Contents

BOARD OF DIRECTORS	Mr. Muneer Nawaz	Chairman
	Mr. M. Naeem	Chief Executive
	Mr. Mahmood Nawaz	
	Mr. Farooq Hassan (NIT)	
	Mr. Toqueer Nawaz	
	Mrs. Sadia Mohammad	
	Lt. Col. (Retd.) R.D. Shams	
	Mr. Muhammad Usman Khalid	
COMPANY SECRETARY	Mr. Jamil Ahmad Butt, FCMA	
AUDIT COMMITTEE OF THE BOARD	Mr. Muneer Nawaz	Chairman
	Mr. Mahmood Nawaz	Member
	Mr. Muhammad Usman Khalid	Member
	Syed Muhammad Farooq	Secretary
HUMAN RESOURCE AND REMUNERATION COMMITTE OF THE BOARD	Mr. Muner Nawaz	
	Mr. Farooq Hassan	
	Mr. M. Naeem	
AUDITORS	M. Yousuf Adil Saleem & Co. Chartered Accountants. Cavish Court, A-35, Block 7 & 8 KCHS, Shahrah-e-Faisal, Karachi 75350.	
BANKS	Habib Bank Limited MCB Bank Limited The Bank of Punjab United Bank Limited Bank Alfalah Limited Standard Chartered Bank (Pakistan) Limited Faysal Bank Limited HSBC Bank Middle East Limited	
LEGAL ADVISOR	Mr. Ras Tariq Chaudhary 30-Mall Mansion The Mall Lahore.	
HEAD OFFICE	Shahnawaz Building, 19-Dockyard Road, West Wharf, Karachi-74000 Ph: 32313934-8, 32312834, 32310973 Fax: 32205723, 32310623 Website: www.shahtaj.com	
REGISTERED OFFICE	100-B/3, M. M. Alam Road, Culberg-III, Lahore-54660 Tel: (042) 35772991-3 Fax: (042) 35772999	
MARKETING OFFICE	27-C Abdalian Co-oporetive Hosing Society, Lahore, Ph: (042) 35313891-92, 35301596-99 Fax: (042) 35301594	
FACTORY	46 K.M. Lahore/Multan Road Chunian Industrial Estate Bhai Pheru, Distt. Kasur, Punjab. Ph: (049) 4540430-32, 4540133, 4540234 Fax: (049) 4540031	
SHARE REGISTRAR	Evoloutoin Factor (Pvt.) Limited Suite # 407,408, 4th Floor, Al-Ameera Centre, Shahrah-e-Iraq, Near Passport Office, Saddar Karachi. Tel: 35662023-24 Fax: 35221192	

To,

All the Shareholders,

Notice is hereby given to all the shareholders of SHAHTAJ TEXTILE LIMITED that the 24th Annual General Meeting of the Company will be held on Thursday, the 31st October, 2013 at 11.00 A.M. at PC Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

1. To confirm the minutes of Annual General Meeting held on 31st October, 2012.

2. To consider and adopt audited Financial Statements of the Company for the year ended June 30, 2013 together with Auditors' and Directors' Reports thereon.

3. To approve a cash Dividend @ 40% i.e. Rs.4.00 per share for the year ended June 30, 2013 as recommended by the Directors.

4. To appoint Auditors of the Company for the year 2013-2014 and to fix their remuneration. The present Auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, being eligible, have offered themselves for reappointment.

5. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

(JAMIL AHMAD BUTT)
Company Secretary

Karachi: September 30, 2013

Notes:

1. The share transfer books of the Company will remain closed from 24th October to 4th November, 2013 (both days inclusive).

2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the meeting and must be duly stamped, signed and witnessed.

3. Holders of Accounts and Sub-accounts for Company's shares in Central Depository Company of Pakistan Limited, who wish to attend this Annual General Meeting may do so by identifying themselves through their original CNIC/Passport and providing a copy thereof.

OUR VISION:

To attain leadership position in the textile sector in Pakistan.

OUR MISSION:

To make the name of Shahtaj synonymous with Quality by striving for the highest level of efficiency, productivity, profitability, customers satisfaction, congenial employees relations and profit sharing with shareholders.

OVERALL CORPORATE STRATEGY:

To develop and market products in the high-end of the textile sector through effective utilization of men, material and machines by encouraging, supporting and rewarding the employees, eliminating any waste, reducing costs aiming at establishing SHAHTAJ TEXTILE LIMITED as the most trusted, efficient and successful name among all stake-holders.

1. The directors will ensure implementation of Company's corporate strategy, keeping in view Company's vision and mission and complying with is Memorandum and Articles of Association.

2. They will provide due guidance and discharge their duties to the best of their ability.

3. They will attend meetings of Board of Directors, Audit Committee of the Board, any other Committee and Committee and General and General Meeting of Company.

4. They will disclose their interest in any contract and appointments of the company officers and ownership of company shares and any changes therein.

5. They will not engage in any business competing with the company's business.

6. They will not allow contribution by the company to any political party or for any political purpose to any individual or body.

7. They will ensure maintenance and upkeep of company property, other assets and its record.

8. They will strictly observe all laws of land in running of the company affairs.

9. All company employees will perform their duties faithfully, truly and to the best of their judgment, skill and ability according to company rules and policies.

10. Company employees will not divulge any information about the company or otherwise which comes to their knowledge during the course of employment to any person not connected therein either with in the company or outside.

11. Company employees will not involve in any indiscipline, misbehavior or misconduct, dishonesty, theft or fraud.

12. They will refrain from making commitments on behalf of the company beyond their delegated authority or detrimental to the interest of the company.

13. They will not engage directly or indirectly without the permission of the company in any other business or paid occupation while in the service of the company.

14. They will not give or take bribes or any illegal gratifications.

15. They will be punctual in attendance.

Directors are pleased to present 24th Annual Report of the Company for the Financial Year ended June 30, 2013.

Financial Results and Prospects

By the Grace of Allah Almighty the Company performed well during the year and earned an after tax profit of Rs.112.898 million with an EPS of Rs.11.69. The better results are attributable to the highest ever sales of Rs.4.195 billion, improved G.P. and decreased financial cost, in spite of high power cost and increase in cost of production.

As reported earlier Company was making further investment in plant and equipments to increase its productivity and to add value. Sectional Warper is already in operation while the new Looms are on way and are scheduled to be installed within next quarter.

Efforts will be continuing as always for more improvement.

Dividend

To share the profits with the shareholders, Directors are pleased to recommend a 40% cash dividend for this year. A sum of Rs.80 million is proposed to be transferred to general reserve.

Code of Corporate Governance

Company is cognizant of all requirements of Code of Corporate Governance and is complying with the same. A Statement of Compliance is annexed.

Corporate and Financial Reporting Statements

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

(b) Proper books of accounts 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 Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

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

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

(g) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

Six Years Review

Key operating and financial data and ratios of the company for the last six years are annexed.

Board of Directors

During this year Company lost one of its founder directors, Mr. C.M. Khalid who expired on 1st October, 2012 in Germany. It was a sad happening and irreparable loss to the Company. His contribution in early years and all through will always be remembered with gratitude. In his place Mr. Muhammad Usman Khalid was co-opted on the Board.

During the year five meetings of the Board of Directors were held and were attended as follows:

Name of Director	Number of Meetings attended
Mr. Muneer Nawaz	5
Mr. M. Naeem	4
Mr. Mahmood Nawaz	5
Mr. C. M. Khalid	1
Mr. Farooq Hassan	5
Mrs. Sadia Muhammad	4
Mr. Toqueer Nawaz	5
Lt. Col. (Retd) R.D. Shams	1
Mr. Muhammad Usman Khalid	2

During the year five meetings of the Audit Committee of the Board of Directors were held and attended as under:

Mr. Muneer Nawaz	5
Mr. Mahmood Nawaz	5
Mr. C.M. Khalid	1
Mr. Muhammad Usman Khalid	2

During the year one meeting of Human Resource and Remuneration Committee of the Board was held and was attended by all the following members:

Mr. Muneer Nawaz
Mr. M. Naeem
Mr. Farooq Hassan

Pattern of Shareholding

The pattern of shareholding as on 30th June, 2013, listing the required details, is annexed.

Trading of Shares

During the year Mr. Toqueer Nawaz purchased 19,160 shares from a family member for a sum of Rs.500,076/- and Mr. Muhammad Usman Khalid got 47,955 shares at nil value in inheritance. These transactions were notified by them to the Company and were presented at the Company's next meetings of the Board of Directors as required by the Code of Corporate Governance.

Auditors

The Audit Committee of the Board has recommended the appointment of present Auditors, M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, as Auditors of the Company for the year 2013-2014. Board agrees to this recommendation.

Appreciation

Directors acknowledge with thanks the hard work put in by the employees of the company.

for and on behalf of the Board of Directors

(M. NAEEM)
Chief Executive

Karachi: September 30, 2013

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented by the Board of Directors (the Board) of Shahtaj Textile Limited (the Company) to comply with the Code of Corporate Governance (the Code) contained in listing regulation No. 35 (Chapter XI) of the Karachi Stock Exchange Limited and Listing Regulations of the Lahore Stock Exchange Limited 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 on its Board of Directors. At present the Board includes:.

Category	Names
Executive Directors	Mr. Muhammad Naeem
	Lt. Col(Retd.) Rashiduddin Shams
Non-Executive Directors	Mr. Muneer Nawaz
	Mr. Mahmood Nawaz
	Mr. Farooq Hassan (NIT)
	Mr. Toqueer Nawaz
	Mrs. Sadia Muhammad
	Mr. Muhammad Usman Khalid

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

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

4. A casual vacancy occurring on the board on October 01, 2012 was filled up by the directors within 90 days.

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

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration of terms and conditions of employment of the CEO, 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 the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated and at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. Five directors of the Company have minimum of 14 years of education and 15 years of experience on the board of a listed company and therefore exempted from director's training program.

10. There was no appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year.

11. The Directors' report for the 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 Chief Executive Officer and Chief Financial Officer before approval of the Board.

13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholdings.

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

15. The Board has formed an audit Committee. It comprise of three members, all of whom are non-executive directors including the chairman of the committee.

16. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the company as required by the Code of Corporate Governance. The terms of reference of the committee have been framed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two including the chairman of the committee, are non-executive directors.

18. The board has outsourced the internal audit function to M/s Moeed Associates who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. Currently, the Company has not appointed or designated any person as a head of internal audit.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, 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 the 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 guide lines in this regard.

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

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

23. We confirm that all other material principles enshrined in the Code have been complied with except that the secretary to the audit committee was neither company secretary nor head of internal audit.

for and on behalf of the Board of Directors

(M. NAEEM)
Chief Executive

(Muneer Nawaz)
Chairman

Karachi: September 30, 2013

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Shahtaj Textile Limited (the Company) to comply with the respective Listing Regulations of the Karachi and Lahore 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 Govemance (the 'Statement') 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, the Listing Regulations of Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2013.

We draw attention to the following paragraphs of the Statement where certain non-compliances have been highlighted;

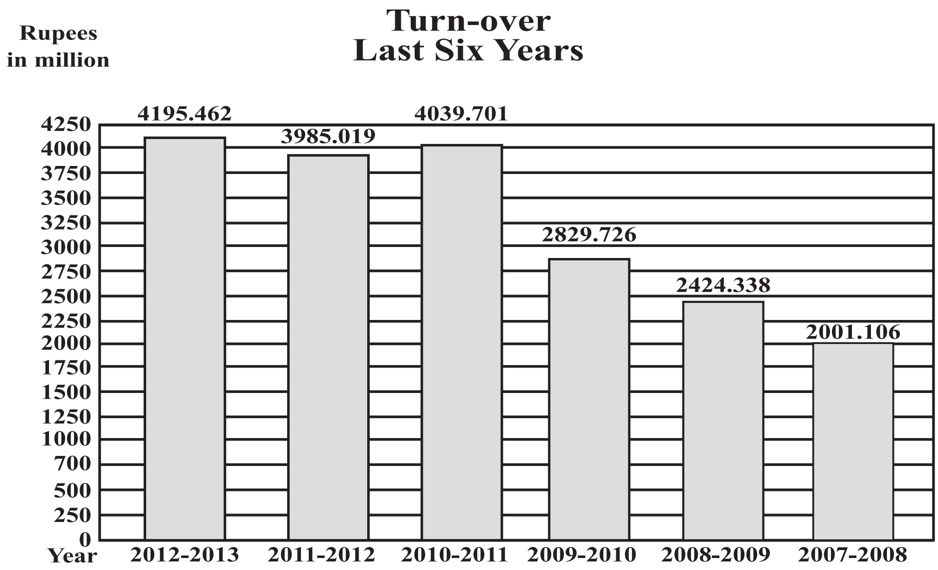
a) Paragraph 18 - Currently, the Company has not appointed or designated any person as a head of internal audit.
b) Paragraph 23 -The secretary of the audit committee was neither Company Secretary nor Head of Internal Audit.

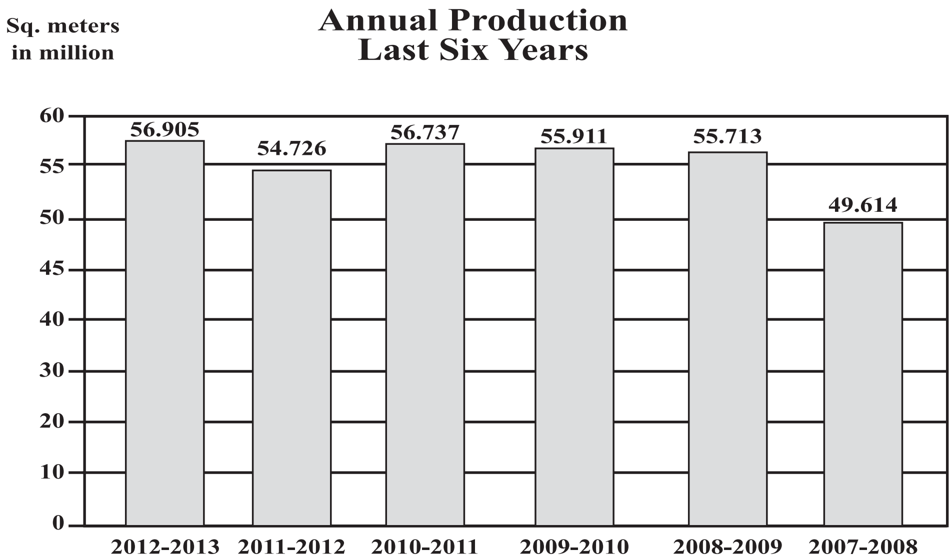
M. Yousuf Adil Saleem & Co.

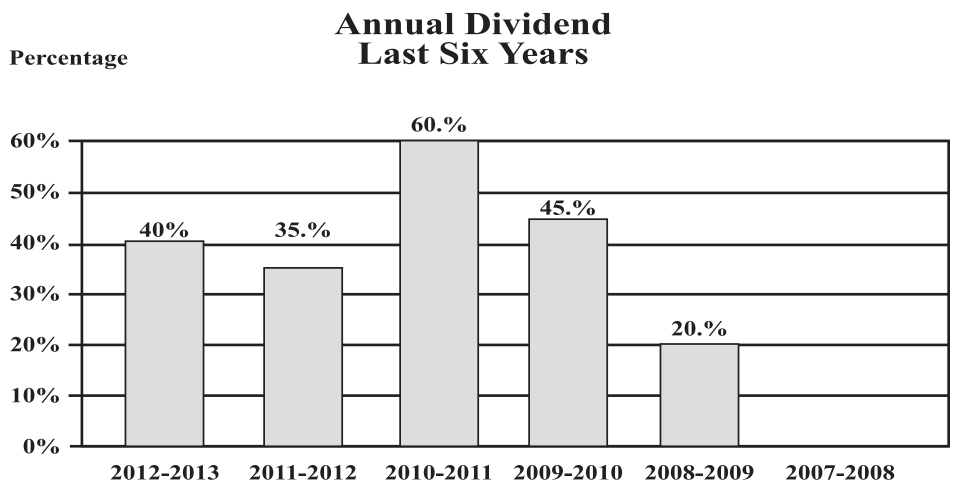
M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi: September 30, 2013

	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008
	All figures are in Tousand Rupees other than where percentages and ratio sign appear.					
PROFIT & LOSS ACCOUNT						
Net turnover	4195.462	3985.019	4039.701	2829.226	2432.058	2001.106
Gross profit	419.634	332.672	443.376	333.746	270.479	131.645
Operating profit	243.336	212.857	344.522	215.158	153.235	82.816
Profit before tax	146.441	91.596	234.480	133.328	50.432	15.593
Profit after tax	112.897	87.280	204.734	107.795	38.886	(0.345)
Earnings per share (Rs.)	11.69	9.04	21.19	11.16	4.03	(0.04)
Cash dividend	40%	35%	60%	45%	20%	-
Dividend payment ratio	34%	38%	28%	40%	50%	-
Cash distribution per share in Rupees	4.00	3.50	6.00	4.50	2.00	-
BALANCE SHEET						
Shareholders funds	96.600	96.600	96.600	96.600	96.600	96.600
Reserves	624.725	540.186	504.861	337.737	243.308	195.865
Property plant and equipment	995.632	884.750	859.041	685.171	696.562	758.279
Long term liabilities	201.717	336.986	457.044	154.491	256.739	269.965
Net current assets / liabilities	208.141	198.173	336.047	85.473	93.111	8.397
INVESTORS INFORMATION						
Gross profit ratio	10.00%	8.84%	10.97%	11.75%	11.12%	6.58%
Profit before tax ratio	3.49%	2.30%	5.80%	4.71%	2.08%	0.78%
Inventory turnover ratio	7.15	12.60	9.47	12.44	12.03	10.95
Fixed asset turnover ratio	4.21	4.50	4.70	4.11	3.34	2.71
Return on equity	12.13%	12.63%	31.19%	22.09%	9.74%	(0.78%)
Debt equity ratio	18.82	33:67	41:59	24 : 76	39:69	42:58
Current ratio	1.37.1	1.27:1	1.42:1	1.11 : 1	1.14:1	1.01:1
Interest cover ratio	2.51	1.76	4.03	2.63	1.49	1.23
STATEMENT OF VALUE ADDED DISTRIBUTION						
Employees remuneration	190.649	159.379	137.811	113.541	104.236	91.011
Government as taxes	33.543	4.316	29.746	25.532	11.545	18.493
Shareholders as dividends	38.640	33.810	57.960	43.470	19.320	-
Retained with in business	74.258	53.470	146.774	64.325	19.567	6.508
Financial charges to providers of finance	96.895	121.261	110.042	81.831	102.803	67.223


Rupees
in million
Turn-over
Last Six Years
4195.462
3985.019
4039.701
2829.726
2424.338
2001.106
4250
4000
3750
3500
3250
3000
2750
2500
2250
2000
1750
1500
1250
1000
700
500
250
0
Year
2012-2013
2011-2012
2010-2011
2009-2010
2008-2009
2007-2008


Sq. meters
in million
Annual Production
Last Six Years
60
55
50
45
40
30
20
10
0
56.905
54.726
56.737
55.911
55.713
49.614
2012-2013
2011-2012
2010-2011
2009-2010
2008-2009
2007-2008


Annual Dividend
Last Six Years
Percentage
60%
50%
40%
30%
20%
10%
0%
40%
35.%
60.%
45.%
20.%
2012-2013
2011-2012
2010-2011
2009-2010
2008-2009
2007-2008

Pattern of Holding of the shares held by shareholders as at June 30, 2013 is as under:

Serial Number	Number of Shareholders	Shareholdings From		To	Total Number of Shares Held
1	201	1	-	100	9,608
2	165	101	-	500	59,599
3	620	501	-	1,000	369,040
4	123	1,001	-	5,000	284,014
5	36	5,001	-	10,000	261,265
6	17	10,001	-	15,000	202,483
7	5	15,001	-	20,000	94,575
8	2	20,001	-	25,000	45,750
9	2	25,001	-	30,000	52,166
10	1	30,001	-	35,000	30,600
11	1	35,001	-	40,000	37,000
12	1	40,001	-	45,000	43,493
13	3	45,001	-	50,000	150,000
14	3	50,001	-	55,000	156,946
15	1	55,001	-	60,000	55,085
16	1	65,001	-	70,000	66,566
17	1	90,001	-	95,000	95,000
18	1	100,001	-	105,000	103,068
19	2	110,001	-	115,000	227,500
20	1	115,001	-	120,000	118,000
21	1	200,000	-	205,000	202,016
22	1	270,000	-	275,000	271,584
23	1	285,001	-	290,000	289,655
24	2	290,001	-	295,000	589,141
25	1	295,001	-	300,000	298,000
26	1	310,001	-	315,000	311,904
27	1	335,001	-	340,000	335,200
28	1	350,000	-	355,000	352,243
29	1	395,000	-	400,000	396,750
30	1	475,001	-	480,000	475,726
31	1	505,001	-	510,000	506,000
32	1	525,001	-	530,000	529,670
33	1	655,001	-	660,000	657,782
34	1	830,001	-	835,000	832,571
35	1	1,145,001	-	1,150,000	1,150,000
	1203				**9,660,000**

The slabs with nil holding have been omitted

PATTERN OF SHARE HOLDING AS AT JUNE 30, 2013

	SHARE HOLDER'S CATEGORY	Number of Share Held	Percentage of shareholding
i	**Associated Companies, undertaking & related parties (name wise details);**		
	Shahtaj Sugar Mills Limited	**1,150,000**	**11.90%**
ii	**Mutual Funds (name wise details);**	-	
iii	**Directors and Their spouse(s) and minor childern (name wise details);**		
1	Mr. Mahmood Nawaz	294,821	
	Mr. Mahmood Nawaz (CDC)	118,000	
	Mrs. Bushra Mahmood Nawaz	115,000	
	Mrs. Bushra Mahmood Nawaz (CDC)	17,825	
2	Mr. Muneer Nawaz (Chairman)	832,571	
	Mrs. Abida Muneer Nawaz (Wife)	396,750	
3	Mr. M. Naeem (CEO)	103,068	
	Mrs. Amtul Bari Naeem	506,000	
	Mrs. Amtul Bari Naeem (CDC)	529,670	
4	Toqueer Nawaz	294,320	
	Toqueer Nawaz (CDC)	54,000	
5	Sadia Taqi (CDC)	2,500	
6	Lt. Col. (Retd.) Rashiduddin Shams	3,450	
7	Muhammad Usman Khalid	289,655	
	Muhammad Usman Khalid (CDC)	10,350	
		3,567,980	**36.94%**
iv	**Executives**	**12,075**	**0.13%**
v	**Public sector companies and corporations;**		
	National Bank of Pakistan, Trustee Deptt. (CDC)	475,726	
	(Represented on Board of Directors)		
		475,726	**4.92%**
vi	**Banks, Development Finance Institutions, Non Banking Fiance Companies, Insurance Companies, Takaful, Modarbas, and Pention Funds.**		
	Habib Bank Limited (CDC)	75	
	National Bank of Pakistan (CDC)	267	
	NIB Bank Limited (CDC)	14,500	
	Progressive Investment Management (Pvt) Ltd. (CDC)	500	
	H.M. Investment (Pvt) Ltd. (CDC)	230	
	Ismail Abdul Shakoor Securities (Private) Limited (CDC)	50	
	M.R. Securities (SMC) (Private) Limited (CDC)	150	
	Muhammad Ahmed Nadeem Securities (Private) Limited (CDC)	75	
	N.H Securities (Private) Limited (CDC)	75	
	ACE Securities (Private) Limited (CDC)	2,300	
	S.H Bukhari Securities (Private) Limited (CDC)	575	
	Y.S Securities & Services (Private) Limited (CDC)	3,075	
	Fair Deal Securities (Private) Limited (CDC)	425	
	Highlink Capital (Private) Limited (CDC)	500	
		22,797	**0.24%**
vii	**General Public**		
a.	Local	2,191,429	
b.	Local (CDC)	2,239,993	
c.	Foreign	-	
		4,431,422	**45.87%**
		9,660,000	**100.00%**
	Shareholder holding 5% or more voting rights		
	Shahtaj Sugar Mills Limited	1,150,000	11.90%
	Mr. Ahmed Naeem	1,087,982	11.26%
	Mrs. Amtul Bari Naeem	1,035,670	10.72%
	Mr. Muneer Nawaz	832,571	8.62%

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Shahtaj Textile Limited ("the Company') as at June 30, 2013 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Companys 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 Companys business; and

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

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

d. in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants

M. Yousuf Adil Saleem & Co

Engagement Partner
Nadeem Yousuf Adil

Karachi: September 30, 2013

BALANCE SHEET AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
SHARE CAPITAL AND RESERVES			
Authorized 10,000,000 ordinary shares of Rs. 10/- each		**100,000,000**	100,000,000
Issued, subscribed and paid-up capital	3	**96,600,000**	96,600,000
General reserve	4	**470,000,000**	420,000,000
Unappropriated profit		**154,724,849**	120,186,009
		721,324,849	636,786,009
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax	5	**209,146,357**	54,043,106
NON-CURRENT LIABILITIES			
Long-term financing	6	**201,716,621**	336,986,413
Deferred liabilities	7	**99,498,366**	83,094,525
		301,214,987	420,080,938
CURRENT LIABILITIES			
Trade and other payables	8	**249,848,313**	160,781,705
Interest accrued	9	**13,533,640**	27,142,918
Short-term borrowings	10	**181,999,934**	424,423,083
Current portion of long-term financing	6	**110,681,542**	127,215,292
		556,063,429	739,562,998
CONTINGENCIES AND COMMITMENTS	11		
		1,787,749,622	1,850,473,051

	Note	2013 Rupees	2012 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	12	**995,631,560**	884,750,166
Long-term loans	13	**602,791**	676,939
Long-term deposits	14	**27,310,337**	27,310,337
		1,023,544,688	**912,737,442**
CURRENT ASSETS			
Stores, spares and loose tools	15	**41,806,305**	42,295,212
Stock-in-trade	16	**299,912,420**	316,211,773
Trade debts	17	**322,455,558**	510,382,408
Loans and advances	18	**10,774,431**	1,946,707
Trade deposits and short-term prepayments	19	**4,386,088**	1,263,883
Interest accrued		**-**	21,156
Other receivables	20	**4,548,439**	11,590,217
Taxation - net		**16,237,798**	20,776,878
Sales tax refundable		**53,509,383**	18,076,050
Other financial assets	21	**5,984,397**	4,400,000
Cash and bank balances	22	**4,590,115**	10,771,325
		764,204,934	937,735,609
		1,787,749,622	1,850,473,051

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

(M. Naeem)
Chief Executive

(Muneer Nawaz)
Chairman

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

	Note	2013 Rupees	2012 Rupees
Sales - net	23	**4,195,461,728**	3,985,019,360
Cost of goods sold	24	**(3,775,827,814)**	(3,652,347,232)
Gross profit		**419,633,914**	332,672,128
Other income	25	**14,920,500**	19,538,900
		434,554,414	352,211,028
Distribution cost	26	**(56,975,743)**	(46,687,207)
Administrative expenses	27	**(122,355,913)**	(79,716,034)
Other operating expenses	28	**(11,887,011)**	(12,950,893)
Finance cost	29	**(96,895,196)**	(121,260,912)
		(288,113,863)	(260,615,046)
Profit before taxation		**146,440,551**	91,595,982
Taxation	30	**(33,542,574)**	(4,316,130)
Profit after taxation		**112,897,977**	87,279,852
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**112,897,977**	87,279,852
Earnings per share - basic and diluted	31	**11.69**	9.04

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

(M. Naeem)
Chief Executive

(Muneer Nawaz)
Chairman

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**146,440,551**	91,595,982
Adjustments for:			
Depreciation	12.2	**87,481,892**	75,244,705
Finance cost	29	**96,895,196**	121,260,912
Gain on disposal of property, plant and equipment	25	**(566,632)**	(1,071,703)
Provision for gratuity and leave encashment	7	**17,471,054**	13,570,283
Provision for doubtful debts / written off- net	17.3	**56,604,040**	23,015,453
Property, plant and equipment written off	28	**-**	351,716
Stores and spares written off	28	**1,033,737**	2,849,771
Interest income	25	**(364,811)**	(456,372)
Operating cash flows before movements in working capital		**404,995,027**	326,360,747
(Increase) / decrease in current assets			
Stores, spares and loose tools		**(544,830)**	1,510,140
Stock-in-trade		**16,299,353**	110,204,204
Trade debts		**131,322,810**	80,660,858
Loans and advances		**(8,827,724)**	17,599,188
Trade deposits and short-term prepayments		**(3,122,205)**	(939,189)
Other receivables		**7,041,778**	(9,327,671)
Other financial assets		**(1,584,397)**	(800,000)
Sales tax refundable		**(35,433,333)**	(6,529,338)
Increase / (decrease) in current liabilities			
Trade and other payables		**88,491,590**	(63,500,968)
Cash generated from operations		**598,638,069**	455,237,971
Gratuity and leave encashment paid		**(9,198,614)**	(7,918,736)
Interest paid		**(110,504,474)**	(127,145,900)
Income taxes paid		**(36,607,293)**	(51,997,926)
Net cash from operating activities		**442,327,688**	268,175,409
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(22,360,662)**	(102,373,058)
Proceeds from disposal of property, plant and equipment		**852,904**	2,138,820
Long-term loans		**74,148**	412,470
Decrease in long-term deposits		**-**	242,207
Interest received		**385,967**	922,735
Net cash used in investing activities		**(21,047,643)**	**(98,656,826)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long-term financing		**(151,803,542)**	(76,708,541)
Long term financing obtained		**-**	7,154,000
Dividend paid		**(33,234,564)**	(56,875,861)
Net cash used in financing activities		**(185,038,106)**	**(126,430,402)**
Net increase in cash and cash equivalents		**236,241,939**	43,088,181
Cash and cash equivalents at July 1		**(413,651,758)**	(456,739,939)
Cash and cash equivalents at June 30	32	**(177,409,819)**	(413,651,758)

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

(M. Naeem)
Chief Executive

(Muneer Nawaz)
Chairman

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

	Note	Share capital	Revenue Reserves: General reserve	Revenue Reserves: Unappropriated profit	Total
		……… Rupees ………			
Balance as at June 30, 2011		96,600,000	270,000,000	234,861,368	601,461,368
Comprehensive income					
Profit after taxation for the year ended June 30, 2012		-	-	87,279,852	87,279,852
Other comprehensive income - net of tax		-	-	-	-
Total comprehensive income		-	-	87,279,852	87,279,852
Transferred from surplus on revaluation of property, plant and equipment on account of: - incremental depreciation net of deferred taxation	5	-	-	6,004,789	6,004,789
Transferred to general reserve		-	150,000,000	(150,000,000)	-
Transactions with owners					
Final dividend for the year ended June 30, 2011 @ Rs. 6.00 per share		-	-	(57,960,000)	(57,960,000)
Balance as at June 30, 2012		**96,600,000**	**420,000,000**	**120,186,009**	**636,786,009**
Comprehensive income					
Profit after taxation for the year ended June 30, 2013		-	-	112,897,977	112,897,977
Other comprehensive income - net of tax		-	-	-	-
Total comprehensive income		-	-	112,897,977	112,897,977
Transferred from surplus on revaluation of property, plant and equipment on account of: - incremental depreciation net of deferred taxation	5	-	-	5,450,445	5,450,445
Transferred to general reserve		-	50,000,000	(50,000,000)	-
Transactions with owners					
Final dividend for the year ended June 30, 2012 @ Rs. 3.50 per share		-	-	(33,809,582)	(33,809,582)
Balance as at June 30, 2013		**96,600,000**	**470,000,000**	**154,724,849**	**721,324,849**

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

(M. Naeem)
Chief Executive

(Muneer Nawaz)
Chairman

1. GENERAL INFORMATION

1.1 Shahtaj Textile Limited (the Company) is limited by shares, incorporated in Pakistan on January 24, 1990 under the Companies Ordinance, 1984, as a public limited Company. The shares of the Company are quoted on Karachi and Lahore Stock Exchanges. The principal business of the Company is to manufacture and sale of textile goods. The registered office of the Company is situated at 100-B/3, M.M. Alam Road, Gulberg-3, Lahore - 54660 and the manufacturing facility of the Company is located at 46 KM. Lahore/Multan Road, Chunian Industrial Estate, Bhai Pheru, Distt. Kasur in the province of Punjab; however, the Head Office is located at Shahnawaz Building, 19 - Dockyard Road, West Wharf, Karachi - 74000.

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

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2012 and are enumerated as follows:

2.1 Statement of compliance

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

2.2 Basis of preparation

These financial statements have been prepared under the historical cost basis modified by:-

- revaluation of certain property, plant and equipment
- financial instruments at fair value
- recognition of certain staff retirement benefits at net present value

2.3 Adoption of new standards, and amendments and interpretations to the published approved accounting standards:

The following standards, amendments and interpretations are effective for the year ended June 30, 2013. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	**Effective from accounting period beginning on or after July 01, 2012**

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application.

2.3.1 New, revised and amended standards and IFRIC interpretations to the existing standards that are not yet effective and have not been early adopted by the Company.

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures except for amendments in IAS 19.

Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	**Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment — **Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

Amendments to IAS 19 - Employee Benefits — **Effective from accounting period beginning on or after January 01, 2013**

The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. The application of the amendments to IAS 19 would result in the recognition of cumulative unrecognized actuarial loss amounting to Rs. 2,656,745 in other comprehensive income in the period of initial application.

Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction — **Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities — **Effective from accounting period beginning on or after January 01, 2014**

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities — **Effective from accounting period beginning on or after January 01, 2013**

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities — **Effective from accounting period beginning on or after January 01, 2013**

"These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. "

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine — **Effective from accounting period beginning on or after January 01, 2013**

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

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

• IFRS 1 – First Time Adoption of International Financial Reporting Standards

• IFRS 9 – Financial Instruments

• IFRS 10 – Consolidated Financial Statements

• IFRS 11 – Joint Arrangements

• IFRS 12 – Disclosure of Interests in Other Entities

• IFRS 13 – Fair Value Measurement

• IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11

• IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

2.4 The principal accounting policies adopted are set out below:

2.4.1 Defined benefit plan - staff gratuity

The Company operates an unfunded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the scheme. Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. The most recent valuation was carried out as at June 30, 2013 using the "Project unit Credit Method".

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses.

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceeds 10% of the greater of the present value of the Company's obligations is amortized over the average expected remaining working lives of the employees.

Details of the scheme are given in note 7.1 to these financial statements.

Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

2.4.2 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account tax rebates and tax credits available, if any, or turnover at the specified rate whichever is higher. Charge for current tax also includes adjustments, where necessary, relating to prior years which arise from assessment framed / finalized during the year. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

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

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

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

2.4.3 Trade and other payables

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

2.4.4 Provisions

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.4.5 Property, plant and equipment

Property, plant and equipment, except plant and machinery are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost.

Plant and machinery are stated at revalued amount being the fair value at the date of revaluation, less subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity so that the fair value and carrying value do not differ materially at the balance sheet date. Any revaluation increase arising on the revaluation of such assets is credited in 'Surplus on Revaluation of Property, Plant and Equipment'. A decrease in the carrying amount arising on revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the surplus on revaluation account relating to a previous revaluation of that asset. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its unappropriated profit.

Depreciation is charged to profit and loss account applying the reducing balance method at the rate specified in note 12.1, whereby the cost of the asset is written over its useful life. Depreciation on all additions in fixed assets is charged from the month in which the asset is available for use and on disposals up to the month preceding the month of disposal.

Assets' residual values, if significant, and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of Property, Plant and Equipment have different useful lives, they are recognized as separate items of Property Plant and Equipment.

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

Gains or losses on disposal of assets, if any, are recognized as and when incurred.

Capital work-in-progress

Capital work-in-progress and stores held for capital expenditure are stated at cost less any recognized impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

2.4.6 Investment

Regular way purchase or sale of investments

All purchases and sales of investments are recognized using settlement date accounting. Settlement date is the date that the investments are delivered to or by the Company.

Held-to-maturity

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held-to-maturity investments are initially recognized at fair value plus transaction cost and are subsequently carried at amortized cost using effective interest rate method.

Derecognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.4.7 Stores, spares and loose tools

These are valued at lower of cost and net realizable value, determined on moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost to be incurred for its sale.

The company writes off stores and spares which at the end of the financial year have remained in stocks from the date of purchase for a period as prescribed under:

Stores general	held over 5 years
Spares	held over 10 years

The above write off is charged to profit and loss account in the period such items are written off.

2.4.8 Stock-in-trade

These are valued at lower of cost and net realizable value. Methods used for determining costs are as follows:

Raw and packing materials	Moving average cost.
Work-in-process	Average manufacturing cost.
Finished goods	Average manufacturing cost.

Raw material-in-transit are valued at cost comprising of cost and freight value plus other charges incurred thereon up to the balance sheet date.

Average cost in relation to work-in-process and finished goods signifies average manufacturing cost including a portion of related direct overheads.

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

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

The company writes off stocks which at close of the financial year have remained in stocks for more than 3 years from the date of purchase. The write off is charged to profit and loss account in the period such stocks are writen off.

2.4.9 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.4.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value and short-term running finance under mark-up arrangements.

2.4.11 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and liabilities is taken to profit and loss account directly.

Other particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

2.4.12 Impairment

Financial assets

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

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Non-financial assets

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.4.13 Derivatives

Derivatives are recognized initially at fair value. Attributable transaction costs are recognized in profit and loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for into profit and loss account under 'Other Operating Expenses / Income'.

2.4.14 Offsetting of financial assets and financial liabilities

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

2.4.15 Revenue recognition

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

- Revenue from sale of goods and services is recognized on dispatch of goods where risks and rewards are transferredto the customers and rendering of services to customers, as the case may be.

- Export rebate is recognized on accrual basis at the time of recognizing export sale.

- Interest / mark-up income is accounted on a time proportionate basis, by reference to the principal outstanding and at the applicable effective interest rate.

2.4.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the respective assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit and loss in the period in which they are incurred.

2.4.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the appropriate authority.

2.4.18 Foreign currencies

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into reporting currency equivalents using foreign currency rates ruling on the balance sheet date. Exchange differences on foreign currency transactions are included in the income currently.

2.4.19 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. As disclosed in note 1.1 to the financial statements, the Company has manufacturing facility located at Lahore/Multan Road, Chunian Industrial Estate, Bhai Pheru, District Kasur in the province of Punjab. Management has determined that the Company as a single reportable segment as the Board of Directors views the Company's operations as one reportable segment because of the similarity in nature of the products and services, nature of the production processes, type or class of customers for the products and services and the methods used to distribute the products.

2.5 Critical judgments and estimates in applying the accounting policies

In the process of applying the Company's accounting policies, the management has not identified any area where significant judgments have been exercised which have material impact on the financial statements, except as mentioned below. Further, there are no key assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date that have significant risks of causing a material adjustment within the next financial year. The Company has used significant judgment & estimates in the following areas:

- Provision for gratuity (notes 2.4.1 and 7.1)

- Provision for taxation and deferred tax (notes 2.4.2, 7.2 and 30)

- Useful lives and residual values of property, plant and equipment (notes 2.4.5 and 12)

- Net realizable value of stock in trade (notes 2.4.8 and 16)

- Contingencies and commitments (note 11)

Estimates and judgments, if any, 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.

3 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013	2012		**2013**	2012
Number of shares			**Rupees**	Rupees
		Ordinary shares of Rs.10 each fully paid		
8,400,000	8,400,000	In cash	**84,000,000**	84,000,000
1,260,000	1,260,000	As bonus shares	**12,600,000**	12,600,000
9,660,000	9,660,000		**96,600,000**	96,600,000

3.1 There were no movements in share capital during the reporting period.

3.2 Shahtaj Sugar Mills Limited (associated company) held 1,150,000 (2012: 1,150,000) fully paid ordinary shares of Rs. 10 each as at year end.

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

4 GENERAL RESERVE

The general reserve is used from time to time to transfer profit from unappropriated profit. There is no consistent policy of regular transfers to general reserve.

5 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax

	2013	2012
	Rupees	Rupees
Surplus on revaluation of property, plant and equipment as at July 01,	**60,018,663**	66,687,403
Surplus on plant and machinery during the year	**176,288,896**	-
	236,307,559	**66,687,403**
Transfer to unappropriated profit on account of:		
- incremental depreciation - net of deferred tax	**(5,450,445)**	(6,004,789)
Related deferred tax liability	**(551,421)**	(663,951)
	(6,001,866)	(6,668,740)
Surplus on revaluation of property, plant and equipment as at June 30,	**230,305,693**	60,018,663
Related deferred tax liability on:		
- revaluation as at July 01,	**(5,975,557)**	(13,948,179)
- decrease in deferred tax for change in rate of deferred tax	**461,342**	7,308,671
- surplus on revaluation of plant and machinery realized during the year	**(16,196,542)**	-
Transfer to unappropriated profit on account of incremental depreciation - net of deferred tax	**551,421**	663,951
	(15,183,779)	7,972,622
	(21,159,336)	(5,975,557)
	209,146,357	54,043,106

5.1 Revaluation of plant and machinery had been carried out in February 2003, March 2008 and June 2013 by independent valuer M/s Minhas Associates, M/s Projects (Private) Limited and M/s Joseph Lobo (Private) Limited respectively on the basis of depreciated repalcement value.

5.2 An amount equal to incremental depreciation net of deferred tax for the year has been transferred from "Surplus on revaluation of property, plant and equipment" account to "Unappropriated profit" for recording realization of surplus to the extent of incremental depreciation net of deferred tax charged during the year.

	Note	2013 Rupees	2012 Rupees
6 LONG-TERM FINANCING			
From banking companies - secured		**312,398,163**	464,201,705
Less: Current portion shown under current liabilities		**(110,681,542)**	(127,215,292)
	6.1	**201,716,621**	336,986,413

6.1 Loan-wise movement during the year is as follows:

	Bank of Punjab					Standard Chartered Bank	2013	2012
	Demand Finance - I	Demand Finance - II	Demand Finance - III	Demand Finance - IV	Demand Finance - V	Term Finance	Total	Total
	Rupees							
Balance at July 01	9,532,001	6,450,001	79,357,000	143,646,000	122,086,000	103,130,703	**464,201,705**	533,756,246
Obtained during the year	-	-	-	-	-	-	**-**	7,154,000
	9,532,001	6,450,001	79,357,000	143,646,000	122,086,000	103,130,703	**464,201,705**	540,910,246
Paid during the year	(9,532,001)	(3,224,000)	(26,454,000)	(45,101,000)	(46,867,000)	(20,625,541)	**(151,803,542)**	(76,708,541)
	-	3,226,001	52,903,000	98,545,000	75,219,000	82,505,162	**312,398,163**	464,201,705
Payable within next one year	-	(3,226,001)	(26,454,000)	(35,300,000)	(25,076,000)	(20,625,541)	**(110,681,542)**	(127,215,292)
Balance at June 30	-	-	26,449,000	63,245,000	50,143,000	61,879,621	**201,716,621**	336,986,413

Limit	100 million	16.123 million	132.265 million	150 million	122.089 million	123 million
Mark up rate (per annum)	SBP rate +200 bps (2012: SBP rate +200 bps)	SBP rate +200 bps (2012: SBP rate +200 bps)	SBP rate +300 bps (2012: SBP rate +300 bps)	SBP rate +250 bps (2012: SBP rate +250 bps)	SBP rate +250 bps (2012: SBP rate +250 bps)	6 months KIBOR-3% (2012: 6 months KIBOR-3%)
Installment repayable	Bi-annually	Bi-annually	Bi-annually	Bi-annually	Bi-annually	Bi-annually
Mark up payable	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Bi-annually
Loan period	7 years	7 years	7 years	5 years	5 years	6 years
Grace period	2 years from last drawn date	2 years from last drawn date	2 years from last drawn date	1 year from last drawn date	1 year from last drawn date	1 year from last drawn date
Sub-note	6.2	6.3	6.3	6.4	6.5	6.6

6.2 The loan is secured by first pari passu fixed charge on all present and future fixed assets including land, building, plant and machinery registered with the SECP with 25% margin by way of second Supplemental Memorandum of Deposit of Title Deed dated January 20, 2009.

6.3 These loans are secured by first pari passu fixed charge on all present and future plant and machinery through first Supplemental Memorandum of Deposit of Title Deed dated April 9, 2008 duly registered with the SECP with 25% margin.

6.4 The loan is secured by way of first pari passu fixed charge over all present and future fixed assets of the Company including land, building, plant and machinery for Rs. 200 million with 25% margin by way of second supplemental memorandum of deposit of the deed dated December 30, 2010.

6.5 The loan is secured by way of first pari passu fixed charge over all present and future fixed assets of the Company including land, building, plant and machinery for Rs. 183.834 million with 25% margin.

6.6 The liability under cross currency SWAP is converted into six year long term loan in accordance with the Settlement and Release Agreement. The loan is secured by way of first pari passu hypothetication charge over the movable fixed assets of the company for Rs. 138 million with 10 % margin.

6.7 Management considers that there is no significant non compliance of agreements with banking companies where the Company is exposed to penalties.

		Note	2013 Rupees	2012 Rupees
7	**DEFERRED LIABILITIES**			
	Staff gratuity	7.1	**38,977,558**	31,619,766
	Deferred taxation	7.2	**56,393,387**	48,261,986
	Leave encashment	7.3	**4,127,421**	3,212,773
			99,498,366	83,094,525

7.1 Staff gratuity

7.1.1 Movement in liability

	2013 Rupees	2012 Rupees
Balance as at July 01	**31,619,766**	26,731,074
Charge for the year	**12,491,992**	9,775,142
Payments made during the year	**(5,134,200)**	(4,886,450)
Balance as at June 30	**38,977,558**	31,619,766

7.1.2 Balance sheet reconciliation as at June 30

	2013 Rupees	2012 Rupees
Present value of obligations	**41,634,303**	31,130,666
Unrecognized actuarial gain / (loss)	**(2,656,745)**	489,100
	38,977,558	31,619,766

7.1.3 Changes in present value of defined benefit obligation

	2013 Rupees	2012 Rupees
Present value of defined benefit obligation on July 1	**31,130,666**	26,241,974
Current service cost for the year	**8,133,699**	6,101,266
Interest cost for the year	**4,358,293**	3,673,876
Benefits paid during the year	**(5,134,200)**	(4,886,450)
Actuarial loss on present value of defined benefit obligation	**3,145,845**	-
Present value of defined benefit obligation on June 30	**41,634,303**	31,130,666

7.1.4 Amount recognized in profit or loss

	2013 Rupees	2012 Rupees
Service cost	**8,133,699**	6,101,266
Interest cost	**4,358,293**	3,673,876
	12,491,992	9,775,142

7.1.5 Changes in actuarial gains / losses

	2013 Rupees	2012 Rupees
Unrecognized actuarial gains as at July 1	**489,100**	489,100
Actuarial losses arised during the year	**(3,145,845)**	-
Unrecognized actuarial gains / (losses) as at June 30	**(2,656,745)**	489,100

7.1.6 Principal actuarial assumptions

The Project Unit Credit Method based on the following significant assumptions was used for the valuation of the scheme. The basis of recognition are as follows:

	2013	2012
Expected rate of increase in salaries (% per annum)	**9.5%**	13%
Discount factor used (% per annum)	**10.5%**	12.5%
Expected average remaining working lives	**6 Years**	6 Years

7.1.7 Experience adjustments

	2013	2012	2011	2010	2009
	………	………	Rupees	………	………
Present value of obligations	**41,634,303**	31,130,666	26,241,974	24,810,189	21,285,170
Fair value of plan assets	**-**	-	-	-	-
Deficit	**41,634,303**	31,130,666	26,241,974	24,810,189	21,285,170
Actuarial gains / (losses) on obligation	**(3,145,845)**	-	489,100	-	461,918

7.2 Deferred taxation

	Opening balance	Recognized in profit and loss account	Recognized in surplus on revaluation of assets	Closing balance
	----------	---------- Rupees	----------	----------
Movement for the year ended June 30, 2013				
Deferred tax liabilities on taxable temporary differences arising in respect of:				
- property, plant and equipment - owned assets	**47,726,002**	**(6,510,870)**	**-**	**41,215,132**
- surplus on revaluation of property, plant and equipment	**5,975,557**	**(551,421)**	**15,735,200**	**21,159,336**
	53,701,559	**(7,062,291)**	**15,735,200**	**62,374,468**
Deferred tax assets on deductible temporary differences arising in respect of:				
- staff gratuity	**(3,148,116)**	**(108,561)**	**-**	**(3,256,677)**
- doubtful debts	**(2,291,457)**	**(432,947)**	**-**	**(2,724,404)**
	(5,439,573)	**(541,508)**	**-**	**(5,981,081)**
	48,261,986	**(7,603,799)**	**15,735,200**	**56,393,387**
Movement for the year ended June 30, 2012				
Deferred tax liabilities on taxable temporary differences arising in respect of:				
- property, plant and equipment - owned assets	81,855,912	(34,129,910)	-	47,726,002
- surplus on revaluation of property, plant and equipment	13,948,179	(663,951)	(7,308,671)	5,975,557
	95,804,091	(34,793,861)	(7,308,671)	53,701,559
Deferred tax assets on deductible temporary differences arising in respect of:				
- staff gratuity	(5,591,071)	2,442,955	-	(3,148,116)
- doubtful debts	(5,859,712)	3,568,255	-	(2,291,457)
- stores and spares	(857,985)	857,985	-	-
- stock-in-trade	(191,132)	191,132	-	-
	(12,499,900)	7,060,327	-	(5,439,573)
	83,304,191	(27,733,534)	(7,308,671)	48,261,986

		Note	2013 Rupees	2012 Rupees
7.3	**Leave encashment**			
	Balance as at July 01		**3,212,773**	2,449,918
	Provision during the year		**4,979,062**	3,795,141
	Paid during the year		**(4,064,414)**	(3,032,286)
	Balance as at June 30		**4,127,421**	3,212,773

		Note	2013 Rupees	2012 Rupees
8	**TRADE AND OTHER PAYABLES**			
	Creditors - others		**106,650,161**	65,593,289
	Accrued liabilities		**58,412,574**	63,922,290
	Advance from customers		**63,131,157**	14,281,032
	Due to associated undertaking	8.1	**211,224**	420,000
	Workers' Profit Participation Fund	8.2	**7,864,691**	4,919,484
	Workers' Welfare Fund		**2,988,583**	1,869,404
	Unpaid and unclaimed dividend		**6,238,977**	5,663,959
	Retention payable		**1,386,822**	2,719,957
	Withheld Sales Tax Payables		**1,003,050**	-
	Others		**1,961,074**	1,392,290
			249,848,313	160,781,705

8.1 This represents payable to Shahnawaz (Private) Limited on account of software modification charges.

		Note	2013 Rupees	2012 Rupees
8.2	**Workers' Profit Participation Fund**			
	Balance as at July 01		**4,919,484**	13,011,139
	Interest on funds utilized in the Company's business		**67,222**	1,459,425
			4,986,706	14,470,564
	Payments made during the year		**(4,986,706)**	(14,470,564)
			-	-
	Allocation for the year		**7,864,691**	4,919,484
	Balance as at June 30		**7,864,691**	4,919,484

		2013 Rupees	2012 Rupees
9	**INTEREST ACCRUED**		
	Interest accrued on:		
	- long-term financing	**9,520,540**	14,609,481
	- short-term borrowings	**4,013,100**	12,533,437
		13,533,640	27,142,918

10 SHORT-TERM BORROWINGS

	Note	2013 Rupees	2012 Rupees
Under markup arrangements - Secured			
Running finance - from banking companies	10.1	**181,999,934**	424,423,083

10.1 The Company can avail finance facilities from various banks aggregating to Rs. 1,110 million (2012: Rs. 1,010 million). The facilities are secured by second charge over present and future fixed assets by way of equitable mortgage, hypothecation of stocks and book debts. These are subject to mark-up ranging from KIBOR plus 1.25% to 2% per annum (2011: KIBOR plus 1.25% to 2% per annum). The unavailed facilities as at year end were Rs. 928 million (2012: 585.57 million).

	Note	2013 Rupees	2012 Rupees
11 CONTINGENCIES AND COMMITMENTS			
Contingencies			
Guarantees issued by banks on behalf of the Company in favor of Sui Northern Gas Pipelines Limited (SNGPL)		**20,400,000**	20,400,000
Bills discounted not matured - customer's risk		**229,751,167**	293,542,382
Tax contingency has been disclosed in note 30.3 to the financial statements.			
Commitments outstanding			
Capital expenditure		**66,491,650**	-
Letters of credit other than for capital expenditure		**4,199,000**	5,228,435
Sales contracts to be executed		**505,346,922**	225,669,696

	Note	2013 Rupees	2012 Rupees
12 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	12.1	**985,792,604**	884,750,166
Capital work in progress	12.6	**9,838,956**	-
		995,631,560	884,750,166

12.1 Operating fixed assets

	Freehold land	Buildings on freehold land: Factory building	Labour colony	Marketing Office & others	Plant and machinery	Furniture and fixtures	Equipment and installations	Computer equipment	Vehicles	Others - arms	Total
	Rupees										
Year ending June 30, 2013											
As at July 01											
Cost / revalued	31,121,190	158,091,786	33,383,890	20,376,434	1,361,413,519	4,821,446	4,051,978	6,088,266	32,291,592	80,470	1,651,720,571
Accumulated depreciation	-	(72,783,340)	(19,395,901)	(4,769,103)	(648,532,880)	(3,035,347)	(1,447,517)	(3,995,798)	(12,942,460)	(68,059)	(766,970,405)
Net book value	31,121,190	85,308,446	13,987,989	15,607,331	712,880,639	1,786,099	2,604,461	2,092,468	19,349,132	12,411	884,750,166
Additions / transfer	-	1,353,414	-	88,144	6,405,886	664,339	1,721,400	1,260,226	1,028,297	-	12,521,706
Disposals / write off	-	-	-	-	-				(2,208,254)	-	(2,208,254)
Revaluation during the year - accumulated depreciation	-	-	-	-	176,288,896	-	-	-	-	-	176,288,896
Depreciation charge for the year	-	(8,556,534)	(1,398,799)	(780,728)	(71,575,421)	(193,390)	(376,124)	(728,126)	(3,871,529)	(1,241)	(87,481,892)
Transfers of depreciation	-	-	-	-	-	-	-	-	1,921,982	-	1,921,982
Closing net book value	**31,121,190**	**78,105,326**	**12,589,190**	**14,914,747**	**824,000,000**	**2,257,048**	**3,949,737**	**2,624,568**	**16,219,628**	**11,170**	**985,792,604**
As at June 30											
Cost / revalued	31,121,190	159,445,200	33,383,890	20,464,578	1,367,819,405	5,485,785	5,773,378	7,348,492	31,111,635	80,470	1,662,034,023
Accumulated depreciation	-	(81,339,874)	(20,794,700)	(5,549,831)	(543,819,405)	(3,228,737)	(1,823,641)	(4,723,924)	(14,892,007)	(69,300)	(676,241,419)
Net book value	**31,121,190**	**78,105,326**	**12,589,190**	**14,914,747**	**824,000,000**	**2,257,048**	**3,949,737**	**2,624,568**	**16,219,628**	**11,170**	**985,792,604**
Depreciation rate	-	10%	10%	5%	10%	10%	10%	30%	20%	10%	
Year ending June 30, 2012											
As at July 01											
Cost / revalued	31,121,190	108,861,529	33,319,962	7,342,359	1,219,779,559	4,693,798	3,021,320	7,999,779	25,648,451	80,470	1,441,868,417
Accumulated depreciation	-	(68,318,817)	(17,848,191)	(4,576,501)	(583,696,639)	(2,898,505)	(1,584,199)	(5,560,078)	(13,622,035)	(66,680)	(698,171,645)
Net book value	31,121,190	40,542,712	15,471,771	2,765,858	636,082,920	1,795,293	1,437,121	2,439,701	12,026,416	13,790	743,696,772
Additions / transfer	-	49,230,257	63,928	13,034,075	141,633,960	196,982	1,536,286	672,266	11,349,175	-	217,716,929
Disposals / write off	-	-	-	-	-	(69,334)	(505,628)	(2,583,779)	(4,706,034)	-	(7,864,775)
Depreciation charge for the year	-	(4,464,523)	(1,547,710)	(192,602)	(64,836,241)	(184,755)	(154,076)	(852,100)	(3,011,319)	(1,379)	(75,244,705)
Transfers of depreciation	-	-	-	-	-	47,913	290,758	2,416,380	3,690,894	-	6,445,945
Closing net book value	**31,121,190**	**85,308,446**	**13,987,989**	**15,607,331**	**712,880,639**	**1,786,099**	**2,604,461**	**2,092,468**	**19,349,132**	**12,411**	**884,750,166**
As at June 30											
Cost / revalued	31,121,190	158,091,786	33,383,890	20,376,434	1,361,413,519	4,821,446	4,051,978	6,088,266	32,291,592	80,470	1,651,720,571
Accumulated depreciation	-	(72,783,340)	(19,395,901)	(4,769,103)	(648,532,880)	(3,035,347)	(1,447,517)	(3,995,798)	(12,942,460)	(68,059)	(766,970,405)
Net book value	**31,121,190**	**85,308,446**	**13,987,989**	**15,607,331**	**712,880,639**	**1,786,099**	**2,604,461**	**2,092,468**	**19,349,132**	**12,411**	**884,750,166**
Depreciation rate	-	10%	10%	5%	10%	10%	10%	30%	20%	10%	

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

	Note	2013 Rupees	2012 Rupees
Cost of goods sold	24	**81,662,131**	70,986,767
Distribution cost	26	**649,352**	-
Administrative expenses	27	**5,170,409**	4,257,938
		87,481,892	75,244,705

12.3 The Company had its plant and machinery revalued in February 2003, March 2008 and June 2013 by M/s Minhas Associates, M/s Projects (Private) Limited and M/s Joseph Lobo (Private) Limited respectively. The revaluation surplus, net of deferred tax, is credited to 'Surplus on revaluation of property, plant and equipment'.

12.4 Had there been no revaluation, the carrying amount of the relevant plant and machinery would have been as follows:

	2013 Rupees	2012 Rupees
Cost	**1,209,417,258**	1,203,011,372
Accumulated depreciation	**(615,722,951)**	(550,149,396)
Written down value	**593,694,307**	652,861,976

12.5 **Disposal of property, plant and equipment**

Particulars	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Mode of Disposal	Name
Vehicle	1,536,614	1,314,810	221,804	500,000	Negotiation	Mr. Iftkhar Khan
Vehicle	560,650	532,563	28,087	300,000	Stolen	Claim from EFU
Motor Cycle	53,290	35,828	17,462	25,244	Company's policy	Wasim Ur Rahman (Staff)
Motor Cycle	57,700	38,781	18,919	27,660	Company's policy	Tahir Umair (Staff)
June 30,2013	**2,208,254**	**1,921,982**	**286,272**	**852,904**		

12.6 **Capital work in progress**

	Civil work	Plant and machinery	Total
		……………………… Rupees ………………………	
As at July 1, 2011	314,081	115,029,790	**115,343,871**
Additions	62,207,486	25,679,851	**87,887,337**
Transferred to fixed assets	(62,519,704)	(140,658,857)	**(203,178,561)**
Adjustments	(1,863)	(50,784)	**(52,647)**
As at June 30, 2012	-	-	**-**
Additions	1,441,558	12,678,816	**14,120,374**
Transferred to fixed assets	(1,441,558)	(2,839,860)	**(4,281,418)**
As at June 30, 2013	-	9,838,956	**9,838,956**

		Note	2013 Rupees	2012 Rupees
13	**LONG-TERM LOANS**			
	Considered good - unsecured			
	Employees		**895,543**	968,935
	Less: Recoverable within one year shown under current assets			
	Employees	18	**(292,752)**	(291,996)
		13.1	**602,791**	676,939
13.1	Reconciliation of carrying amount of long term loans given is as follows:			
	Balance as at July 1,		**968,935**	1,408,386
	Disbursements during the year		**300,000**	250,000
			1,268,935	1,658,386
	Received during the year		**(373,392)**	(689,451)
	Balance as at June 30,		**895,543**	968,935
	Current portion of long term loans		**(292,752)**	(291,996)
			602,791	676,939

13.2 Unsecured loans to employees are provided for house building and settling-in purposes as per the Company's policy. These include both interest bearing and non-interest bearing loans, repayable by way of 60 equal monthly installments. Interest is charged at the rate of 10% (2012: 10%) per annum. Interest free loans to employees have not been discounted as required by IAS 39 "Financial Instruments: Recognition and Measurement" as amounts involved are deemed immaterial.

		2013 Rupees	2012 Rupees
14	**LONG-TERM DEPOSITS**		
	Security deposits		
	Utilities	**27,223,944**	27,223,944
	Others	**86,393**	86,393
		27,310,337	27,310,337
15	**STORES, SPARES AND LOOSE TOOLS**		
	Stores	**20,492,154**	16,767,142
	Spares	**19,005,418**	23,803,216
	Loose tools	**2,308,733**	1,724,854
		41,806,305	42,295,212
	Provision for obsolete stores and spares		
	Balance as at July 01	**-**	(4,102,054)
	Provision made during the year	**1,033,737**	-
	Written off during the year	**(1,033,737)**	4,102,054
	Balance as at June 30	**-**	-
		41,806,305	42,295,212

		Note	2013 Rupees	2012 Rupees
16	**STOCK-IN-TRADE**			
	Raw and packing materials		**80,530,535**	115,041,157
	Work-in-process		**39,470,045**	53,262,873
	Finished goods		**179,911,840**	147,907,743
			299,912,420	316,211,773
	Provision for obsolete stock in trade-(Raw material)			
	Balance as at July 01		**-**	(913,812)
	Provision made during the year		**98,796**	-
	Written off during the year		**(98,796)**	913,812
	Balance as at June 30		**-**	-
			299,912,420	316,211,773
17	**TRADE DEBTS**			
	Secured - considered good			
	Export	17.1	**81,316,277**	17,765,111
	Local	17.1	**5,028,277**	-
			86,344,554	17,765,111
	Unsecured - considered good			
	Local		**236,111,004**	492,617,297
	Unsecured - considered doubtful			
	Local		**26,122,642**	23,015,453
	Provision for doubtful debts	17.3	**(26,122,642)**	(23,015,453)
			-	-
		17.2	**322,455,558**	510,382,408

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

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

		Note	2013 Rupees	2012 Rupees
17.3	**Movement of provision for doubtful debts**			
	Balance as at July 01		**23,015,453**	28,015,453
	Provision made during the year		**59,604,040**	23,015,453
	Reversal during the year		**(3,000,000)**	-
	Provision for doubtful debts - net		**56,604,040**	23,015,453
	Written off during the year		**(53,496,851)**	(28,015,453)
	Balance as at June 30		**26,122,642**	23,015,453

		Note	2013 Rupees	2012 Rupees
18	**LOANS AND ADVANCES**			
	Advances - considered good			
	Employees		**203,746**	237,185
	Suppliers and contractors		**10,277,933**	1,417,526
			10,481,679	1,654,711
	Current portion of long-term loans			
	Employees	13	**292,752**	291,996
			10,774,431	1,946,707

		Note	2013 Rupees	2012 Rupees
19	**TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**			
	Trade deposits			
	Container deposits		**129,520**	55,000
	Short-term prepayments			
	Import prepayments		**4,205,808**	12,169
	Subscription		**50,760**	50,760
	Discounting charges		**-**	1,145,954
			4,256,568	1,208,883
			4,386,088	1,263,883
20	**OTHER RECEIVABLES**			
	Export rebate		**4,073,407**	2,514,477
	Due from associated undertaking	20.1	**5,400**	-
	Others		**469,632**	9,075,740
			4,548,439	11,590,217

20.1 This represents amounts due from Shahtaj Sugar Mills Limited (associated company) of Rs. 5,400 (2012: Rs. Nil) in respect of secretarial services provided by the Company.

		Note	2013 Rupees	2012 Rupees
21	**OTHER FINANCIAL ASSETS**			
	Investment - held-to-maturity			
	- treasury bill	21.1	**5,984,397**	-
	- term deposit		**-**	4,400,000
			5,984,397	4,400,000

21.1 This represents investment made in 3 months treasury bills having maturity date September 19, 2013 with a mark-up rate of 8.82% per annum (2012: TDR 9.75% per annum).

		Note	2013 Rupees	2012 Rupees
22	**CASH AND BANK BALANCES**			
	Cash at bank			
	- current accounts		**4,262,716**	10,247,087
	- savings account	22.1	**258,915**	131,021
	Cash in hand		**68,484**	393,217
			4,590,115	10,771,325

22.1 This carries mark-up rate of 5% per annum (2012: 5% per annum).

		Note	2013 Rupees	2012 Rupees
23	**SALES - net**			
	Local		**1,132,067,869**	1,214,275,951
	Indirect export		**2,015,497,071**	2,031,873,883
	Export		**1,067,539,993**	752,937,197
			4,215,104,933	3,999,087,031
	Export rebate		**1,953,148**	1,528,775
			4,217,058,081	4,000,615,806
	Commission		**(21,596,353)**	(15,596,446)
			4,195,461,728	3,985,019,360

		Note	2013 Rupees	2012 Rupees
24	**COST OF GOODS SOLD**			
	Raw and packing materials consumed	24.1	**3,202,218,406**	3,035,678,194
	Stores and spares consumed	24.2	**43,776,958**	39,445,629
	Manufacturing expenses			
	Salaries, wages and benefits	24.3	**132,092,541**	110,641,243
	Director's remuneration		**3,438,900**	3,163,800
	Fuel and power		**297,602,895**	253,492,924
	Repairs and maintenance		**3,657,689**	4,273,629
	Insurance		**3,990,353**	3,610,029
	Depreciation	12.2	**81,662,131**	70,986,767
	Others		**383,021**	429,457
			3,768,822,894	3,521,721,672
	Work-in-process			
	Opening stock		**53,262,873**	63,054,104
	Closing stock	16	**(39,470,045)**	(53,262,873)
			13,792,828	9,791,231
	Cost of goods manufactured		**3,782,615,722**	3,531,512,903
	Finished goods			
	Opening stock		**147,907,743**	242,057,626
	Closing stock	16	**(179,911,840)**	(147,907,743)
			(32,004,097)	94,149,883
			3,750,611,625	3,625,662,786
	Outside processing charges		**25,216,189**	26,684,446
			3,775,827,814	3,652,347,232

		Note	2013 Rupees	2012 Rupees
24.1	**Raw and packing materials consumed**			
	Opening stock		**115,041,157**	122,218,059
	Purchases and related expenses		**3,167,707,784**	3,028,501,292
			3,282,748,941	3,150,719,351
	Closing stock	16	**(80,530,535)**	(115,041,157)
			3,202,218,406	3,035,678,194
24.2	**Stores and spares consumed**			
	Opening stock		**42,295,212**	46,655,123
	Purchases and purchase expenses		**43,288,051**	35,085,718
			85,583,263	81,740,841
	Closing stock	15	**(41,806,305)**	(42,295,212)
			43,776,958	39,445,629

24.3 Salaries, wages and benefits include Rs. 8,126,572 (2012: Rs. 6,112,078) and Rs. 3,778,765 (2012: 2,807,577) in respect of staff gratuity and leave encashment respectively.

		Note	2013 Rupees	2012 Rupees
25	**OTHER INCOME**			
	Income from financial assets			
	Interest on bank deposits		**360,476**	456,372
	Interest on treasury bill		**4,335**	-
	Income from other than financial assets			
	Net income from trading	25.1	**195**	73,054
	Waste sales		**13,290,550**	17,937,771
	Exchange gain		**698,312**	-
	Gain on sale of property, plant and equipment		**566,632**	1,071,703
			14,920,500	19,538,900
25.1	**Net income from trading**			
	Sales - Local		**187,395**	1,363,500
	Cost - Purchases and related expenses		**(187,200)**	(1,290,446)
			195	73,054

26 DISTRIBUTION COST

	Note	2013 Rupees	2012 Rupees
Export related			
Ocean freight		**31,012,138**	23,277,154
Insurance		**254,931**	477,136
Forwarding		**163,000**	133,000
Export duty		**2,932,011**	2,202,531
Entertainment		**-**	5,650
Postage and courier		**383,189**	266,310
Fees and subscription		**25,504**	339,400
Travelling and conveyance		**2,412,522**	2,346,564
Other expenses		**612,970**	986,724
		37,796,265	30,034,469
Local			
Salaries and benefits	26.1	**12,925,275**	11,036,387
Local freight		**1,318,054**	1,694,210
Travelling and conveyance		**955,919**	538,330
Sales promotion		**690,715**	863,196
Marketing office		**2,342,963**	2,480,046
Depreciation		**649,352**	-
Insurance		**48,162**	14,621
Other expenses		**249,038**	25,948
		19,179,478	16,652,738
		56,975,743	46,687,207

26.1 Salaries and benefits include Rs. 1,386,538 (2012: Rs. 1,308,340) and Rs. 268,225 (2012: Rs. 233,743) in respect of staff gratuity and leave encashment respectively.

27 ADMINISTRATIVE EXPENSES

	Note	2013 Rupees	2012 Rupees
Salaries and benefits	27.1	**35,371,970**	29,479,218
Director's remuneration		**6,820,000**	5,060,000
Provision for doubtful debts / written off - net	17.3	**56,604,040**	23,015,453
Travelling and conveyance		**1,202,198**	1,460,455
Vehicles running and maintenance		**5,057,357**	5,006,915
Telephone and fax		**717,199**	903,844
Postage and courier		**385,433**	481,607
Printing and stationery		**2,207,798**	1,990,425
Computer expenses		**1,155,558**	1,184,636
Rent, rates and taxes		**340,032**	340,212
Repairs and maintenance		**562,049**	1,299,085
Insurance		**980,347**	1,012,668
Auditors' remuneration	27.2	**648,571**	605,470
Legal and professional charges		**1,786,300**	681,085
Advertising		**131,700**	93,487
Entertainment		**185,242**	258,975
Fees and subscription	27.4	**1,276,404**	1,074,313
Donations	27.3	**100,000**	300,000
Depreciation	12.2	**5,170,409**	4,257,938
Share registrar services		**126,566**	138,084
Other expenses		**1,526,740**	1,072,164
		122,355,913	79,716,034

27.1 Salaries and benefits include Rs. 2,978,882 (2012: Rs. 2,354,724) and Rs. 932,072 (2012: Rs. 753,821) in respect of staff gratuity and leave encashment respectively.

		2013 Rupees	2012 Rupees
27.2	**Auditors' remuneration**		
	Audit fee	**500,000**	500,000
	Half yearly review fee	**50,000**	50,000
	Out of pocket expenses	**98,571**	55,470
		648,571	605,470

27.3 No director or his / her spouse had any interest in the donee institutions.

27.4 This includes fee paid to non-executive directors during the year amounting to Rs. 720,000 (2012: Rs. 350,000).

		2013 Rupees	2012 Rupees
28	**OTHER OPERATING EXPENSES**		
	Workers' Profit Participation Fund	**7,864,691**	4,919,484
	Workers Welfare Fund	**2,988,583**	1,869,404
	Exchange loss	**-**	2,960,518
	Property, plant and equipment written off	**-**	351,716
	Stores and spares written off	**1,033,737**	2,849,771
		11,887,011	12,950,893
29	**FINANCE COST**		
	Mark-up on:		
	Long-term financing	**40,507,505**	52,484,570
	Short-term borrowings	**41,803,641**	63,849,820
	Discounting charges	**9,600,626**	-
	Interest on Workers' Profit Participation Fund	**67,222**	1,459,425
	Bank charges and commission	**4,916,202**	3,467,097
		96,895,196	121,260,912

		Note	2013 Rupees	2012 Rupees
30	**TAXATION**			
	Current			
	for the year		**36,558,100**	40,175,542
	for prior years		**4,588,273**	(8,125,878)
	Deferred		**(7,603,799)**	(27,733,534)
		30.1	**33,542,574**	4,316,130
30.1	**Relationship between tax expense and accounting profit**			
	Accounting profit before tax		**146,440,551**	91,595,982
	Tax rate %		**35%**	35%
	Tax on accounting profit		**51,254,193**	32,058,594
	Income tax for prior years		**4,588,273**	(8,125,878)
	Effect of income subject to final tax regime		**(29,395,985)**	(19,767,641)
	Effect of income subject to minimum tax		**(1,702,237)**	151,055
	Effect of tax credits		**7,429,966**	-
	Effect on deferred tax balances due to change in rate		**1,061,764**	-
	Others		**306,600**	-
	Tax charge for the year		**33,542,574**	4,316,130

30.2 The return of income for the tax year 2012, has been filed as per the provision of section 120 of the Income Tax Ordinance, 2001. Under this section when a complete return of income is filed with the Commissioner, it results in deemed assessment of taxable income / loss and tax payable / refundable on the date return is filed.

30.3 The Company received an amended order on June 29, 2012 under section 124 of the Income Tax Ordinance 2001, pertaining to the tax year 2009, from Deputy Commissioner Inland Revenue raising additional demand of Rs. 18.4 million amending the original demand of Rs. 49.79 million. The Company has filed an appeal to the Income Tax Appellate Tribunal (ITAT) for rectification of the said order the decision of which is pending till the approval of financial statements from BOD. The Company has not made any provision against the said demand based on tax advisor's opinion who expects favorable outcome upon decision.

31 EARNINGS PER SHARE - BASIC AND DILUTED

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

		2013	2012
Profit after taxation for the year	**Rupees**	**112,897,977**	87,279,852
Weighted average number of ordinary shares in issue	**Number**	**9,660,000**	9,660,000
Earnings per share - basic and diluted	**Rupees**	**11.69**	9.04

	Note	2013 Rupees	2012 Rupees
32 CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**4,590,115**	10,771,325
Short-term borrowings	10	**(181,999,934)**	(424,423,083)
		(177,409,819)	(413,651,758)

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2013			2012		
	Chief Executive	**Executive Director**	**Executives**	Chief Executive	Executive Director	Executives
	……… Rupees ………					
Remuneration	**2,640,000**	**1,552,800**	**9,952,409**	1,980,000	1,352,400	7,572,966
Bonus	**440,000**	**169,100**	**1,119,600**	220,000	144,100	765,050
Retirement benefits	**440,000**	**169,100**	**1,223,600**	440,000	321,400	1,772,145
House rent	**1,200,000**	**465,840**	**2,985,109**	900,000	406,320	2,271,641
Ex-gratia	**660,000**	**371,500**	**2,405,140**	440,000	169,100	946,600
Medical	**720,000**	**155,280**	**995,241**	540,000	135,240	757,297
Utilities	**720,000**	**155,280**	**995,241**	540,000	135,240	757,297
Performance reward	**-**	**400,000**	**2,360,000**	-	500,000	2,850,000
Leave encashment	**-**	**-**	**478,408**	-	-	365,092
	6,820,000	**3,438,900**	**22,514,748**	5,060,000	3,163,800	18,058,088
Number of persons	**1**	**1**	**12**	1	1	9

33.1 In addition, the Chief Executive is provided with Company owned and maintained car for personal and official use.

33.2 In addition, the Director and Executives are provided with Company's owned and maintained cars for official use.

33.3 In addition to above, fee paid to other non-executive directors during the year amounted to Rs. 720,000 (2012: Rs. 350,000).

34 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, key management personnel and post employment benefit plans. The transactions between the Company and the related parties are carried out as per agreed terms. Amounts due from and to related parties have been disclosed in the notes to the financial statement as follows:

- Due from associated undertakings under other receivables in note 20
- Due to associated undertakings under payables in note 8,

Remuneration of key management personnel is disclosed in note 33.

Other significant transactions with related parties are as follows:

Relationship with the Company	**Name**	**Nature of transactions**	**2013 Rupees**	2012 Rupees
Associated undertakings	Shahtaj Sugar Mills Limited	Services rendered	**360,000**	360,000
	Shahnawaz (Private) Limited	Computers, miscellaneous computer supplies and others purchased	**7,068,211**	500,566
		Services received for office facility	**675,532**	673,212
		Software development charges	**780,400**	845,000
		Purchase of vehicle	**-**	1,850,000
		Services received for vehicle repair and other computer related	**62,669**	178,687
	Shezan International Limited	Purchase of goods	**304,074**	341,581

35 NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

Subsequent to year end, the directors propose to pay cash dividend of Rs. 4.00 (2012: Rs. 3.50) per ordinary share of Rs. 10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been reflected as a liability in these financial statements, which will be accounted for subsequently after the approval of shareholders.

36 FINANCIAL RISK MANAGEMENT

36.1 The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. The responsibility includes developing and monitoring the Company's risk management policies. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures. The Company's exposure to the risks associated with the financial instruments and the risk management policies and procedures are summarized in the following paragraphs:

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

36.3 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns. The exposure to these risks and their management is explained below.

36.3.1 Interest rate risk management

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will effect the value of financial instruments. The Company has significant amount of interest-based financial assets and financial liabilities based on both variable and fixed interest / mark-up rates. The Company has to manage the related finance cost on variable financial instruments, which exposes it to the risk of six months KIBOR and SBP's rate plus 200 bps to 250 bps. Since the exposure of interest rate influence the Company, management analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account other financing options available.

36.3.1.1 Interest rate sensitivity

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Company's profit for the year ended June 30, 2013 would increase / decrease by Rs. 3.24 million (2012: Rs. 5.28 million). This is mainly attributable to Company's exposure to interest rates on its variable rate borrowings, calculated on the variable rates applicable for the subsequent period.

36.3.1.2 The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2013	2012
	Rupees	Rupees
6 months or less:		
- Short-term borrowings	**181,999,934**	424,423,083
- Long-term loans including current portion	**82,508,162**	103,130,703

36.3.2 Foreign currency risk management

Currency risk arises mainly where receivables exist due to transactions with foreign undertakings and balances held in foreign currency. As at June 30, 2013, the total foreign currency risk exposure (on US Dollar) was Rs. 83.23 million (2012: Rs. 17.80 million) in respect of trade debts.

36.3.2.1 Foreign currency sensitivity analysis

At June 30, 2013, if the Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, profit for the year would have been higher / lower by Rs. 8.13 million (2012: Rs. 1.78 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency trade debts.

36.3.3 Equity price risk management

Equity 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 any such equity price risk as at year end.

36.4 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company does not have any significant exposure to customers from any single country or single customer.

Credit risk of the Company arises mainly from the trade debts, long-term deposits, and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2013	2012
	Rupees	Rupees
Long-term loans	**602,791**	676,939
Long-term deposits	**27,310,337**	27,310,337
Trade debts	**322,455,558**	510,382,408
Loans and advances	**10,774,431**	529,181
Trade deposits	**129,520**	55,000
Interest accrued	**-**	21,156
Other receivables	**475,032**	9,075,740
Other financial assets	**-**	4,400,000
Bank balances	**4,521,631**	10,378,108
	366,269,300	562,828,869

36.4.1 Credit risk related to receivables

The Company's main credit exposure is with trade receivables. The Company has adopted a policy of only dealing with creditworthy counterparties and majority of the transactions are made through post dated cheques. Further, the Company’s credit exposure is continuously monitored and the aggregate value of transactions are spread amongst approved counterparties, and overdue counterparties are pursued efficiently by the management for recovery. 25% (2012: 4%) of the credit exposure of the Company at year end is secured against letters of credit.

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate. The Company has major credit exposure with Nishat 28.508 million, Apex 12.97 million, Al-Abid 58.846 million, MK Sons 18.2 million, Rauf Textile 15 million, Madina enterprises 46 million, which is 52% of the total trade receivables as at year end.

The total exposure of the Company in trade debts is Rs. 348.58 million (2012: Rs. 533.40 million), which has been discussed as follows:

The Company has the policy to grant credit of 7 days to 120 days to their customers. The exposure of the Company in trade receivables, which are neither overdue nor impaired, is Rs. 187.25 million (2012: Rs. 271.53 million).

Trade receivables, which have crossed their credit days limits, amounting to Rs. 161.32 million (2012: Rs. 261.87 million) for which the company has provided Rs. 26.1 million (2012: 23 million) and the remaining amounts are still considered recoverable.

The aging of such overdue but not impaired trade receivable is as follows:

	2013	2012
	Rupees	Rupees
Less than 1 month	**38,327,457**	95,058,000
1 - 3 months	**-**	63,973,895
3 - 6 months	**411,912**	65,824,143
6 months - 1 year	**90,332,299**	8,053,373
1 - 3 years	**6,129,555**	5,151,467
More than 3 years	**-**	796,248
	135,201,223	238,857,126

The aging of overdue and impaired trade receivables is as follows:

1 - 3 years	**26,122,642**	23,015,453

36.4.2 Credit risk related to cash and bank balances

Cash is held with reputable banks with high quality credit ratings assigned by approved credit rating agencies. The names and credit rating of major banks where the Company maintains its bank balances are as follows:

Name of bank	Rating agency	Credit rating Short-term	Credit rating Long-term
Habib Bank Limited	JCR-VIS	A-1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+
Faysal Bank Limited	JCR-VIS	A-1+	AA
Bank of Punjab	PACRA	A1+	AA-
Bank Alfalah Limited	PACRA	A1+	AA
Allied Bank Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA

36.5 Liquidity risk management

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

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and long-term loans. 69% of the Company's long-term and short-term debt will mature in less than one year at June 30, 2013 (2012: 67%) based on the carrying value of borrowings as given below. However, the Company has an un-availed aggregated short-term and long-term borrowings facilities of Rs. 928 million (2012: Rs. 525 million) which can be utilized to encounter unseen liquidity problems.

36.5.1 Liquidity and interest risk table

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

	2013				
	Long-term financing	**Short-term borrowings**	**Trade and other payables**	**Interest accrued**	**Total**
	Rupees				
With in 1 year	**137,924,273**	**181,999,934**	**175,864,966**	**13,533,640**	**509,322,813**
1 - 5 years	**224,887,458**	**-**	**-**	**-**	**224,887,458**
More than 5 years	**-**	**-**	**-**	**-**	**-**
	362,811,731	**181,999,934**	**175,864,966**	**13,533,640**	**734,210,271**
Weighted average effective rate of interest	**12.08%**	**12.08%**			

	2012				
	Long-term financing	Short-term borrowings	Trade and other payables	Interest accrued	Total
	Rupees				
With in 1 year	171,819,672	424,423,083	139,711,785	27,142,918	763,097,458
1 - 5 years	382,931,240	-	-	-	382,931,240
More than 5 years	-	-	-	-	-
	554,750,912	424,423,083	139,711,785	27,142,918	1,146,028,698
Weighted average effective rate of interest	10.44%	14.26%			

36.7 Financial instruments by category

The accounting policies for financial instruments have been applied for line items below:

	2013			2012		
	Held to maturity	Loans and receivables	Total	Held to maturity	Loans and receivables	Total
Assets as per balance sheet	.... Rupees					
Long-term loans	-	602,791	602,791	-	676,939	676,939
Long-term deposits	-	27,310,337	27,310,337	-	27,310,337	27,310,337
Trade debts	-	322,455,558	322,455,558	-	510,382,408	510,382,408
Loans and advances	-	496,498	496,498	-	529,181	529,181
Trade deposits	-	129,520	129,520	-	55,000	55,000
Interest accrued	-	13,533,640	13,533,640	-	27,142,918	27,142,918
Other receivables	-	475,032	475,032	-	9,075,740	9,075,740
Other financial assets	5,984,397	-	5,984,397	4,400,000	-	4,400,000
Cash and bank balances	-	4,590,115	4,590,115	-	10,771,325	10,771,325
	5,984,397	369,593,491	375,577,888	4,400,000	585,943,848	590,343,848

	2013		2012	
	Financial liabilities measured at amortized cost	Total	Financial liabilities measured at amortized cost	Total
	.... Rupees		.... Rupees	
Liabilities as per balance sheet				
Long-term financing	312,398,163	312,398,163	464,201,705	464,201,705
Trade and other payables	175,863,882	175,863,882	139,711,785	139,711,785
Interest accrued	13,533,640	13,533,640	27,142,918	27,142,918
Short-term borrowings	181,999,934	181,999,934	424,423,083	424,423,083
	683,795,619	683,795,619	1,055,479,491	1,055,479,491

37 CAPITAL RISK MANAGEMENT

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

The capital structure of the Company consists of share capital and reserves as well as debts of the Company. Share capital and reserves consist of share capital, reserves and unappropriated profit and debts consist of short-term borrowings and long-term financing. The Company manages its capital structure by monitoring return on total capital employed and makes adjustments to it in the light of changes in economic conditions and monitoring its gearing ratio. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders, issue new shares or adjust its debts. The Company's overall strategy is to reduce the gearing ratio gradually. The gearing ratio analysis is as follows:

	2013 Rupees	2012 Rupees
Total borrowings	494,398,097	888,624,788
Less: Cash and bank balances	(4,590,115)	(10,771,325)
Net debt	489,807,982	877,853,463
Total equity	721,324,849	636,786,009
Total capital employed	1,211,132,831	1,514,639,472
Gearing ratio	40%	58%

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

		Note	2013 Rupees	2012 Rupees
38	**PLANT CAPACITY AND ACTUAL PRODUCTION**			
	Number of looms installed		**188**	188
	Number of looms worked		**188**	188
	100% Plant capacity at 60 picks (Sq. Meters)		**69,430,650**	69,430,650
	Actual production converted to 60 picks (Sq. Meters)	38.1	**56,904,976**	54,726,446
	Shifts per day		**3**	3
	Number of days worked during the year		**365**	366

38.1 Calculation of rated capacity is based on a fixed fabric width and looms speed. In actual these factors vary with the ever changing qualities under production. Further, 100% efficiency level is notional and in practice elusive. Hence, actual production figure is less than the rated capacity.

		Note	2013 Rupees	2012 Rupees
39	**NUMBER OF PERSONS EMPLOYED**			
	As on the year end		581	578
	Average number of employees during the year		580	570

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on September 30, 2013.

41 GENERAL

Figures have been rounded off to the nearest rupee.

(M. Naeem)
Chief Executive

(Muneer Nawaz)
Chairman

SHAHTAJ TEXTILE LTD.

PROXY FORM

Please quote

Folio No.	Shares Held

I/We ______________________________ of ______________________________

in the district of ______________________________ being a member of SHAHTAJ TEXTILE LIMITED

hereby appoint ______________________________ of ______________________________

as my/our proxy to vote for me/us and on my/our behalf at the 24th Annual General Meeting of the Company to be held on 31st October, 2013 and at any adjournment thereof.

As withessed given under my/our hand(s) this ____________________ day of __________ 2013.

Wtiness Signature

Name: ______________________________

C.N.I.C. No. ______________________________

Applicable Revenue Stamp

Member's Signature

Notes:

1. This form of Proxy must be deposited duly completed, at the company's Registered Office, not less than 48 hours before the meeting
2. A Proxy of individual members must be a member of the Company.
3. In case of corporates the Board of Directors' resolution/power of attorney with the specimen signature shall be submitted along with proxy form to the company
4. Signature should agree with the specimen signature registered with the Company.
5. For CDC account holders/corporates in addition to the above following requirements have to be met:

   i) Attested copy of C.N.I.C. or the passport of the beneficial owner shall be provided with proxy form.

   ii) Proxy shall produce his/her original C.N.I.C. or original passport at the time of meeting.