



SHAMS TEXTILE MILLS LIMITED

ANNUAL REPORT 2013



## CONTENTS

	Pages
1. Company Information	2
2. Profile	3
3. Mission / Vision Statement	4
4. Statement of Compliance with Code of Corporate Governance	5-6
5. Directors' Report	7-9
6. Financial Summary	10
7. Notice of Annual General Meeting	11
8. Auditors' Review Report on statement of Compliance	12
9. Auditors' Report to the Members	13
10. Balance Sheet	14-15
11. Profit and Loss Account	16
12. Statement of Comprehensive Income	17
13. Cash Flow Statement	18
14. Statement of Changes in Equity	19
15. Notes to the Accounts	20-44
16. Pattern of Share Holding	45
17. Information required as per Code of Corporate Governance	46
18. Form of Proxy	47

## COMPANY INFORMATION

**Board of Directors**

Muhammad Anwar	(Chairman)
Khalid Bashir	(Chief Executive)
Adil Bashir	
Amjad Mahmood	
Asif Bashir	
Muhammad Asif	(Nominee:NIT)
Nadeem Maqbool	

**Chief Financial Officer**

Farooq Ahmad

**Audit Committee**

Muhammad Anwar	(Chairman)
Asif Bashir	(Member)
Adil Bashir	(Member)
Khaleeqe Ahmad	(Secretary)

**Human Resource & Remuneration Committee**

Amjad Mahmood	(Chairman)
Khalid Bashir	(Member)
Adil Bashir	(Member)

**Share Registrar**

Crescent Group (Pvt) Ltd.  
306, 3<sup>rd</sup> Floor, Siddiq Trade Centre,  
72 Main Boulevard, Gulberg,  
Lahore

**Auditors**

Riaz Ahmad & Company  
Chartered Accountants

**Bankers**

Allied Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
The Bank of Punjab  
KASB Bank Limited  
United Bank Limited

**Registered Office**

7-B-III, Aziz Avenue, Gulberg-V, Lahore

Ph: +92-423-576 0379, 576 0382

Fax: +92-423-576 0376

Email: [info@shams.com.pk](mailto:info@shams.com.pk)

Web: [www.shams.com.pk](http://www.shams.com.pk)

**Project Locations**

Kotla Kahloon, District Nankana Sahib, Punjab  
3-KM, Faisalabad Road, Chiniot, Punjab

## PROFILE

Shams Textile Mills Limited is a public limited company incorporated on January 10, 1968. The company is primarily engaged in the manufacturing and trading of high quality Yarn.

The Company initially setup up its composite project consisting of spinning, weaving, dyeing and finishing at Chiniot in 1968. The plant today comprises of 24,960 spindles having capacity of producing 400,000 Kg/month (approx.) of yarn. During the initial years of operations the management successfully marketed the cotton yarn, grey and finished fabrics produced from these facilities, generating substantial export business. These operations resulted in the manufacturing of premium quality products leading to higher profitability for the company.

The company successfully built enough reserves over time inducing the management to think about the expansion of its existing facilities. The Management therefore decided to increase its spindle age capacity to 46,320 by installing another spinning unit at Shekhupura Road near Shahkot. The facility started its commercial production in August 01, 1994 and ever since has contributed positively to the results of the company.

Our 21,360 spindle-spinning unit located at Shahkot has the capacity of producing 425,000 Kg (approx.) of the finest Knitting and weaving yarns monthly. Our strength is our commitment to customer satisfaction. Every product passes stringent quality control tests conducted on highly sophisticated machinery before it is dispatched to a customer.

The Company has grown steadily and has distinction of being associated with several prestigious local and foreign firms. The modern yet conservative policies of the company helped in attracting investment in the form of equity participation and loans. The weaving, dyeing and finishing facilities have been shut down with the passage of time due to lower profitability and the management's decision to primarily focus on the spinning business which has always been the company's strength.

The specialized yarn based new spinning unit of 12,096 spindles has been added to existing facilities of the Company at Shahkot to cater the demand of coarse count Slub, Multi and Lycra yarns. The plant started its commercial production in January 2006.

Shams Textile Mills Limited is managed by people who have had vast experiences in the textile sector. The management is constantly looking to avail opportunities in the field of textiles and to grow on its strengths. It has a low cost and growth driven approach to its businesses and is looking to grow further on the same policies.

## MISSION / VISION STATEMENT

### **Our Business**

We are a manufacturing organization operating integrated spinning and weaving facilities in textile industry and our end products are sold to international and national customers.

### **Vision of Future Business**

We are committed to becoming the premier manufacturing organization in the textile industry maintaining market leadership in the present business and diversifying into value added projects with the object of maximizing returns for all the stakeholders.

### **Our Strengths**

We have made pioneering efforts in development of new products, which has enabled us to emerge as a market leader. This together with an innovative and professional management style has helped us to build a strong and financially sound base.

### **Our Strategy**

We are determined to convert our vision into reality by using innovation to create a market niche for our products and by investing in facilities, people, systems and new technology, diversification into value addition and improvements in productivity and service to customers.

We shall aggressively exploit new markets by drawing strength from our corporate image and by promoting a culture that encourages initiatives at all levels of decision-making.

### **Our Values**

- We take pride in adhering to ethical business practices and in being a good corporate citizen.
- We respect our people and endeavor to provide them opportunities to realize their full potential.
- We recognize our responsibility to our stakeholders and society.

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE

This statement is being presented to comply with the best practices of the Code of Corporate Governance as contained in the Listing Regulation of Karachi and Lahore 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 Code in the following manner:

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

S. No.	Category	Names
1	Independent Director	Mr. Mohammad Asif
2	Executive Directors	Mr. Khalid Bashir Mr. Asif Bashir
3	Non-Executive Directors	Mr. Adil Bashir Mr. Amjad Mahmood Mr. Muhammad Anwar Mr. Nadeem Maqbool

The independent directors 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 in more than seven listed companies including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No causal vacancy occurred during the year 2012-2013.
5. The Company has prepared a 'Code of Conduct', and has ensured that appropriate steps have been taken to disseminate it throughout the company along with supporting policies & 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 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 and other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The board has arranged an orientation course for its directors and one director (exempt from directors' training program) has acquired the certification under "Corporate Governance Leadership Skill Programme" conducted by the Pakistan institute of Corporate Governance. Six directors of the company out of seven are exempt due to 14 years of education and 15 years of experience on the board of a listed company.

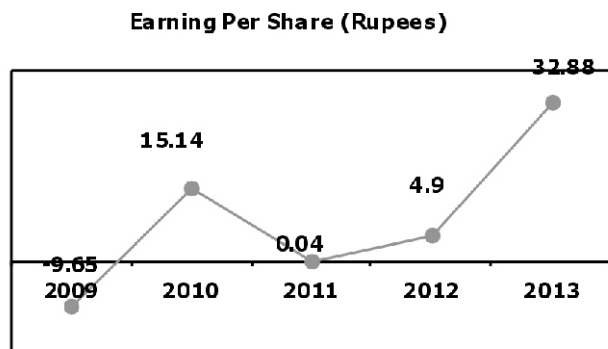
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by 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 of 3 (three) members, of whom two are non executive Directors including the Chairman of the Committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed and HR and Remuneration Committee. It comprises three members, of whom two are non-executive and the chairman of the committee is a non-executive director.
18. The Board has set-up effective internal audit function by appointing a full-time Head of Internal Audit. The day to day operations of this function are being performed and supervised by the Head of Internal Audit, who is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied.

Khalid Bashir  
Chief Executive

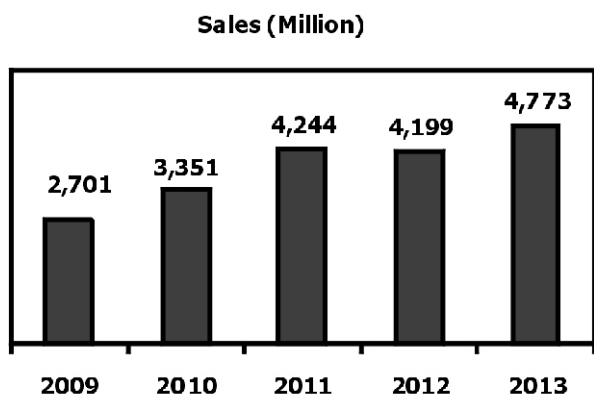
October 01, 2013

## DIRECTORS' REPORT

During the year under review, your Company earned a profit of Rs. 284 million (2012: Rs. 42 million) translating into an earning per share of Rs. 32.88 (2012: Rs. 4.90). The current ratio improved to 1.20 (2012: 0.86).



The Sales of your Company increased by 13.70% to Rs. 4,773 million (2012: 4,199 million) while the Gross Profit increased to 12.66 % (2012: 8.08%) primarily due to better yarn off take locally and China driven demand which boosted the profitability of the entire textile spinning sector in Pakistan. There has been a significant reduction in the financial cost, which decreased by 55 % to Rs 54.48 million (2012: Rs 123.10 million) positively affecting the bottom line.



This has been a difficult year in terms of Gas & Electricity availability especially to the industrial units located in Punjab. The management of your company has tried level best to run profitable production units by using more expensive alternate fuels. Despite all effort the different manufacturing facilities lost production for more than 45 days on average during the year. The management your company have steered your company into a comfortable position on all fronts.

**Operating Results;**

(Rs. In Million)

	2013	2012
Sales	<b>4,773</b>	4,199
Gross profit	<b>604</b>	339
Finance Cost	<b>(54)</b>	(123)
Administrative & General Expenses	<b>(47)</b>	(43)
Profit before Taxation	<b>313</b>	85
Provision for taxation	<b>(29)</b>	(42)
Profit After Taxation	<b>284</b>	42

**Statements on Corporate and Financial Reporting Frame Work**

- a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- b) Proper books of account of the Company have been maintained;
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and 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 and any departure there from has been adequately disclosed and explained;
- 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 listed 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;
- h) Key operating and financial data of last six years in a summarized form is annexed.
- i) The following is the value of investment in respect of retirement benefit funds: Provident Fund: Rs. 71.728 Million (2012:Rs. 63.114 Million)
- j) Four meetings of the Board of Directors were



held during the year 2012-13. Attendance by each director was as under:

Sr. No.	Name of Director	No. Of Meetings Attended
1	Mr. Adil Bashir	4
2	Mr. Amjad Mahmood	2
3	Mr. Asif Bashir	3
4	Mr. Khalid Bashir	4
5	Mr. Muhammad Anwar	2
6	Mr. Muhammad Asif (NIT)	4
8	Mr. Nadeem Maqbool	3

(However, leave of absence was granted to the Directors who could not attend the Board Meetings due to preoccupations)

#### Audit Committee

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee and the following non-executive directors are its members. Five Audit Committee meetings were held

Sr. No.	Name of Members	No. Of Meetings Attended
1	Mr. Muhammad Anwar	04
2	Mr. Asif Bashir	04
3	Mr. Adil Bashir	05

#### Human Resource & Remuneration Committee

The Board of Directors in compliance to the Code of Corporate Governance has established an Human Resource & Remuneration Committee and the following directors are its members:

1.	Mr. Amjad Mahmood	Chairman
2.	Mr. Khalid Bashir	Member
3.	Mr. Adil Bashir	Member

#### Directors' Training Programme:

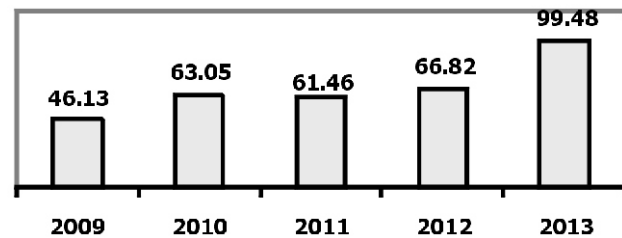
Mr. Nadeem Maqbool, CEO completed his Director certification from the Pakistan Institute of Corporate Governance. Other Directors will also undergo training and certification over the next year.

#### Investor Value

The Board of Directors has recommended a final cash dividend of Rs. 3/- (2012 Rs. 1.25) per share for approval by the shareholders in the upcoming annual general meeting.

The Break-up value per share for the year is Rs. 99.48/- (2012: Rs. 66.82/-)

#### Break-up Value (Rupees)



#### Auditors

As recommended by the Audit Committee, the present auditors M/s Riaz Ahmad & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

#### Pattern of Shareholding

The pattern of shareholding, as required by section 236 of the Companies Ordinance 1984 and Code of Corporate Governance, is enclosed.

#### Key Operating and Financial Data

The key operating and financial data for the last six years is annexed.

#### Corporate Governance

Your Company has been complying with the rules of Securities and Exchange Commission of Pakistan and has implemented better internal control policies with more rigorous checks and balances.

#### Future Outlook

The current year has started with optimism with the newly elected industrial friendly government which took some steps to facilitate the industry however immediately the electricity rates were raised by 70 % while gas prices were increased by 17.5%. This unprecedented increase has adversely affected the

industrial sector in Pakistan especially in Punjab.

Our products in the international markets are now becoming uncompetitive due higher energy costs and fierce competition from India. Demand from China is also showing signs of a slowdown but the main challenge that this sector faces is still the energy problem.

Raw cotton prices have increased in sync with the quickly depreciating Pakistani Rupee that touched Rs. 110 per USD. The cotton crop is also expected to be on the lower side despite favorable weather conditions. Import substitution is not workable at the moment due to higher international prices, depreciating Pakistani rupee and freight costs.

Despite the above-mentioned factors, if the government is able to provide energy to the textile sector during the upcoming winters, then the Textile Sector will pull through these challenging times. The profitability is expected to deteriorate in the coming months due to increased costs and uncertain business environment. We expect that it will take some time to pass on the higher costs to the end customer.

The management is continually striving towards cost controls and efficiencies both in terms of production, financial and energy management. We hope that with our efforts the company will maximize returns to our shareholders. We are also planning balancing and modernization along with an expansion in our coarse count spinning facility, which have been the most profitable production unit of your company last year.

### **Acknowledgements**

On behalf of the Board of Directors, I would take this opportunity to thank all our partners for their continued support and especially thank the employees who have worked with dedication and zeal throughout the year.

For & On behalf of Board of Directors

**Khalid Bashir**  
Chief Executive

October 01, 2013  
Lahore

## FINANCIAL SUMMARY

For the year ended June 30, 2013

rupees in '000's	2013	2012	2011	2010	2009	2008
Net Sales	<b>4,773,213</b>	4,198,758	4,244,030	3,351,493	2,700,814	2,316,456
Cost of sales	<b>4,169,070</b>	3,859,588	3,967,651	2,942,753	2,563,658	2,186,145
Gross Profit	<b>604,143</b>	339,170	276,379	408,740	137,156	130,311
Distribution cost	<b>166,241</b>	88,905	62,166	68,192	43,416	45,464
Administrative expenses	<b>46,644</b>	44,559	41,260	36,674	31,245	26,708
Other operating expenses	<b>40,904</b>	6,167	7,747	29,816	57,177	31,267
	<b>253,789</b>	139,631	111,173	134,682	131,838	103,439
Operating Profit	<b>350,354</b>	199,539	165,206	274,058	5,318	26,872
Other operating income	<b>16,941</b>	8,230	5,368	5,947	5,787	36,755
	<b>367,295</b>	207,769	170,574	280,005	11,105	63,627
Finance cost	<b>54,481</b>	123,019	130,404	114,709	128,044	91,643
Profit / (Loss) before taxation	<b>312,814</b>	84,750	40,170	165,296	(116,939)	(28,016)
Provision for taxation	<b>28,690</b>	42,402	36,703	34,519	33,567	12,501
Profit / (Loss) after taxation	<b>284,124</b>	42,348	3,467	130,777	(83,372)	(40,517)
<b>Performance Ratio</b>						
Gross Profit Margin (%)	<b>12.66</b>	8.08	6.51	12.20	5.08	5.63
Fixed Assets Turnover	<b>5.68</b>	5.20	5.07	3.79	2.84	2.25
Return on capital employed (%)	<b>29.18</b>	6.35	0.64	20.78	(12.92)	(5.06)
Return on equity (%)	<b>33.40</b>	7.39	0.65	24.70	(19.50)	(6.99)
Operating Profit Margin (%)	<b>7.34</b>	4.75	3.89	8.18	0.20	1.16
Net Profit Margin (%)	<b>5.95</b>	1.01	0.08	3.90	(3.09)	(1.75)
Earning / (Loss) per share (Rupees)	<b>32.88</b>	4.90	0.40	15.14	(9.65)	(4.69)
<b>Working Capital Ratios</b>						
Debtors Turn Over Ratio	<b>39.52</b>	34.76	28.51	13.93	11.24	12.71
Debtors in no of Days	<b>9.24</b>	10.50	12.80	26.20	32.46	28.71
Stock Turn Over Ratio	<b>7.22</b>	6.69	7.52	9.98	8.07	7.83
Stock in no of Days	<b>50.54</b>	54.59	48.53	36.57	45.23	46.59
<b>Liquidity Ratio</b>						
Current Ratio	<b>1.20</b>	0.86	0.78	0.77	0.73	0.84
Quick Ratio	<b>0.48</b>	0.29	0.15	0.35	0.40	0.41
Interest Cover Ratio	<b>0.17</b>	1.45	3.25	0.69	(1.09)	(3.27)
<b>Financial Performance Ratio</b>						
Gearing Ratio	<b>11:89</b>	13:87	02:98	13:87	38:62	36:64
Break-up value per share ( Rupees )	<b>99.48</b>	66.82	61.46	63.05	46.13	59.13
Dividend per share ( Rupees )	<b>3</b>	1.25	-	2.00	-	-
Price to Book Value	<b>0.60</b>	0.15	0.12	0.19	0.07	0.27
Total Assets	<b>1,624,731</b>	1,482,013	1,819,199	1,529,557	1,635,974	1,736,696
Current Assets	<b>769,866</b>	692,192	994,748	679,471	719,620	750,010
Current Liabilities	<b>641,698</b>	808,671	1,269,476	886,559	990,746	897,859
Operating Fixed Assets	<b>854,865</b>	789,821	824,451	850,086	916,354	986,686
Long Term Debts	<b>114,271</b>	89,109	11,565	84,633	246,642	290,237
Share holders' Equity	<b>859,524</b>	577,346	530,976	544,734	398,586	510,907

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 46<sup>th</sup> Annual General Meeting of the shareholders of Shams Textile Mills Limited will be held on **Monday October 28, 2013 at 9:30 a.m.** at the Registered Office, 7-B III, Aziz Avenue, Gulberg V, Lahore to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Accounts together with the Directors' and Auditors' reports thereon for the year ended June 30, 2013.
2. To approve as recommended by Directors, the payment of Cash Dividend @ 30% i.e. Rs. 3/- per share for the year ended June 30, 2013.
3. To appoint auditors of the Company and fix their remuneration. The present auditor M/s Riaz Ahmad & Company, Chartered Accountants retires and offers themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

By Order of the Board

Lahore  
October 07, 2013

Company Secretary

**BOOK CLOSURE:**

The Members' Register will remain closed from October 22, 2013 to October 28, 2013 (both day inclusive)

**NOTES:**

1. Transfer received in order at the Registered Office by the close of business hours on Monday, October 21, 2013 will be treated in time.
2. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxy in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time for holding the Meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular no. 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the meeting:
  - i. In case of individuals, the account holder or sub-account holder and /or the person whose securities are in group account, and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their Participant ID numbers and account numbers in CDS.
  - ii. 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 meeting.
4. Shareholders are requested to immediately notify the change in their address, if any and send us the attested copy of Computerized National Identity Card.

**For Attending the Meeting:**

- i. In case of individuals, the account holder or sub-account holder and whose registration details are uploaded as per the Regulations, shall authenticate his/her identity by

showing his/her original National Identity Card (NIC) or passport at the time of attending the meeting.

- ii. 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 meeting.

**For Appointing Proxies:**

- i. In case of individuals, the account holder or sub-account holder and whose registration details are uploaded as per the Regulations, shall submit the proxy form as per above requirement
- ii. Attested copies of valid CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
- iii. The proxy shall produce his/her original valid CNIC or original passport at the time of the meeting.

In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be produced (unless it has been provided earlier) at the time of meeting.

2. SECP has directed vide SRO No. 779(1)/2011 dated August 18, 2011 to issue dividend warrant only crossed as "A/c Payee only" and should bear the Computerized National Identity Card (CNIC) of the registered members. Members who have not yet submitted photocopy of their valid CNIC are requested to send the same to the Company's Registrar.
3. As directed by SECP vide Circular NO. 18 of 2012 dated June 5, 2012, we give the shareholders the opportunity to authorize the Company to directly credit in your bank account with cash dividend, if any, declared by the Company in future. If you wish that the cash dividend if declared by the Company be directly, credited into your bank account, instead of issuing a dividend warrants, please provide the following details:

Folio No. \_\_\_\_\_

Name \_\_\_\_\_

Title of Bank Account \_\_\_\_\_

Bank Account Number \_\_\_\_\_

Bank's Name \_\_\_\_\_

Branch Name & Address \_\_\_\_\_

Cell Number of Transferee \_\_\_\_\_

Landline Number of Transferee, if any \_\_\_\_\_

## 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 **SHAMS TEXTILE 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 and Lahore 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.

The board has not made arrangements for directors' training program for one non-exempted director of the Company as required by clause (xi) of the Code of Corporate Governance.

The Board has not appointed a whole time company secretary after resignation of previous company secretary on 08 May 2013.

Based on our review, except for the matter described in the preceding paragraph, 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**

**DATE: October 01, 2013**

**LAHORE**

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SHAMS TEXTILE 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, Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the central Zakat fund established under section 7 of that ordinance.

**RIAZ AHMAD & COMPANY**  
**Chartered Accountants**

**Name of engagement partner: Syed Mustafa Ali**

**DATE: October 01, 2013**  
**LAHORE**

BALANCE SHEET  
AS AT JUNE 30, 2013

	Note	2013 (Rupees in thousands)	2012
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorised share capital</b>			
25,000,000 (2012: 25,000,000) ordinary shares of Rupees 10 each			
		<b>250,000</b>	250,000
<b>Issued, subscribed and paid-up share capital</b>	<b>3</b>	<b>86,400</b>	86,400
<b>Reserves</b>	<b>4</b>	<b>773,124</b>	490,946
<b>Total equity</b>		<b>859,524</b>	577,346
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	<b>5</b>	<b>114,271</b>	89,107
Deferred income tax liability	<b>6</b>	<b>9,238</b>	6,889
		<b>123,509</b>	95,996
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<b>7</b>	<b>406,071</b>	337,704
Accrued mark-up	<b>8</b>	<b>8,024</b>	27,433
Short term borrowings	<b>9</b>	<b>197,758</b>	381,969
Current portion of long term financing	<b>5</b>	<b>29,845</b>	61,565
		<b>641,698</b>	808,671
<b>Total liabilities</b>		<b>765,207</b>	904,667
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>10</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,624,731</b>	1,482,013

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

Chief Executive

	Note	2013 (Rupees in thousands)	2012
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	853,289	788,245
Long term security deposits	12	1,576	1,576
		<b>854,865</b>	789,821
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	13	80,311	56,629
Stock-in-trade	14	379,862	399,801
Trade debts	15	191,206	147,815
Advances	16	6,899	11,997
Other receivables	17	963	931
Short term investments	18	36,617	27,763
Sales tax refundable		32,882	31,091
Taxation - net	19	33,563	11,826
Cash and bank balances	20	7,563	4,339
		<b>769,866</b>	692,192
<b>TOTAL ASSETS</b>		<b>1,624,731</b>	1,482,013

Director



PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in thousands)	2012
SALES	21	4,773,213	4,198,758
COST OF SALES	22	(4,169,070)	(3,859,588)
GROSS PROFIT		604,143	339,170
DISTRIBUTION COST	23	(166,241)	(90,676)
ADMINISTRATIVE EXPENSES	24	(46,644)	(42,788)
OTHER EXPENSES	25	(40,904)	(6,167)
		(253,789)	(139,631)
		350,354	199,539
OTHER INCOME	26	16,941	8,230
PROFIT FROM OPERATIONS		367,295	207,769
FINANCE COST	27	(54,481)	(123,019)
PROFIT BEFORE TAXATION		312,814	84,750
TAXATION	28	(28,690)	(42,402)
PROFIT AFTER TAXATION		284,124	42,348
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	29	32.88	4.90

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

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME  
For The Year Ended JUNE 30, 2013

	2013 (Rupees in thousands)	2012
<b>PROFIT AFTER TAXATION</b>	<b>284,124</b>	42,348
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that will not be reclassified to profit or loss	-	-
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Surplus arising on remeasurement of available for sale investments	<b>8,854</b>	4,022
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>292,978</b>	46,370

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

Chief Executive

Director

**CASH FLOW STATEMENT**  
For The Year Ended JUNE 30, 2013

	Note	2013 (Rupees in thousands)	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>	<b>30</b>	<b>454,917</b>	597,993
Finance cost paid		<b>(73,890)</b>	(118,901)
Income tax paid		<b>(48,078)</b>	(31,787)
<b>Net cash generated from operating activities</b>		<b>332,949</b>	447,305
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on property, plant and equipment		<b>(146,999)</b>	(44,449)
Proceeds from sale of property, plant and equipment		<b>17,070</b>	7,919
Dividends received		<b>1,587</b>	1,305
<b>Net cash used in investing activities</b>		<b>(128,342)</b>	(35,225)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term financing		<b>(99,065)</b>	(123,068)
Proceeds from long term financing		<b>92,509</b>	-
Short term borrowings - net		<b>(184,211)</b>	(303,951)
Dividend paid		<b>(10,616)</b>	(62)
<b>Net cash used in financing activities</b>		<b>(201,383)</b>	(427,081)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>3,224</b>	(15,001)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>4,339</b>	19,340
<b>Cash and cash equivalents at the end of the year</b>	<b>20</b>	<b>7,563</b>	4,339

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

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2013

	RESERVES							Total equity	
	CAPITAL			REVENUE			Total reserves		
	SHARE CAPITAL	Premium on issue of right shares	Fair value reserve	Sub Total	General reserve	Unappropriated Profit			Sub total
<b>Balance as at 30 June 2011</b>	86,400	86,400	2,218	88,618	345,000	10,958	355,958	444,576	530,976
Profit for the year	-	-	-	-	-	42,348	42,348	42,348	42,348
Other comprehensive income for the year	-	-	4,022	4,022	-	-	-	4,022	4,022
Total comprehensive income for the year	-	-	4,022	4,022	-	42,348	42,348	46,370	46,370
<b>Balance as at 30 June 2012</b>	86,400	86,400	6,240	92,640	345,000	53,306	398,306	490,946	577,346
Transaction with owners - Final dividend for the year ended 30 June 2012 @ Rupees 1.25 per share	-	-	-	-	-	(10,800)	(10,800)	(10,800)	(10,800)
Profit for the year	-	-	-	-	-	284,124	284,124	284,124	284,124
Other comprehensive income for the year	-	-	8,854	8,854	-	-	-	8,854	8,854
Total comprehensive income for the year	-	-	8,854	8,854	-	284,124	284,124	292,978	292,978
<b>Balance as at 30 June 2013</b>	<b>86,400</b>	<b>86,400</b>	<b>15,094</b>	<b>101,494</b>	<b>345,000</b>	<b>326,630</b>	<b>671,630</b>	<b>773,124</b>	<b>859,524</b>

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

Chief Executive

Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 1. THE COMPANY AND ITS OPERATIONS

Shams Textile Mills Limited ("the Company") is a public limited Company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984) and is listed on Karachi and Lahore Stock Exchanges in Pakistan. Its registered office is situated at 7-B-III, Aziz Avenue, Gulberg V, Lahore. The Company is engaged in the business of manufacturing, sale and trading of yarn and trading of cloth.

### 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 the certain financial instruments carried at fair value.

##### c) Critical accounting estimates and judgements

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 judgement in the process of applying the Company's accounting policies. Estimates and judgements 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 judgements were exercised in application of accounting policies are as follows:

##### Useful lives, patterns of economic benefits and impairments

Estimates with respect to 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 impairment 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.

##### Inventories

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

##### 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.

##### Future estimation of export sales

Deferred income tax calculation has been based on estimate of future ratio of export and local sales.

##### Provision for doubtful debts

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

##### 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 reclassifiable 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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 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 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, amendments to published approved standards and interpretations 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 Property, plant and equipment**

### **Owned**

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work-in-progress are stated at cost less any identified impairment loss. Cost of operating fixed assets comprises historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the assets to working condition.

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 benefit 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 profit and loss account during the period in which they are incurred.

Depreciation is charged to profit and loss account applying the reducing balance method so as to write off the cost of the assets over their estimated useful life at the rates given in note 11.1 to the financial statements. Depreciation on additions is charged from the month in which the asset is put to use, while for disposals depreciation is charged upto the month of disposal.

Useful life of assets are reviewed at each financial year end and if expectations differ from previous estimates the change is accounted for as change in accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

### **Leased**

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 profit and loss account over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Depreciation on assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation on the leased assets is charged to profit and loss account.

### 2.3 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 flows 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 Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the 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.

### 2.4 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 measured initially 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 investments in associates (with significant influence), which are tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

#### Investments in associates - (with significant influence)

Investments in associates over which the Company has significant influence are accounted for using the equity method. In case of investments accounted for under the equity method, the method is applied from the date when significant influence is established until the date when that significant influence ceases.

#### 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 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.

#### Un-quoted

Investments in unquoted equity instruments are stated at cost less any identified impairment loss.

### 2.5 Inventories

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

#### Stores, spare parts and loose tools

These are valued at moving average cost except for items in transit, which are valued at cost comprising invoice value plus other charges paid thereon. Provision is made against slow moving and obsolete items.

#### Stock-in-trade

Cost of raw material, work-in-process and finished goods is determined as follows:

- |  |   |
|--|---|
| (i) For raw materials:                       | At weighted average cost  |
| (ii) For work-in-process and finished goods: | At average manufacturing cost including a proportion of production overheads. |

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock is 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 2.6 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount being the fair value. Provision is made against debts considered doubtful on a review of all outstanding amounts at the year end. Bad debts are written off when considered irrecoverable.

### 2.7 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 recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

### 2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, 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.

### 2.9 Borrowing cost

Interest, mark-up and other charges on long term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

### 2.10 Share capital

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

### 2.11 Trade and other payables

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

### 2.12 Provisions

A provision is recognized in balance sheet when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

### 2.13 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long term financing, short term borrowings, accrued mark-up and trade and other payables, etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for 'financial instrument at fair value through profit or loss' which is measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item and in the accounting policy of investments.

### 2.14 Offsetting of financial assets and financial liabilities

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

### 2.15 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of the derivative financial instruments is taken to the profit and loss account.

### 2.16 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

on the date when fair values are determined. Exchange gains and losses are included in the profit and loss account currently.

### 2.17 Employee benefits

#### Defined contribution plan

The Company operates a funded employees' provident fund scheme for its permanent employees. Equal monthly contributions at the rate of six percent of basic pay are made both by the Company and employees to the fund.

#### Compensated absences

Compensated absences are accounted for in the period in which the absences are earned.

### 2.18 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 profit and loss account over the period of the borrowings using the effective interest method.

### 2.19 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on dispatch of goods to customers.
- Dividend on equity investments is recognized when right to receive dividend is established.
- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

### 2.20 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

## 3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2013 (NUMBER OF SHARES)	2012		2013 (RUPEES IN THOUSAND)	2012
7,510,000	7,510,000	Ordinary shares of Rupees 10 each fully paid in cash	75,100	75,100
1,130,000	1,130,000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	11,300	11,300
<b>8,640,000</b>	<b>8,640,000</b>		<b>86,400</b>	<b>86,400</b>

	2013 (NUMBER OF SHARES)	2012
<b>3.1</b> Ordinary shares of the Company held by associated companies:		
Premier Insurance Limited	399,000	399,000
The Crescent Textile Mills Limited	812,160	812,160
Crescent Powertec Limited	1,695,105	1,695,105
	<b>2,906,265</b>	<b>2,906,265</b>

	2013 (Rupees in thousand)	2012
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## 4. RESERVES

### Composition of reserves is as follows:

#### Capital

Premium on issue of right shares (Note 4.1)	86,400	86,400
Fair value reserve (Note 4.2)	15,094	6,240
	<b>101,494</b>	<b>92,640</b>

#### Revenue

General reserve	345,000	345,000
Unappropriated profit	326,630	53,306
	<b>671,630</b>	<b>398,306</b>
	<b>773,124</b>	<b>490,946</b>

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

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

**4.2** This represents unrealized gain on remeasurement 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 in thousand)	2012
<b>5. LONG TERM FINANCING</b>		
<b>Secured</b>		
Financing from banking companies (Note 5.1)	<b>144,116</b>	150,672
Less: Current portion shown under current liabilities	<b>29,845</b>	61,565
	<b>114,271</b>	89,107

**5.1 Financing from banking companies**

LENDER	2013	2012	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
(Rupees in thousands)							
Allied Bank Limited	-	11,565	SBP rate for LTF - EOP + 2%	Twenty equal quarterly installments commenced on 16 December 2006 and ended on 15 September 2012.	-	Quarterly	First pari passu charge over fixed assets of the company.
The Bank of Punjab	<b>51,607</b>	139,107	3 month KIBOR + 2%	Fifteen quarterly instalments commenced on 09 September 2011 and ending on 31 March 2015.	Quarterly	Quarterly	Joint pari passu charge of Rupees 435 million on current assets of the Company.
MCB Bank Limited	<b>92,509</b>	-	3 month KIBOR + 2.5%	Sixteen equal quarterly installments commenced on 20 December 2011 and ending on 20 September 2017.	Quarterly	Quarterly	First pari passu charge over present and future fixed assets of the company with a 25% margin on security and personal guarantees of Directors of the company and a Director of an associated company.
	<b>144,116</b>	150,672					

	2013 (Rupees in thousand)	2012
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**6. DEFERRED INCOME TAX LIABILITY**

The liability for deferred income tax originated due to timing differences relating to:

**Taxable temporary difference**

Accelerated tax depreciation 67,410 132,169

**Deductible temporary differences**

Available tax losses	-	(54,932)
Turnover tax carried forward	<b>(55,045)</b>	(70,348)
Provision for doubtful debts	<b>(1,677)</b>	-
Provision for slow moving and obsolete items	<b>(1,450)</b>	-
	<b>(58,172)</b>	(125,280)

	<b>9,238</b>	6,889
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

	2013 (Rupees in thousand)	2012
<b>7. TRADE AND OTHER PAYABLES</b>		
Creditors (Note 7.1)	213,298	148,267
Advances from customers (Note 7.2)	12,295	4,617
Accrued liabilities (Note 7.3)	148,551	109,968
Due to related parties - unsecured, interest free and repayable on demand	-	54,535
Payable to contractor	-	2,892
Retention money payable - Interest free	976	16
Excise duty payable (Note 7.4)	5,184	5,184
Income tax deducted at source	340	553
Payable to employees' provident fund trust	229	48
Workers' profit participation fund payable (Note 7.5)	16,653	4,627
Workers' welfare fund payable	5,557	4,193
Unclaimed dividend	2,988	2,804
	<b>406,071</b>	<b>337,704</b>

**7.1** These include Rupees 0.032 million (2012: Rupees 12.072 million) due to associated companies.

**7.2** These include Rupees NIL (2012: Rupees 0.990 million) from an associated company.

**7.3** These include Rupees 2.813 million (2012: Rupees 12.199 million) due to an associated company.

**7.4** This represents provision made on account of central excise duty on loans in respect of which decision of the case is pending before the Honourable Supreme Court of Pakistan.

	2013 (Rupees in thousand)	2012
<b>7.5 Workers' profit participation fund payable</b>		
Balance as on 01 July	4,627	2,157
Add: Allocation for the year	16,542	4,469
Add: Interest for the year (Note 27)	111	158
	<b>21,280</b>	6,784
Less: payments made during the year	<b>(4,627)</b>	(2,157)
Balance as on 30 June	<b>16,653</b>	4,627

**7.5.1** The Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

	2013 (Rupees in thousand)	2012
<b>8. ACCRUED MARK-UP</b>		
Long term financing	5,184	7,684
Short term borrowings (Note 8.1)	2,840	19,749
	<b>8,024</b>	<b>27,433</b>

**8.1** It includes an amount of Rupees NIL (2012: Rupees 4.630 million) due to Crescent Powertec Limited - an associated company.

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

	2013 (Rupees in thousand)	2012
<b>9. SHORT TERM BORROWINGS</b>		
<b>From banking companies - Secured</b>		
Running finance arrangements:		
MCB Bank Limited (Note 9.1 and 9.2)	102,301	147,696
Allied Bank Limited (Note 9.1 and 9.3)	20,657	162,435
Cash finance arrangement:		
MCB Bank Limited (Note 9.1 and 9.4)	34,800	71,838
Other short term borrowings:		
MCB Bank Limited (Note 9.1 and 9.5)	40,000	-
	<b>197,758</b>	<b>381,969</b>

**9.1** These finances are obtained from banking companies under mark up arrangements and are secured against first joint pari passu hypothecation charge on all current assets of the Company and pledge of stocks. These form part of total credit facilities of Rupees 875 million (2012: Rupees 1,050 million).

**9.2** The rate of mark-up ranges from 10.27% to 13.85% (2012: 13.67% to 15.31%) per annum on the balance outstanding.

**9.3** The rate of mark-up ranges from 11.68% to 14.39% (2012: 14.17% to 16.04%) per annum on the balance outstanding.

**9.4** The rate of mark-up ranges from 10.38% to 14.94% (2012: 13.42% to 15.06%) per annum on the balance outstanding.

**9.5** The rate of mark-up ranges from 9.96% to 13.08% per annum on the balance outstanding.

**10. CONTINGENCIES AND COMMITMENTS**

**Contingencies**

Bank guarantees of Rupees 45.037 million (2012: Rupees 38.877 million) are given by the banks of the Company in favour of Sui Northern Gas Pipelines Limited against gas connections and Lahore Electric Supply Company Limited (LESCO) against electricity connection.

**Commitments**

Contracts for capital expenditures amounted to Rupees 339.027 million (2012: Rupees 68.585 million).

Letters of credit for other than capital expenditures amounted to Rupees 10.225 million (2012: Rupees 1.400 million).

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

	2012 (Rupees in thousands)	2011 (Rupees in thousands)
<b>11. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets Owned (Note 11.1)	747,367	725,831
Capital work-in-progress (Note 11.2)	105,922	62,414
	<b>853,289</b>	<b>788,245</b>

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

	Freehold land	Factory building on freehold Land	Residential and other building on freehold land	Plant and machinery	Electric & sui gas Installations	Factory equipment	Furniture, fixtures and fittings	Office equipments	Vehicles	Total
(Rupees in thousands)										
<b>At 30 June 2011</b>										
Cost	3,192	148,778	43,478	1,320,436	31,069	4,574	2,744	3,683	31,718	1,589,672
Accumulated depreciation	-	(54,703)	(15,191)	(709,133)	(18,473)	(3,467)	(1,597)	(2,797)	(12,255)	(817,616)
Net book value	3,192	94,075	28,287	611,303	12,596	1,107	1,147	886	19,463	772,056
<b>Year ended 30 June 2012</b>										
Opening net book value	3,192	94,075	28,287	611,303	12,596	1,107	1,147	886	19,463	772,056
Additions	-	-	-	31,792	-	-	-	-	1,062	32,854
Disposals:										
Cost	-	-	-	(9,766)	-	(1,966)	(1,844)	(3,683)	(1,026)	(18,285)
Accumulated depreciation	-	-	-	5,625	-	1,795	1,285	2,878	747	12,330
Depreciation charge	-	(4,704)	(1,414)	(61,473)	(1,261)	(109)	(110)	(805)	(3,972)	(73,124)
Closing net book value	3,192	89,371	26,873	577,481	11,335	827	478	-	16,274	725,831
<b>At 30 June 2012</b>										
Cost	3,192	148,778	43,478	1,342,462	31,069	2,608	900	-	31,754	1,604,241
Accumulated depreciation	-	(59,407)	(16,605)	(764,981)	(19,734)	(1,781)	(422)	-	(15,480)	(878,410)
Net book value	3,192	89,371	26,873	577,481	11,335	827	478	-	16,274	725,831
<b>Year ended 30 June 2013</b>										
Opening net book value	3,192	89,371	26,873	577,481	11,335	827	478	-	16,274	725,831
Additions	-	-	-	82,766	16,130	-	-	-	4,595	103,491
Disposals:										
Cost	-	-	-	(41,770)	-	-	-	-	(1,073)	(42,843)
Accumulated depreciation	-	-	-	33,070	-	-	-	-	825	33,895
Depreciation charge	-	(4,469)	(1,344)	(61,724)	(1,671)	(83)	(48)	-	(248)	(8,948)
Closing net book value	3,192	84,902	25,529	589,823	25,794	744	430	-	16,953	747,367
<b>At 30 June 2013</b>										
Cost	3,192	148,778	43,478	1,383,458	47,199	2,608	900	-	35,276	1,664,889
Accumulated depreciation	-	(63,876)	(17,949)	(793,635)	(21,405)	(1,864)	(470)	-	(18,323)	(917,522)
Net book value	3,192	84,902	25,529	589,823	25,794	744	430	-	16,953	747,367
<b>Annual rate of depreciation (%)</b>	-	5	5	10	10	10	10	10	10	20

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

**11.1.1** Detail of operating fixed assets disposed of during the year is as follows:

Description	Qty	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchaser
(Rupees in thousand)								
<b>Plant and machinery</b>								
Ring Spinning Frames	6	8,956	7,024	1,932	1,950	18	Negotiation	Mr. Muhammad Naeem, Faisalabad
Drawing Frame Finishers	6	12,581	8,753	3,828	6,000	2,172	Negotiation	Crescent Cotton Mills Limited
MK4 Single High Production Cards	14	20,233	17,293	2,940	8,100	5,160	Negotiation	Zahid Jee Textile Mills Limited
		41,770	33,070	8,700	16,050	7,350		
<b>Vehicles</b>								
Toyota Corolla LED - 9463	1	1,003	762	241	1,000	759	Negotiation	Mr. Mushtaq Gondal, Lahore
Honda CD-70 LRL - 8185	1	70	63	7	20	13	Negotiation	Nadeem Auto Workshop, Lahore
		1,073	825	248	1,020	772		
		42,843	33,895	8,948	17,070	8,122		

**2013**                      2012  
(Rupees in thousand)

**11.1.2 Depreciation charge for the year has been allocated as follows:**

**Owned**

Cost of sales (Note 22)	<b>69,291</b>	68,961
Administrative expenses (Note 24)	<b>3,716</b>	4,163
	<b>73,007</b>	73,124

**11.2 Capital work-in-progress**

Building	<b>60,893</b>	6,396
Advance against purchase of office premises	<b>44,255</b>	39,888
Advance against electric installations	-	16,130
Letters of credit against machinery	<b>774</b>	-
	<b>105,922</b>	62,414

**12. LONG TERM SECURITY DEPOSITS**

**12.1** These represents security deposits with utility companies against utility connections.

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

	2013 (Rupees in thousand)	2012
<b>13. STORES, SPARE PARTS AND LOOSE TOOLS</b>		
Stores	7,024	12,148
Spare parts	91,153	51,664
Loose tools	174	239
	98,351	64,051
Less: Provision for slow moving and obsolete items (Note 13.1)	(18,040)	(7,422)
	80,311	56,629
<b>13.1 Provision for slow moving and obsolete items</b>		
Balance as on 01 July	7,422	7,889
Add: Provision made during the year (Note 25)	10,665	-
Less: Provision reversed during the year	(47)	(467)
Balance as on 30 June	18,040	7,422
<b>14. STOCK-IN-TRADE</b>		
Raw materials	207,839	206,405
Work-in-process	29,461	24,089
Finished goods (Note 14.2 and 14.3)	137,520	157,608
Waste stock	5,042	11,699
	379,862	399,801

**14.1** Stock-in-trade of Rupees 18.037 million (2012: Rupees 41.580 million) is being valued at net realizable value.

**14.2** Finished goods include stock held with third party of Rupees 2.952 million (2012: Rupees 0.520 million) in the ordinary course of business.

**14.3** Finished goods include stock in transit of Rupees 15.834 million (2012: Rupees NIL).

**14.4** The carrying value of stock in trade pledged with banking companies against short term borrowings is Rupees 98.816 million (2012: Rupees 89.798 million). Detail of the corresponding borrowings are disclosed in note 9 to the financial statements.

**14.5** The aggregate amount of write-down of inventories to net realizable value recognized during the year was Rupees 7.988 million (2012: Rupees 10.512 million)

	2013 (Rupees in thousand)	2012
<b>15. TRADE DEBTS</b>		
<b>Considered good:</b>		
Secured (against letters of credit)	54,086	61,426
Unsecured:		
- Suraj Cotton Mills Limited - associated company (Note 15.1)	61,184	-
- Others (Note 15.2)	75,936	86,389
	191,206	147,815
<b>Considered doubtful:</b>		
Others - Unsecured	12,333	-
Less: Provision for doubtful debts		
As at 01 July	-	-
Add: Provision for the year (Note 25)	12,333	-
As at 30 June	(12,333)	-
	-	-

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

**15.1** As at 30 June 2013, trade debts due from an associated company amounting to Rupees 17.914 million (2012: NIL) were past due but not impaired. The ageing of these trade debts was not more than 30 days.

**15.2** As at 30 June 2013, trade debts due from other than related parties of Rupees 28.770 million (2012: Rupees 82.780 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:

	<b>2013</b> <b>(Rupees in thousand)</b>	2012
Upto 1 month	<b>27,908</b>	66,302
1 to 6 months	<b>454</b>	3,486
More than 6 months	<b>408</b>	12,992
	<b>28,770</b>	82,780

**15.3** As at 30 June 2013, trade debts of Rupees 12.333 million (2012: Rupees NIL) were impaired and provided for. The ageing of these trade debts was more than 3 years. These trade debts do not include amounts due from related parties.

**16. ADVANCES**

**Considered good:**

Advances to employees - interest free	<b>1,317</b>	1,269
Advances to suppliers	<b>2,757</b>	5,478
Letters of credit	<b>2,825</b>	5,250
	<b>6,899</b>	11,997

**17. OTHER RECEIVABLES**

**Considered good:**

Claims receivable	<b>943</b>	900
Accrued income	<b>20</b>	31
	<b>963</b>	931

**17.1** These include an amount of Rupees 0.152 million (2012: Rupees 0.900 million) receivable from Premier Insurance Limited - an associated company.

	<b>2013</b> <b>(Rupees in thousand)</b>	2012
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**18. SHORT TERM INVESTMENTS**

**Available for sale**

**Associated companies - quoted (Note 18.1)**

Crescent Cotton Mills Limited 166,784 (2012: 166,784) fully paid ordinary shares of Rupees 10 each. Equity held 0.78% (2012: 0.78%)	<b>1,105</b>	1,105
Crescent Fibres Limited 31,920 (2012: 31,920) fully paid ordinary shares of Rupees 10 each. Equity held 0.26% (2012: 0.26%)	<b>316</b>	316
Crescent Jute Products Limited 12,476 (2012: 12,476) fully paid ordinary shares of Rupees 10 each. Equity held 0.053% (2012: 0.053 %)	<b>117</b>	117
Premier Insurance Limited 885,221 (2012: 885,221) fully paid ordinary shares of Rupees 5 each. Equity held 1.46% (2012: 1.46%)	<b>8,179</b>	8,179



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

	2013 (Rupees in thousand)	2012
<b>Available for sale</b>		
<b>Others - quoted</b>		
Jubilee Spinning and Weaving Mills Limited 7,788 (2012: 7,788) fully paid ordinary shares of Rupees 10 each.	32	32
Crescent Spinning Mills Limited (Note 18.2 and 18.3) 208,800 (2012: 208,800) fully paid ordinary shares of Rupees 10 each.	2,088	2,088
Samba Bank Limited 4,902,368 (2012: 4,902,368) fully paid ordinary shares of Rupees 10 each.	44,017	44,017
EFU Life Assurance Limited 98,800 (2012: 83,980) fully paid ordinary shares of Rupees 10 each.	32,493	32,493
<b>Other - unquoted</b>		
Crescent Modaraba Management Company (Private) Limited (Note 18.3) 193,000 (2012: 193,000) fully paid ordinary shares of Rupees 10 each.	1,930	1,930
	<b>90,277</b>	90,277
Less: Accumulated impairment loss	<b>(68,754)</b>	(68,754)
Add: Fair value adjustment	<b>15,094</b>	6,240
	<b>36,617</b>	27,763

**18.1** These companies are associated due to common directorship.

**18.2** The official liquidator has submitted the statement in the Lahore High Court for final liquidation of the company and the final decision is still awaited.

**18.3** Full amount of impairment has been provided against investment in Crescent Spinning Mills Limited and Crescent Modaraba Management Company (Private) Limited.

	2013 (Rupees in thousand)	2012
<b>19. TAXATION - NET</b>		
Advance income tax	59,904	54,521
Less: Provision for taxation (Note 28)	<b>(26,341)</b>	(42,695)
	<b>33,563</b>	11,826
<b>20. CASH AND BANK BALANCES</b>		
<b>Cash with banks:</b>		
On deposit accounts (Note 20.1 and 20.2)	849	983
On current accounts	6,516	3,177
	<b>7,365</b>	4,160
<b>Cash in hand</b>	<b>198</b>	179
	<b>7,563</b>	4,339

**20.1** Rate of profit on bank deposits ranges from 6% to 11.28% (2012: 5% to 11.25%) per annum.

**20.2** These include Rupees 0.769 million (2012: Rupees 0.698 million) deposited with IGI Investment Bank Limited on account of central excise duty. The Company cannot encash the amount deposited till the decision of the Court.

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

	2013 (Rupees in thousand)	2012
<b>21. SALES</b>		
Export	1,536,064	1,410,649
Local (Note 21.1)	3,237,149	2,788,109
	<b>4,773,213</b>	4,198,758
<b>21.1 Local Sales</b>		
Sales	3,259,082	2,788,109
Less: Sales Tax	21,933	-
	<b>3,237,149</b>	2,788,109
<b>22. COST OF SALES</b>		
Raw materials consumed (Note 22.1)	3,147,218	2,500,004
Salaries, wages and other benefits (Note 22.2)	268,747	195,994
Stores, spare parts and loose tools consumed	97,135	77,092
Packing materials consumed	66,828	58,845
Repair and maintenance	46,158	31,305
Fuel and power	407,399	348,881
Insurance	7,301	9,009
Other factory overheads	14,210	8,459
Depreciation (Note 11.1.2)	69,291	68,961
	<b>4,124,287</b>	3,298,550
Work-in-process		
Opening stock	24,089	16,101
Less: Closing stock	(29,461)	(24,089)
	<b>(5,372)</b>	(7,988)
Cost of goods manufactured	<b>4,118,915</b>	3,290,562
Finished goods		
Opening stock	163,981	621,130
Less: Closing stock	(142,562)	(163,981)
	<b>21,419</b>	457,149
Cost of sales - own manufactured goods	<b>4,140,334</b>	3,747,711
Opening stock of purchased finished goods and waste	5,326	-
Finished goods and waste purchased	23,410	117,203
Closing stock of purchased finished goods and waste	-	(5,326)
Cost of sales - purchased finished goods and waste	<b>28,736</b>	111,877
Cost of sales	<b>4,169,070</b>	3,859,588
<b>22.1 Raw materials consumed</b>		
Opening stock	206,405	117,448
Add: Purchased during the year	3,148,652	2,588,961
	<b>3,355,057</b>	2,706,409
Less: Closing stock	(207,839)	(206,405)
	<b>3,147,218</b>	2,500,004

**22.2** Salaries, wages and other benefits include provident fund contribution of Rupees 3.677 million (2012: Rupees 2.563 million) by the Company.

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

	2013 (Rupees in thousand)	2012
<b>23. DISTRIBUTION COST</b>		
Salaries and other benefits (Note 23.1)	1,492	1,208
Freight and forwarding - Export	65,727	46,956
Freight - Local	257	1,120
Commission to selling agents	94,320	41,392
Others	4,445	-
	<b>166,241</b>	<b>90,676</b>
<b>23.1</b> Salaries and other benefits include provident fund contribution of Rupees 0.053 million (2012: Rupees 0.044 million) by the Company.		
<b>24. ADMINISTRATIVE EXPENSES</b>		
Salaries and other benefits (Note 24.1)	27,593	24,468
Directors' meeting fee	260	190
Rent, rates and taxes	2,169	1,869
Insurance	576	532
Traveling and conveyance	2,716	2,233
Vehicles' running	2,808	2,520
Entertainment	400	486
Legal and professional	1,270	1,005
Auditors' remuneration (Note 24.2)	750	750
Advertisement	93	35
Postage and telephone	1,302	1,236
Electricity and gas	979	683
Information technology improvements	-	300
Printing and stationery	663	469
Repair and maintenance	472	457
Fee and subscription	869	858
Depreciation (Note 11.1.2)	3,716	4,163
Miscellaneous	8	534
	<b>46,644</b>	<b>42,788</b>
<b>24.1</b> Salaries and other benefits include provident fund contribution of Rupees 0.862 million (2012: Rupees 0.796 million) by the Company.		
<b>24.2 Auditors' remuneration</b>		
Audit fee	565	565
Half yearly review	115	115
Other certifications	50	50
Out-of-pocket expenses	20	20
	<b>750</b>	<b>750</b>
<b>25. OTHER EXPENSES</b>		
Workers' profit participation fund	16,542	4,469
Workers' welfare fund	1,364	-
Provision for doubtful debts (Note 15)	12,333	-
Provision for slow moving and obsolete items (Note 13.1)	10,665	-
Exchange loss - net	-	1,605
Impairment loss on short term investments	-	93
	<b>40,904</b>	<b>6,167</b>

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

	2013 (Rupees in thousand)	2012
<b>26. OTHER INCOME</b>		
<b>Income from financial assets</b>		
Dividend income (Note 26.1)	1,587	1,305
Profit on deposits with banks	73	122
Exchange gain - net	962	-
	<b>2,622</b>	1,427
<b>Income from assets other than financial assets</b>		
Gain on sale of property, plant and equipment	8,122	1,964
Scrap sales	6,157	4,806
Others	40	33
	<b>14,319</b>	6,803
	<b>16,941</b>	8,230
<b>26.1 Dividend income</b>		
Premier Insurance Limited - associated company	885	885
EFU Life Assurance Limited	462	420
Crescent Fibers Limited - associated company	32	-
Crescent Cotton Mills Limited - associated company	208	-
	<b>1,587</b>	1,305
<b>27. FINANCE COST</b>		
Mark-up on:		
Long term financing	22,407	27,912
Short term borrowings		
- Secured	25,181	69,830
- Unsecured (Note 27.1)	448	15,609
Interest on workers' profit participation fund (Note 7.5)	111	158
Interest on employees' provident fund	7	5
Bank charges and commission	6,327	9,505
	<b>54,481</b>	123,019
<b>27.1</b> This represents mark up on short term borrowing from Crescent Powertec Limited - associated company.		
<b>28. TAXATION</b>		
<b>For the year</b>		
Current tax (Note 28.1)	30,045	41,608
Deferred tax	2,349	(293)
<b>Prior year</b>		
Current tax	(3,704)	1,087
	<b>28,690</b>	42,402
<b>28.1</b> The provision for current tax represents normal tax on income from local sales, final tax on export sales and tax on income from other sources.		
<b>28.2</b> The Company has carry forwardable tax losses of Rupees NIL (2012: Rupees 156.947 million).		
<b>28.3 Reconciliation of income tax expense for the year</b>		
Profit before taxation	312,814	84,750
Applicable tax rate	35%	35%

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

	2013 (Rupees in thousand)	2012
Tax calculated at the applicable tax rate	109,485	29,663
Tax effect of:		
- Presumptive tax regime	(17,662)	4,026
- Tax credits and losses	(63,794)	-
- Change in prior years' tax	(3,704)	1,087
- Lower tax rate and others	4,365	7,626
	<b>28,690</b>	42,402

	2013	2012
<b>29. EARNINGS PER SHARE - BASIC AND DILUTED</b>		
There is no dilutive effect on the basic earnings per share which is based on:		
Profit attributable to ordinary shares (Rupees in thousand)	284,124	42,348
Weighted average number of ordinary shares (Numbers)	8,640,000	8,640,000
Earnings per share (Rupees)	32.88	4.90

	2013 (Rupees in thousand)	2012
<b>30. CASH GENERATED FROM OPERATIONS</b>		
<b>Profit before taxation</b>	<b>312,814</b>	84,750
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	73,007	73,124
Gain on sale of property, plant and equipment	(8,122)	(1,964)
Dividend income	(1,587)	(1,305)
Impairment loss on short term investments	-	93
Provision for doubtful debts	12,333	-
Provision for slow moving and obsolete items	10,665	-
Finance cost	54,481	123,019
Working capital changes (Note 30.1)	1,326	320,276
	<b>454,917</b>	597,993

<b>30.1 Working capital changes</b>		
Decrease / (increase) in current assets:		
- Stores, spare parts and loose tools	(34,347)	(4,622)
- Stock-in-trade	19,939	354,878
- Trade debts	(55,724)	(54,062)
- Advances	5,098	(6,733)
- Other receivables	(32)	(733)
- Sales tax refundable	(1,791)	(8,152)
	<b>(66,857)</b>	280,576
Increase in trade and other payables	68,183	39,700
	<b>1,326</b>	320,276

**31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amount charged in these financial statements for remuneration including all benefits to Chief Executive, Director and Executives of the Company is as follow:

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

	Chief Executive		Director		Executives	
	2013	2012	2013	2012	2013	2012
	(Rupees in thousand)					
<b>Managerial remuneration</b>	<b>6,655</b>	6,050	<b>3,328</b>	3,328	<b>2,503</b>	1,610
<b>Allowances</b>						
House rent	<b>2,994</b>	2,723	<b>1,647</b>	1,497	<b>1,126</b>	724
Conveyance	-	-	-	-	<b>81</b>	186
Medical	-	-	-	-	<b>155</b>	113
Utilities	<b>665</b>	605	<b>366</b>	333	<b>239</b>	37
Other	-	-	-	-	<b>223</b>	21
<b>Contribution to provident fund</b>	<b>399</b>	363	<b>219</b>	200	<b>132</b>	112
	<b>10,713</b>	9,741	<b>5,892</b>	5,358	<b>4,459</b>	2,803
<b>Number of persons</b>	<b>1</b>	1	<b>1</b>	1	<b>3</b>	2

**31.1** Chief executive, director and an executive of the Company are provided with fully maintained vehicles.

**31.2** Non-executive directors of the Company were paid Rupees 0.260 million (2012: Rupees 0.190 million) as meeting fee.

**32. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise associated undertakings, other related parties and key management personnel. The Company in the normal course of business carries out transactions with various 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	2012
	(Rupees in thousand)	
<b>Associated companies</b>		
Sale of goods and services	<b>460,886</b>	224,118
Insurance claim	<b>16,989</b>	900
Purchase of goods and services	<b>424</b>	59,539
Purchase of operating fixed assets	<b>9,000</b>	-
Dividend paid	<b>3,633</b>	-
Insurance premium	<b>12,049</b>	11,092
Electricity purchased	<b>88,107</b>	100,396
Rent expense	<b>1,740</b>	1,440
Short term borrowing obtained	<b>100,000</b>	-
Short term borrowing repaid	<b>100,000</b>	-
Mark-up on short term borrowing	<b>448</b>	-
Sale of operating fixed assets	<b>6,000</b>	-
<b>Other related party</b>		
Company's contribution to employees' provident fund trust	<b>4,592</b>	3,403

**33 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 2012:

Size of the fund - Total assets	6,727	60,902
Fair value of investments	86,274	60,466
Percentage of investments made	99.48%	99.28%

**33.1** The cost of above investments amounted to Rupees 58.707 million (2012: Rupees 55.057 million).

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

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

	2013 Percentage	2012	2013 (Rupees in thousand)	2012
Mutual funds	93%	95%	80,216	57,194
Listed securities	7%	5%	6,058	3,272
	100%	100%	86,274	60,466

**33.3** 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 except the investments in unit trust schemes which exceed the limits prescribed in SRO 261(I)/2002 regarding the investment in unit trust schemes.

	2013 (Rupees in thousand)	2012
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**34. NUMBERS OF EMPLOYEES**

Number of employees as on June 30	1,580	1,618
Average number of employees during the year	1,599	1,611

**35. FINANCIAL RISK MANAGEMENT**

**35.1 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 minimise 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 risks. 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, liquidity risk and investment of excess liquidity.

**(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 primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from the foreign entities. The Company's exposure to currency risk was as follows:

	2013	2012
Trade debts - USD	549,354	653,472
Trade and other payables - USD	56,462	-
Net exposure - USD	492,892	653,472

The following significant exchange rates were applied during the year:

**Rupees per US Dollar**

Average rate	96.69	89.44
Reporting date rate	98.60	94.00

**Sensitivity analysis**

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year, would have been Rupees 2.374 million (2012: Rupees 2.887 million) respectively higher / lower, 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

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

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:

Index	Impact on profit after Taxation		Statement of comprehensive income (fair value reserve)	
	2013	2012	2013	2012

(RUPEES IN THOUSAND)

KSE 100 (5% increase)	-	74	<b>1,831</b>	1,311
KSE 100 (5% decrease)	-	295	<b>(1,831)</b>	(1,078)

Equity (fair value reserve) would increase / decrease 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. 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	2012
	(Rupees in thousand)	
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Bank balances - deposit accounts	<b>769</b>	698
<b>Financial liabilities</b>		
Long term financing	-	11,565
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances - deposit accounts	<b>80</b>	285
<b>Financial liabilities</b>		
Long term financing	<b>144,116</b>	139,107
Short term borrowings	<b>197,758</b>	381,969

**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 reporting date would not affect profit or loss of the Company.



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

**Cash flow sensitivity analysis for variable rate instruments**

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year, would have been Rupees 2.111 million (2012: Rupees 4.948 million) lower / higher 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 in thousand)	2012
Long term security deposits	1,576	1,576
Trade debts	191,206	147,815
Advances	1,317	1,269
Other receivables	963	931
Short term investments	36,617	27,763
Bank balances	7,365	4,160
	<b>239,044</b>	183,514

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 in thousand)	
<b>Banks</b>					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	963	710
Bank Alfalah Limited	A1+	AA	PACRA	-	47
Habib Bank Limited	A-1+	AAA	JCR-VIS	-	33
MCB Bank Limited	A1+	AAA	PACRA	4,092	1,310
NIB Bank Limited	A1+	AA -	PACRA	-	23
Faysal Bank Limited	A1+	AA	PACRA	777	968
Silk Bank Limited	A-2	A -	JCR-VIS	-	2
United Bank Limited	A-1+	AA+	JCR-VIS	15	79
Bank Al Habib Limited	A1+	AA+	PACRA	-	26
The Bank of Punjab	A1+	AA-	PACRA	68	14
IGI Investment Bank Limited	A2	A-	PACRA	769	698
KASB Bank Limited	A3	BBB	PACRA	681	250
				<b>7,365</b>	4,160
<b>Investments</b>					
Premier Insurance Limited		A	JCR-VIS	7,082	6,198
Samba Bank Limited	A-1	AA-	JCR-VIS	12,599	11,275
EFU Life Assurance Limited		AA-	JCR-VIS	7,539	6,409
Crescent Cotton Mills Limited		Not Available		8,339	3,589
Crescent Fibers Limited		Not Available		991	271
Crescent Jute Products Limited		Not Available		20	12
Jubilee Spinning and Weaving Mills Limited		Not Available		47	9
				<b>36,617</b>	27,763
				<b>43,982</b>	31,923

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2013

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 15.

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 and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2013, the Company had Rupees 677.242 million (2012: Rupees 668.031 million) available borrowing limits from financial institutions and Rupees 7.563 million (2012: Rupees 4.339 million) cash and bank balances. The management believes the liquidity risk to be low. 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 IN THOUSAND)

#### Non-derivative financial liabilities:

<b>Long term financing</b>	<b>144,116</b>	<b>173,623</b>	<b>38,510</b>	<b>44,255</b>	<b>31,053</b>	<b>59,805</b>
<b>Trade and other payables</b>	<b>365,813</b>	<b>365,813</b>	<b>365,813</b>	-	-	-
<b>Accrued mark-up</b>	<b>8,024</b>	<b>8,024</b>	<b>8,024</b>	-	-	-
<b>Short term borrowings</b>	<b>197,758</b>	<b>208,257</b>	<b>208,257</b>	-	-	-
	<b>715,711</b>	<b>755,717</b>	<b>620,604</b>	<b>44,255</b>	<b>31,053</b>	<b>59,805</b>

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
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(RUPEES IN THOUSAND)

#### Non-derivative financial liabilities:

Long term financing	150,672	180,027	46,002	32,398	59,747	41,880
Trade and other payables	318,482	318,482	318,482	-	-	-
Accrued mark-up	27,433	27,433	27,433	-	-	-
Short term borrowings	381,969	404,815	404,815	-	-	-
	878,556	930,757	796,732	32,398	59,747	41,880

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 5 and note 9 to these financial statements.

#### 35.2 Fair values of financial assets and liabilities

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

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

	Level 1	Level 2	Level 3	Total
<b>(Rupees in thousands)</b>				
<b>As at 30 June 2013</b>				
<b>Assets</b>				
Available for sale financial assets	36,617	-	-	36,617
<b>As at 30 June 2011</b>				
<b>Assets</b>				
Available for sale financial assets	27,763	-	-	27,763

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

### 35.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
<b>(Rupees in thousand)</b>			
<b>Assets as per balance sheet</b>			
<b>As at 30 June 2013</b>			
Long term security deposits	1,576	-	1,576
Trade debts	191,206	-	191,206
Loans and advances	1,317	-	1,317
Other receivables	963	-	963
Short term investments	-	36,617	36,617
Cash and bank balances	7,563	-	7,563
	<b>202,625</b>	<b>36,617</b>	<b>239,242</b>
<b>As at 30 June 2012</b>			
Long term security deposits	1,576	-	1,576
Trade debts	147,815	-	147,815
Advances	1,269	-	1,269
Other receivables	931	-	931
Short term investments	-	27,763	27,763
Cash and bank balances	4,339	-	4,339
	<b>155,930</b>	<b>27,763</b>	<b>183,693</b>

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

	Financial liabilities at amortized cost	
	2013	2012
	(Rupees in thousand)	
<b>Liabilities as per balance sheet</b>		
Long term financing	144,116	150,672
Trade and other payables	365,813	318,482
Accrued mark-up	8,024	27,433
Short term borrowings	197,758	381,969
	<b>715,711</b>	<b>878,556</b>

**36 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 stakeholders 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 shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Company as referred to in note 5 and 9 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'.

		2013	2012
Borrowings	Rupees in thousand	341,874	532,641
Total equity	Rupees in thousand	859,524	577,346
Total capital employed	Rupees in thousand	1,201,398	1,109,987
Gearing	Percentage	28.46	47.99

The decrease in gearing ratio is due to decrease in borrowings and increase in profit for the year.

		2013	2012
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**37. PLANT CAPACITY AND ACTUAL PRODUCTION**

Number of spindles installed	58,416	58,416
Number of spindles operated	58,179	58,259
100 % plant capacity converted to 20s count based on 3 shifts per day ( Kgs)	18,786,487	18,883,399
Actual production converted to 20s count based on 3 shifts per day ( Kgs)	16,321,833	16,448,072

**37.1 Reasons for low production:**

Under utilization of available capacity was due to normal maintenance and energy crisis prevailing in the country.

**38. OPERATING SEGMENTS**

These financial statements have been prepared on the basis of single reportable segment.

Sales of yarn represents 97.58% (2012: 95.87%) of the total sales of the Company.

67.81% (2011: 66.40%) of the sales of the Company relates to customers in Pakistan. Of the remaining sales of the Company relating to customers outside Pakistan, 89.29% (2011: 94.15%) of those sales are made to customers in China.

All non-current assets of the Company at 30 June 2013 are located in Pakistan.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

20.51% (2012: 7.67%) of the total sales of the Company are made to a single customer in Pakistan.

**38. EVENTS AFTER THE REPORTING PERIOD**

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2013 of Rupees 3/- per ordinary share (2012: Rupees 1.25 per ordinary share) at their meeting held on October 01, 2013. However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.

**39. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on October 01, 2013 by the Board of Directors of the Company.

**40. CORRESPONDING FIGURES**

Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made except those required by revised Fourth Schedule to the Companies Ordinance, 1984.

**41. GENERAL**

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

**Chief Executive****Director**

PATTERN OF SHARE HOLDING  
AS AT JUNE 30, 2013

## Form -34

No. Of Shareholders	From	To	Total
432	1	100	18,475
289	101	500	72,494
68	501	1,000	51,738
103	1,001	5,000	246,851
40	5,001	10,000	304,099
14	10,001	15,000	186,929
11	15,001	20,000	187,371
8	20,001	25,000	179,859
7	25,001	30,000	184,991
8	30,001	35,000	264,969
4	35,001	40,000	152,049
2	40,001	45,000	80,226
4	45,001	50,000	196,112
1	50,001	55,000	54,693
1	65,001	70,000	66,325
1	75,001	80,000	79,209
1	110,001	115,000	110,806
1	130,001	135,000	134,000
1	220,001	225,000	224,067
1	245,001	250,000	246,297
1	265,001	270,000	265,500
1	310,001	315,000	313,979
1	395,001	400,000	399,000
1	810,001	815,000	812,160
1	900,001	905,000	900,748
1	1,210,001	1,215,000	1,211,998
1	1,695,001	1,700,000	1,695,055
<b>1,004</b>			<b>8,640,000</b>

Categories of Shareholders	Number	Shares Held
<b>Individuals</b>	<b>901</b>	<b>4,288,929</b>
<b>Financial Institution</b>	<b>70</b>	<b>1,361,467</b>
<b>Insurance Companies</b>	<b>3</b>	<b>409,230</b>
<b>Joint Stock Companies</b>	<b>16</b>	<b>2,512,197</b>
<b>Investment Companies</b>	<b>10</b>	<b>5,030</b>
<b>Modaraba</b>	<b>2</b>	<b>13,151</b>
<b>Trust</b>	<b>1</b>	<b>49,364</b>
<b>Other</b>	<b>1</b>	<b>632</b>
	<b>1,004</b>	<b>8,640,000</b>

INFORMATION REQUIRED AS PER CODE OF CORPORATE GOVERNANCE  
AS AT JUNE 30, 2013

Categories of Share Holders	Net Holding	Percentage
<b>Associated Companies, Undertakings &amp; Related Parties</b>		
Crescent Textile Mills Ltd.	812,160	9.40
Premier Insurance Limited	399,000	4.62
Crescent Powertec Limited	1,695,105	19.62
<b>National Investment Trust Limited</b>		
National Bank of Pakistan	1,326,692	15.36
<b>Directors, CEO &amp; their Spouse and minor children</b>		
Mr. Adil Bashir (Director)	265,500	3.07
Mr. Amjad Mahmood (Director)	25,942	0.30
Mr. Asif Bashir (Director)	225,067	2.60
Mr. Khalid Bashir (Director/Chief Executive)	900,748	10.43
Mr. Muhammad Anwar (Director)	26,946	0.31
Mr. Muhammad Asif (Nominee NIT) (Director)	-	-
Mr. Nadeem Maqbool (Director)	37,383	0.43
Mrs. Tanveer Khalid (W/o Mr. Khalid Bashir)	313,979	3.63
Mrs. Naheed Amjad (W/O Mr. Amjad Mahmood)	22,384	0.26
Mrs. Amna Asif Bashir (W/o Mr. Asif Bashir)	82,960	0.96
Mrs. Sana Adil (W/o Mr. Adil Bashir)	18,000	0.21
<b>Public Sector Companies &amp; Corporations:</b>	4,950	0.06
<b>Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas &amp; Pension Funds Modarbas &amp; Mutual Funds:</b>	113,164	1.31
<b>Individuals &amp; Joint Stock Companies:</b>	2,370,020	27.43
<b>TOTAL NUMBER OF SHARES</b>	<b>8,640,000</b>	<b>100.00</b>

**Shareholders' Holding Five Percent or More Voting in the Co.:**

NBP-Trustee Department NI(U)T Fund	1,211,998	14.03
Crescent Powertec Limited	1,695,105	19.62
Crescent Textile Mills Limited	812,160	9.40
Mr. Khalid Bashir	900,748	10.43

**Details of Purchase / Sale of shares by Directors / CEO / Company Secretary / CFO and their Spouses / Minor Children during 2013.**

1000 shares purchased by Mr. Asif Bashir, Director  
 33500 shares purchased by Mrs. Amna Asif Bashir (W/o Mr. Asif Bashir)  
 59750 shares purchased and 16501 shares sold by Mr. Adil Bashir, Director  
 4500 shares purchased Mr. Khalid Bashir, Director  
 119000 shares purchased and 10000 shares sold by Mrs. Tanveer Khalid Bashir (W/o Mr. Khalid Bashir)

PROXY

I/We \_\_\_\_\_  
 \_\_\_\_\_ of \_\_\_\_\_ being a member of Shams Textile  
 Mills Limited and holder of \_\_\_\_\_ shares as per  
 Registered Folio No. \_\_\_\_\_

For Beneficial Owners as per CDC list CDC Participant I. D. No. _____ Sub-Account No. _____ NIC No. _____ or Passport No. _____
---

hereby appoint \_\_\_\_\_ of \_\_\_\_\_ who is also a member of the  
 Company, Folio No. \_\_\_\_\_ or failing him/her \_\_\_\_\_  
 of \_\_\_\_\_ who is also member of the Company vide Registered Folio No. \_\_\_\_\_ as  
 my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the 46<sup>th</sup> Annual General Meeting  
 of the Company to be held on Monday October 28, 2013 at 9:30 a.m. at Registered Office, 7-B III, Aziz  
 Avenue, Gulberg-V Lahore and at any adjournment thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2013. Signature of the Shareholder \_\_\_\_\_

**For Beneficial owners as per CDC list**

**1-Witness:**

Signature \_\_\_\_\_  
 Name \_\_\_\_\_  
 Address \_\_\_\_\_

**2-Witness:**

Signature \_\_\_\_\_  
 Name \_\_\_\_\_  
 Address \_\_\_\_\_

Affix Revenue of Stamps of Rs. 5/-
--

\_\_\_\_\_  
 Signature of Member

**Note:**

- Proxies in order to be effective must be received at the Registered Office of the Company at 7-B-III, Aziz Avenue, Gulberg-V, Lahore not later than 48 hours before the meeting.
- CDC Shareholders and their Proxies are each requested to attach an attested Photocopy of their National Identity Card or Passport with this proxy form before submission to the Company.



Shams Textile Mills Limited  
7-B-3, Aziz Avenue, Gulberg 5  
Lahore Pakistan

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