off	2,148,015	-
Advances written off	12,563,576	-
Security deposits written off	417,922	-
Insurance claim receivable written off	202,501	-
Others	1,644,778	194,267
	150,086,883	39,385,387

30.1 There is no interest of any director or his spouse in donees' fund. However, donations given in financial year 2012 includes land having cost of Rupees 1.865 million given as donation to Punjab Social Security Health Management Company in which Mr. Amir Fayyaz Sheikh (director of the Holding Company) is Chairman of the Board of Directors.

31. OTHER INCOME

	2013 Rupees	2012 Rupees
Income from financial assets		
Gain on sale of available for sale investment	173,527,189	-
Dividend on equity investment	2,574,668	965,500
Exchange gain - net	7,960,894	24,822,940
Return on bank deposits	6,370,235	12,186,753
Accrued markup written back	61,161,270	772,885,676
Gain on initial recognition of long term financing at fair value (Note 7.2)	823,743,568	-
Bad debts recovered	96,013,984	-
Credit balances written back	7,501,580	1,794,807

	2013 Rupees	2012 Rupees
Income from non-financial assets		
Scrap sales and others	35,491,569	20,008,954
Gain on sale of operating fixed assets	-	13,680,040
Rental income (Note 31.1)	73,987	494,571
Advertisement income	-	1,432,257
Others	698,948	-
	1,215,117,892	848,271,498

31.1 This represents income earned from provisions of prominent places to suppliers for display of their products in the Subsidiary Company's stores.

	2013 Rupees	2012 Rupees

32. FINANCE COST

Markup on long term financing	199,644,025	229,361,620
Mark up on short term borrowings	75,217,795	88,635,161
Adjustment due to impact of IAS - 39	112,590,198	-
Bank commission and other financial charges	118,119,033	30,418,301
	505,571,051	348,415,082

33. TAXATION

Current (Note 33.1)	79,975,000	62,914,863
Prior year adjustment	(89,564)	(4,313,788)
Deferred tax	11,933,440	(1,331,655)
	91,818,876	57,269,420

33.1 The Holding Company's provision for current income tax represents final tax on export sales under section 169 and minimum tax on local sales under section 113 of the Income Tax Ordinance, 2001. Subsidiary Company has gross loss before set off of depreciation and other inadmissible expenses under the Income Tax Ordinance, 2001, hence, provision for current tax has not been made in these consolidated financial statements in accordance with the provisions of sub section (1) of section 113 of the Income Tax Ordinance, 2001. Therefore, it is impracticable to prepare the tax charge reconciliations for the years presented. The Holding Company and Subsidiary Company have carry forwardable tax losses of Rupees 951.539 million and Rupees 249.697 million (2012: Rupees 790.929 million and Rupees 235.298 million) respectively.

34. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share, which is based on:

		2013	2012
Profit attributable to ordinary shares	(Rupees)	1,008,666,683	730,292,664
Weighted average number of ordinary shares	(Numbers)	50,911,011	50,911,011
Earnings per share	(Rupees)	19.81	14.34

35. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration, including all benefits to chief executive, directors and other executives are as follows:

	2013			2012		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees)					
Managerial remuneration	3,135,000	3,217,500	26,385,210	2,640,000	6,979,500	20,383,100
House rent	783,750	969,375	6,769,145	660,023	1,744,878	5,402,124
Utilities	313,500	321,750	2,638,124	263,931	697,878	2,079,830
Special allowance	627,000	478,500	4,836,327	528,000	1,395,900	3,669,700
Contribution to provident fund	261,147	268,015	2,197,898	219,912	597,930	1,712,112
Other allowances	840,750	862,875	5,190,965	708,046	1,772,844	3,298,038
	5,961,147	6,118,015	48,017,669	5,019,912	13,188,930	36,544,904
Number of persons	1	2	24	1	4	24

35.1 Chief executive, directors and executives of the Holding Company are provided with free use of Company's owned and maintained cars.

35.2 Meeting fee of Rupees 330,000 (2012: Rupees 200,000) was paid to four non-executive directors of the Holding Company for attending meetings.

35.3 No remuneration was paid to non-executive directors of the Holding Company.

35.4 No remuneration was paid to the chief executive or any director of the Subsidiary Company.

36. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of other related parties, key management personnel and provident fund trust. The Group in the normal course of business carries out transactions with related parties. There are no other transaction with related parties, other than those which have been specifically disclosed elsewhere in these consolidated financial statements.

37. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on un-audited financial statements of the provident fund of the Holding Company for the year ended 30 June 2013 and audited financial statement of the provident fund of the Holding Company for the year ended 30 June 2012:

	2013 Rupees	2012 Rupees
Size of the fund - Total assets	91,622,193	64,397,434
Cost of investments	84,257,836	70,392,866
Percentage of investments made	93.26%	84.85%
Fair value of investments	85,449,543	54,640,867

37.1 The break-up of fair value of investments is as follows:

	2013	2012	2013	2012
	Percentage		Rupees	Rupees
Deposits	37.23	27.36	31,812,872	14,947,891
Mutual funds	37.21	56.59	31,795,742	30,921,639
Listed securities	25.56	16.05	21,840,928	8,771,337
	100.00	100.00	85,449,542	54,640,867

37.2 The investments out of provident fund of the Holding Company have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

38. NUMBER OF EMPLOYEES

	2013	2012
Number of employees as on June 30		
Permanent	1,395	1,420
Contractual	43	37
Average number of employees during the year		
Permanent	1,417	1,423
Contractual	42	38

39. SEGMENT INFORMATION

39.1 The group has four reportable segments. The following summary describes the operation in each of the group's reportable segments:

Weaving	Production of different qualities of greige fabric using yarn
Dyeing	Processing of greige fabric for production of dyed fabric
Power Generation	Generation and distribution of power using gas, oil and steam
Retail	Selling all types of general merchandise

	Weaving		Dyeing		Power Generation		Retail		Elimination of inter-segment transactions		Total- Company	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	(R u p e e s)											
Sales												
-External	1,729,562,680	1,347,547,035	6,722,208,101	4,914,320,687	-	-	93,703,828	187,218,690	-	-	8,545,474,609	6,449,086,412
-Intersegment	2,439,172,633	2,161,417,396	25,416,986	39,254,999	792,541,530	657,665,592	4,068,868	2,760,689	(3,261,200,017)	(2,861,098,676)	-	-
	4,168,735,313	3,508,964,431	6,747,625,087	4,953,575,686	792,541,530	657,665,592	97,772,696	189,979,379	(3,261,200,017)	(2,861,098,676)	8,545,474,609	6,449,086,412
Cost of sales	(3,793,391,971)	(3,257,056,400)	(5,757,125,365)	(4,231,109,395)	(780,071,145)	(713,165,179)	(115,958,944)	(208,752,637)	3,261,200,017	2,861,098,676	(7,185,347,408)	(5,548,984,935)
Gross profit / (loss)	375,343,342	251,908,031	990,499,722	722,466,291	12,470,385	(55,499,587)	(18,186,248)	(18,773,258)	-	-	1,360,127,201	900,101,477
Distribution cost	(101,766,328)	(67,833,794)	(517,038,301)	(316,311,316)	-	-	-	-	-	-	(618,804,629)	(384,145,110)
Administrative expenses	(90,063,538)	(92,647,531)	(95,277,003)	(79,042,206)	(9,699,547)	(12,259,313)	(5,496,883)	(5,276,262)	240,000	360,000	(200,296,971)	(188,865,312)
	(191,829,866)	(160,481,325)	(612,315,304)	(395,353,522)	(9,699,547)	(12,259,313)	(5,496,883)	(5,276,262)	240,000	360,000	(819,101,600)	(573,010,422)
Profit / (loss) before taxation and unallocated income / expenses	183,513,476	91,426,706	378,184,418	327,112,769	2,770,838	(67,758,900)	(23,683,131)	(24,049,520)	240,000	360,000	541,025,601	327,091,055
Unallocated income and expenses:												
Finance cost											(505,571,051)	(348,415,082)
Other expenses											(150,086,883)	(39,385,387)
Other income											1,215,117,892	848,271,498
Taxation											(91,818,876)	(57,269,420)
											467,641,082	403,201,609
Profit after taxation											1,008,666,683	730,292,664

39.2 Reconciliation of reportable segment assets and liabilities

	Weaving		Dyeing		Power Generation		Retail		Total- Company	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	(R u p e e s)									
Segment assets	1,883,209,663	2,030,965,073	2,507,593,247	2,318,913,805	800,653,779	863,108,074	127,363,391	215,080,691	5,318,820,080	5,428,067,643
Unallocated assets									586,005,534	455,785,379
Total assets as per balance sheet									5,904,825,614	5,883,853,022
Segment liabilities	241,238,767	221,373,127	362,643,302	225,245,033	64,517,633	75,751,150	6,368,145	27,334,666	674,767,847	549,703,976
Long term financing - secured									2,121,486,153	3,244,174,198
Sponsor's loan									272,000,000	272,000,000
Loan from director									11,000,000	5,000,000
Accrued markup									110,743,721	445,334,605
Short term borrowings - secured									671,405,785	784,099,087
Deferred liabilities									483,022,877	47,740,202
Provision for taxation									79,975,000	62,914,863
Unallocated liabilities									145,050,429	159,795,953
Total liabilities as per balance sheet									4,569,451,812	5,570,762,884

39.3 Geographical information

The Group's revenue from external customers by geographical location is detailed below:

	2013 Rupees	2012 Rupees
Australia	371,954,125	269,737,850
Asia	4,320,231,205	3,173,873,062
Europe	1,232,086,726	748,920,159
United States of America and Canada	266,600,639	368,186,153
Africa	1,126,393,595	637,560,649
Pakistan	1,228,208,319	1,250,808,539
	8,545,474,609	6,449,086,412

39.4 All non-current assets of the Group as at reporting date are located and operating in Pakistan.

39.5 Revenue from major customers

The Group's revenue is earned from a large mix of customers.

40. PLANT CAPACITY AND PRODUCTION

	2013	2012
Weaving		
Number of looms in operation	174	174
Rated capacity of operative looms converted to 60 picks (square meter)	48,892,878	48,892,878
Actual production converted to 60 picks (square meter)	47,933,566	42,933,292
Number of days worked during the year (3 shifts per day)	365	366
Dyeing		
Rated capacity in 3 shifts (linear meter)	30,000,000	30,000,000
Actual production for three shifts (linear meter)	29,586,279	24,123,863
No. of days worked during the year (3 shifts per day)	365	355
Genertek		
Number of generators installed	9	9
Installed capacity (Mega Watt Hours)	300,381	300,406
Actual generation (Mega Watt Hours)	27,023	29,678

40.1 Underutilization of available capacity for weaving and dyeing divisions is due to normal maintenance.

40.2 Actual power generation in Genertek in comparison to installed is low due to periodical scheduled and unscheduled maintenance of generators and low demand.

41. FINANCIAL RISK MANAGEMENT

41.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors of the Holding Company and the Subsidiary Company (the respective Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) 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. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro. Currently, the Group's foreign exchange risk exposure is restricted to foreign currency bank balances and the amounts receivable from / payable to the foreign entities. The Group uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Group's exposure to currency risk was as follows:

	2013	**2012**
Cash in hand - USD	5,285	-
Cash in hand - Euro	1,410	-
Cash at banks - USD	789	790
Trade debts - USD	13,375,230	15,157,520
Trade and other payable - USD	1,420,262	457,739
Net exposure - USD	11,961,042	14,700,571
Net exposure - Euro	1,410	-

The following significant exchange rates were applied during the year:

Rupees per US Dollar		
Average rate	96.32	88.72
Reporting date rate	98.95	94.10
Rupees per Euro		
Average rate	124.62	119.60
Reporting date rate	129.25	118.56

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD and Euro with all other variables held constant, the impact on profit after taxation for the year would have been higher / lower by Rupees 55.705 million (2012: Rupees 68.453 million) mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents 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 interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Group is not exposed to commodity price risk.

Sensitivity analysis

The table below summarises the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Group's profit after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index. As at 30 June 2013, the Group has no such equity instrument:

Index	Impact on profit after taxation			Statement of other components of income (fair value reserve)		
		2013 Rupees	2012 Rupees		2013 Rupees	2012 Rupees
KSE 100 (5% increase)	Decrease in profit	-	-	Increase in fair value reserve	-	2,604,607
KSE 100 (5% decrease)	Increase in profit	-	-	Decrease in fair value reserve	-	2,604,607

Equity (fair value reserve) increases / decreases as a result of gains / losses on equity investments classified as available for sale.

(iii) Interest rate risk

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

The Group has no significant long-term interest-bearing assets except for bank balances on saving accounts. The Group's interest rate risk arises from long term financing and short term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Group to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Group's interest bearing financial instruments was:

	2013 Rupees	2012 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	1,509,412,441	1,462,834,293
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	105,074,765	78,127,383
Financial liabilities		
Long term financing	612,073,712	1,781,339,905
Short term borrowings	671,405,785	784,099,087

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuate by 1% higher / lower with all other variables held constant, profit for the year would have been Rupees 11.195 million lower / higher (2012: Rupees 24.873 million), mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2013 Rupees	2012 Rupees
Investments	132,357,244	129,544,580
Advances	8,445,589	7,442,561
Deposits	28,055,841	29,825,430
Trade debts	679,533,395	754,942,849
Other receivables	17,960,218	632,829
Bank balances	126,474,472	107,170,489
	992,826,759	1,029,558,738

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2013	2012
	Short Term	Long Term	Agency	-------- Rupees --------	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	150,744	150,744
Allied Bank Limited	A1+	AA+	PACRA	6,931,915	11,803,463
Askari Bank Limited	A1+	AA	PACRA	719,627	4,395,515
Bank Alfalah Limited	A1+	AA	PACRA	146,434	1,568,448
Faysal Bank Limited	A1+	AA	PACRA	490,778	491,771
Habib Bank Limited	A-1+	AAA	JCR-VIS	13,008,561	10,435,062
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	55,879,362	58,313,216
The Bank of Punjab	A1+	AA-	PACRA	115,621	1,939
MCB Bank Limited	A1+	AAA	PACRA	976,796	756,259
NIB Bank Limited	A1+	AA -	PACRA	30,325,384	4,537,568
Silk Bank Limited	A-2	A -	JCR-VIS	905,410	1,047,063
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	5,278,865	12,821,381
United Bank Limited	A-1+	AA+	JCR-VIS	11,469,979	597,800
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	74,996	250,260
				126,474,472	107,170,489
Investments					
Maple Leaf Cement Factory Limited	B	BB	PACRA	-	52,092,130
Security General Insurance Company Limited	A+		JCR-VIS	132,357,244	77,452,450
				132,357,244	129,544,580
				258,831,716	236,715,069

The Group's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 20.

Due to the Group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the group. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash. At 30 June 2013, the Group has Rupees 130.056 million (2012: Rupees 109.248 million) cash and bank balances. The management believes the liquidity risk to be manageable. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2013

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	-----------------------------		(Rupees)		-----------------------------	
Long term financing	2,121,486,153	2,435,899,755	76,955,117	50,405,540	165,283,931	2,143,255,167
Sponsor's loan	272,000,000	272,000,000	-	-	-	272,000,000
Trade and other payables	705,452,581	705,452,581	705,452,581	-	-	-
Loan from director	11,000,000	11,000,000	11,000,000	-	-	-
Accrued markup	534,729,948	534,729,948	110,743,721	-	-	423,986,227
Short term borrowings	671,405,785	689,269,929	689,269,929	-	-	-
	4,316,074,467	4,648,352,213	1,593,421,348	50,405,540	165,283,931	2,839,241,394

Contractual maturities of financial liabilities as at 30 June 2012

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	-----------------------------		(Rupees)		-----------------------------	
Long term financing	3,244,174,198	4,441,317,925	64,906,340	134,957,487	351,946,309	3,889,507,789
Sponsor's loan	272,000,000	272,000,000	-	-	-	272,000,000
Trade and other payables	593,857,039	593,857,039	593,857,039	-	-	-
Loan from director	5,000,000	5,000,000	5,000,000	-	-	-
Accrued markup	445,334,605	445,334,605	445,334,605	-	-	-
Short term borrowings	784,099,087	828,024,863	828,024,863	-	-	-
	5,344,464,929	6,585,534,432	1,937,122,847	134,957,487	351,946,309	4,161,507,789

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 7 and note 13 to these consolidated financial statements.

41.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in these consolidated financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable:The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable:

	Level 1	Level 2	Level 3	Total
	.... Rupees..................................			
As at 30 June 2013				
Assets				
Available for sale financial assets	-	-	132,357,244	132,357,244
As at 30 June 2012				
Assets				
Available for sale financial assets	52,092,130	-	77,452,450	129,544,580

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Group is the current bid price. These financial instruments are classified under level 1 in above referred table. The Group has no such type of financial isntrument as at 30 June 2013.

The fair value of financial instruments that are not traded in active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimate. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2. The Group has no such type of financial instruments as at 30 June 2013.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

41.3 Financial instruments by categories

Assets as per balance sheet

	2013			2012		
	Loans and receivables	**Available for sale**	**Total**	**Loans and receivables**	**Available for sale**	**Total**
	---------- **Rupees** ---------			--------- **Rupees** ---------		
Investments	-	132,357,244	132,357,244	-	129,544,580	129,544,580
Advances	8,445,589	-	8,445,589	7,442,561	-	7,442,561
Deposits	28,055,841	-	28,055,841	29,825,430	-	29,825,430
Trade debts	679,533,395	-	679,533,395	754,942,849	-	754,942,849
Other receivables	17,960,218	-	17,960,218	632,829	-	632,829
Cash and bank balances	130,056,176	-	130,056,176	109,248,136	-	109,248,136
	864,051,219	132,357,244	996,408,463	902,091,805	129,544,580	1,031,636,385

	2013 Rupees	2012 Rupees
Financial liabilities at amortized cost		
Long term financing	2,121,486,153	3,244,174,198
Sponsor's loan	272,000,000	272,000,000
Accrued markup	534,729,948	445,334,605
Loan from director	11,000,000	5,000,000
Short term borrowings	671,405,785	784,099,087
Trade and other payables	705,452,581	593,857,039
	4,316,074,467	5,344,464,929

41.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stake holders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to share holders, issue new shares or sell assets to reduce debt.

42. AUTHORIZATION OF FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company on 26 September, 2013.

43. CORRESPONDING FIGURES

Corresponding figures have been rearranged / regrouped, wherever necessary, for the purpose of comparison. However, no significant rearrangements / regroupings have been made.

44. GENERAL

Figures have been rounded off to nearest of Rupee.

AAMIR FAYYAZ SHEIKH
Chief Executive

RIAZ AHMED
Director

The Companies Ordinance, 1984
(Section 236(1) and 464)

PATTERN OF SHAREHOLDING

1.	CUI Number	**17194**
2.	Name of Company	**KOHINOOR MILLS LIMITED**
3.	Pattern of holding of shares held by the shareholders as at	**June 30, 2013**

4.

Number of Shareholders	Shares held Range From		To	Total Shares held	Percentage
354	1	-	100	7,392	0.01
780	101	-	500	169,138	0.33
133	501	-	1000	101,288	0.20
245	1001	-	5000	618,289	1.21
45	5001	-	10000	350,485	0.69
21	10001	-	15000	273,714	0.54
16	15001	-	20000	278,297	0.55
10	20001	-	25000	231,676	0.46
4	25001	-	30000	112,055	0.22
3	35001	-	40000	111,028	0.22
3	40001	-	45000	128,826	0.25
2	45001	-	50000	95,003	0.19
2	55001	-	60000	113,500	0.22
1	65001	-	70000	66,100	0.13
1	80001	-	85000	81,367	0.16
1	95001	-	100000	98,000	0.19
1	130001	-	135000	133,865	0.26
2	140001	-	145000	283,501	0.56
1	220001	-	225000	222,467	0.44
2	275001	-	280000	556,000	1.09
1	390001	-	395000	392,166	0.77
1	415001	-	420000	417,155	0.82
1	510001	-	515000	511,350	1.00
1	765001	-	770000	768,500	1.51
1	895001	-	900000	895,683	1.76
1	1155001	-	1160000	1,159,161	2.28
1	1230001	-	1235000	1,232,257	2.42
1	2760001	-	2765000	2,762,357	5.43
1	4520001	-	4525000	4,522,059	8.88
1	10870001	-	10875000	10,870,564	21.35
1	10905001	-	10910000	10,906,678	21.42
1	12440001	-	12445000	12,441,090	24.44
1,639	**Total**			**50,911,011**	**100.00**

Note: The slabs not applicable, have not been shown.

5.	Categories of Shareholders		Shares held	G.Total	Percentage
5.1	**Directors, Chief Executive Officer, their Spouse(s) and Minor Children**				
	Mr. Rashid Ahmed (Chairman/Director)		142,501		0.2799
	Mr. Aamir Fayyaz Sheikh (Chief Executive/Director)		12,441,090		24.4369
	Mr. Asad Fayyaz Sheikh (Director)		10,906,678		21.4230
	Mr. Ali Fayyaz Sheikh (Director)		10,870,564		21.3521
	Mr. Riaz Ahmed (Director)		15,000		0.0295
	Mr. Shahbaz Munir (Director)		3,000		0.0059
	Mr. Aamir Amin (Nominee Director of NIT)		-		
		7		34,378,833	
5.2	**Associated Companies, Undertakings and Related Parties**				
5.3	**NIT and ICP**				
	National Bank of Pakistan-Trustee Department NI(U)T Fund		4,522,059		8.8823
	National Bank of Pakistan		600		0.0012
	Investment Corporation of Pakistan		2,200		0.0043
	IDBL (ICP UNIT)		277		0.0005
		4		4,525,136	
5.4	**Banks, Development Finance institutions, Non-Banking Finance Companies**	9	1,588,253	1,588,253	3.1197
5.5	**Insurance Companies**	1	125	125	0.0002
5.6	**Takaful, Modarabas, Pension Funds & Mutual Funds**	2	879	879	0.0017
5.7	**Share holders holding 5% or more**				
	Refer 5.1, 5.3				
5.8	**General Public**				
	a. Local	1570	9,044,210		17.7647
	b. Foreign	4	82,636		0.1623
	c. Joint Stock Companies	34	105,305		0.2068
				9,232,151	
5.9	**Others**				
	Lahore Stock Exchange		680		0.0013
	Trustee-Kohinoor Mills Limited - Staff Provident Fund		909,500		1.7865
	Trustees Al-Mal Group Staff Provident Fund		1,695		0.0033
	Trustee National Bank of Pakistan Employees Pension Fund		222,467		0.4370
	Trustee National Bank of Pakistan Employee - Benevolent Fund		7,806		0.0153
	Trustees Moosa Lawai Foundation		9,015		0.0177
	Trustees Saeeda Amin Wakf		11,180		0.0220
	Trustees Mohamad Amin Wakf Estate		23,291		0.0457
		8		1,185,634	
	Total :	1,639		50,911,011	100.00

FORM OF PROXY

26th AnnualGener alM eeting201 3

I/We ____

of ______________________ in the district of _________________________________ being a member of

KOHINOOR MILLS LIMITED hereby appoint ____

______________________________ of _____________another member of the Company or failing him/her

appoint ____

of ____ another member of the Company as my / our proxy

to vote for me/us and on my/our behalf, at the **26th Annual General Meeting** of the Company to be held on **Thursday, October 31, 2013 at 03:00 p.m.** and at any adjournment thereof.

As witness my/our hand seal this _______________________ day of _____________________, 2013

Folio No.	CDC Account Holders		No. of Ordinary Shares held
	Participant I.D. No.	Account / Sub-Account No.	

Signatures on Five Rupees Revenue Stamp

The Signature should agree with the specimen registered with the Company

Witness 1

Signature ____________________________

Name ____________________________

CNIC No. ____________________________

Address ____________________________

Witness 2

Signature ____________________________

Name ____________________________

CNIC No. ____________________________

Address ____________________________

Important Notes:

1. Proxies, in order to be effective, must be received at the Company's Registered Office situated at 8th K.M. Manga Raiwind Road, District Kasur, not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
2. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. No person can act as proxy unless he / she is member of the Company, except that a corporation may appoint a person who is not a member.

For CDC Account Holders / Corporate entities

In addition to the above, the following requirements have to be met.

a) The proxy form shall be witnessed by two persons whose name, address and computerized National Identity Card (CNIC) number shall be mentioned on the form.
b) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
c) The proxy shall produce original CNIC or passport at the time of attending the meeting.
d) In case of the Corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

AFFIX

CORRECT

POSTAGE

The Company Secretary

KOHINOOR MILLS LIMITED
8-Km, Manga Raiwind Road,
Distt. Kasur,
Pakistan.

Kohinoor Mills Limited

8-km, Manga Raiwind Road,
Distt. Kasur - Pakistan