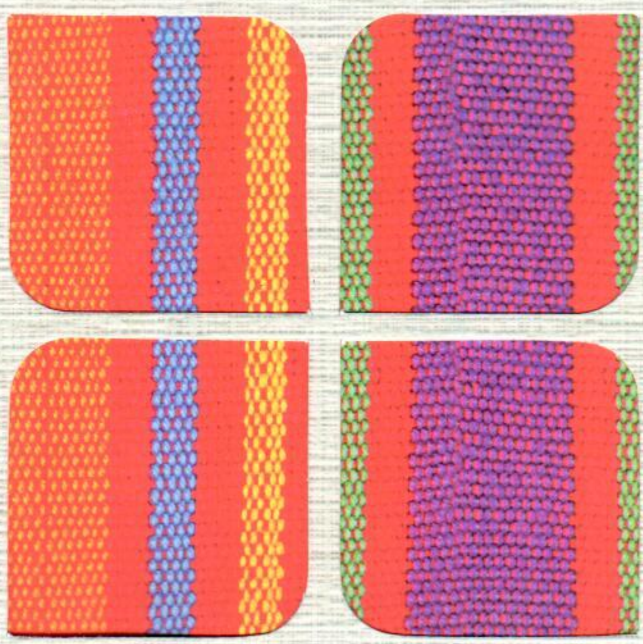
ANNUAL REPORT 2013



GulAhmed®

since1953

from art to attire

ANNUAL REPORT 2013

The making of textiles is no mundane feat. It weaves a sublime harmony between all forms of art and human imagination. It is what artists go through… on Gul Ahmed's journey from art to attire.

vision

Setting trends globally in the textile industry. Responsibly delivering products and services to our partners.

mission

To deliver value to our partners through innovative technology and teamwork. Fulfilling our social and environmental responsibilities.

values

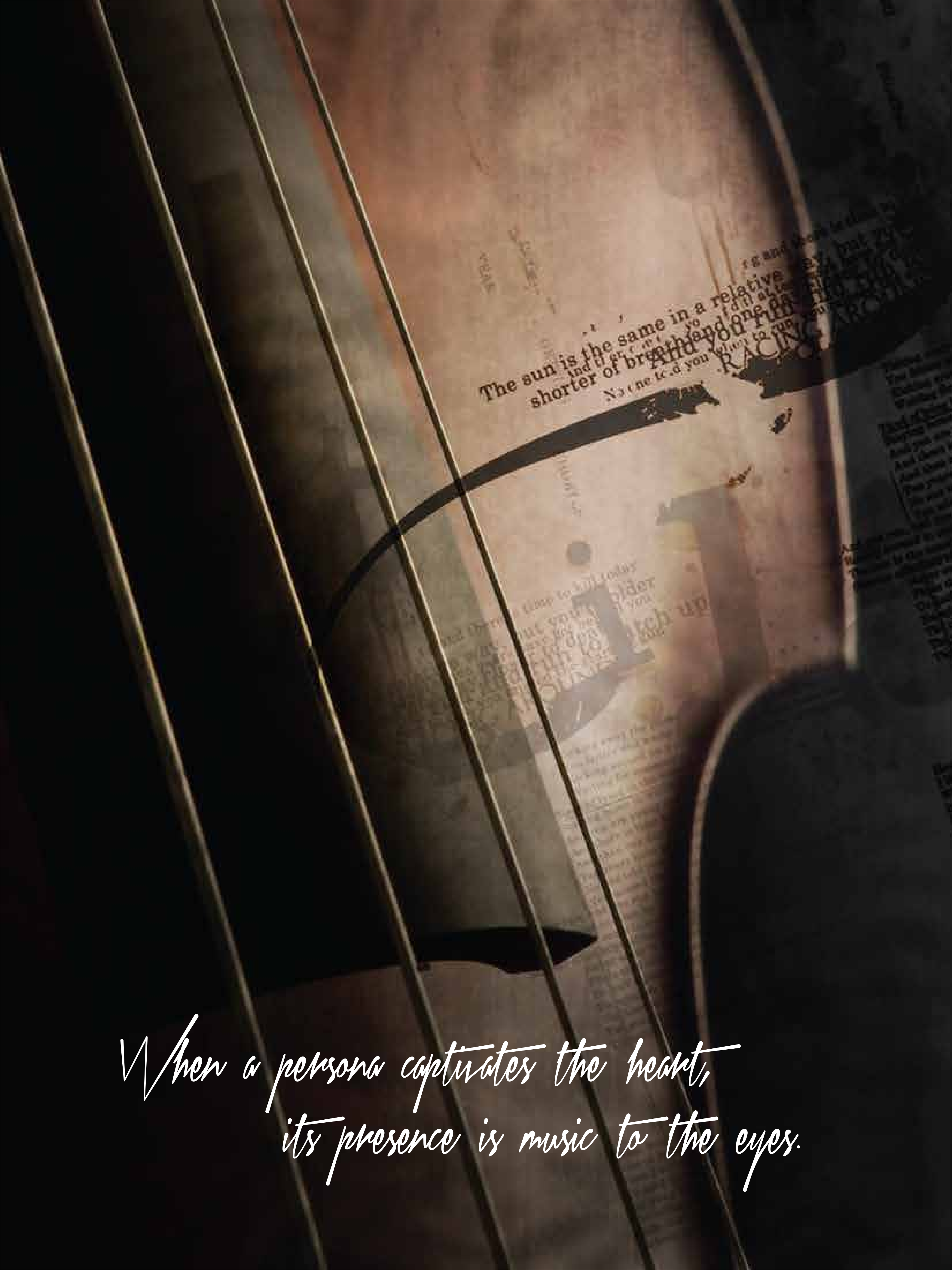
- Integrity
- Passion
- Creativity
- Teamwork

Contents

Company Information

BOARD OF DIRECTORS	MOHOMED BASHIR	- Chairman & Chief Executive
	ZAIN BASHIR	- Non-Executive Director
	ZIAD BASHIR	- Executive Director
	MOHAMMED ZAKI BASHIR	- Executive Director
	ABDUL AZIZ YOUSUF	- Executive Director
	S.M. NADIM SHAFIQULLAH	- Independent Non-Executive Director
	ABDUL RAZAK BRAMCHARI	- Non-Executive Director
	DR. AMJAD WAHEED	- Independent Non-Executive Director
	ADNAN AFRIDI	- Independent Non-Executive Director
CHIEF FINANCIAL OFFICER	MOHAMMED SALEEM SATTAR	
COMPANY SECRETARY	MOHAMMED SALIM GHAFFAR	
AUDIT COMMITTEE	S.M. NADIM SHAFIQULLAH	- Chairman & Member
	ZAIN BASHIR	- Member
	MOHAMMED ZAKI BASHIR	- Member
	MOHAMMED SALIM GHAFFAR	- Secretary
HUMAN RESOURCE AND REMUNERATION COMMITTEE	ZAIN BASHIR	- Chairman & Member
	S.M. NADIM SHAFIQULLAH	- Member
	ABDUL AZIZ YOUSUF	- Member
	MOHAMMED SALIM GHAFFAR	- Secretary
BANKERS		
	ALLIED BANK LIMITED	
	BANK AL HABIB LIMITED	
	BARCLAYS BANK PLC PAKISTAN	
	BANK ALFALAH LIMITED - ISLAMIC BANKING	
	BANK ALFALAH LIMITED	
	BANK ISLAMI PAKISTAN LIMITED	
	BURJ BANK LIMITED	
	CITIBANK, N.A.	
	DUBAI ISLAMIC BANK PAKISTAN LIMITED	
	FAYSAL BANK LIMITED	
	HABIB BANK LIMITED	
	HABIB METROPOLITAN BANK LIMITED	
	HSBC BANK MIDDLE EAST LIMITED	
	MCB BANK LIMITED	
	MEEZAN BANK LIMITED	
	NATIONAL BANK OF PAKISTAN	
	NIB BANK LIMITED	
	SAMBA BANK LIMITED	
	SILK BANK LIMITED	
	STANDARD CHARTERED BANK (PAKISTAN) LIMITED	
	UNITED BANK LIMITED	
AUDITORS	HYDER BHIMJI & CO. Chartered Accountants	
INTERNAL AUDITORS	ANJUM ASIM SHAHID RAHMAN Chartered Accountants	
LEGAL ADVISORS	A.K. BROHI & CO. ADVOCATES	
REGISTERED OFFICE	PLOT NO.82 MAIN NATIONAL HIGHWAY LANDHI, KARACHI-75120	
SHARE REGISTRAR	FAMCO ASSOCIATES (PRIVATE) LIMITED 8-F, NEXT TO HOTEL FARAN, NURSERY, BLOCK 6, P.E.C.H.S., SHAHRAH-E-FAISAL, KARACHI. PHONE NO. (+92-021) 34380101-2 FAX NO. (+92-021) 34380106	
MILLS	LANDHI INDUSTRIAL AREA, KARACHI-75120	
E-MAIL	finance@gulahmed.com	
URL	www.gulahmed.com	


When beauty is seen by the mind's eye,
its reflection is pure poetry.



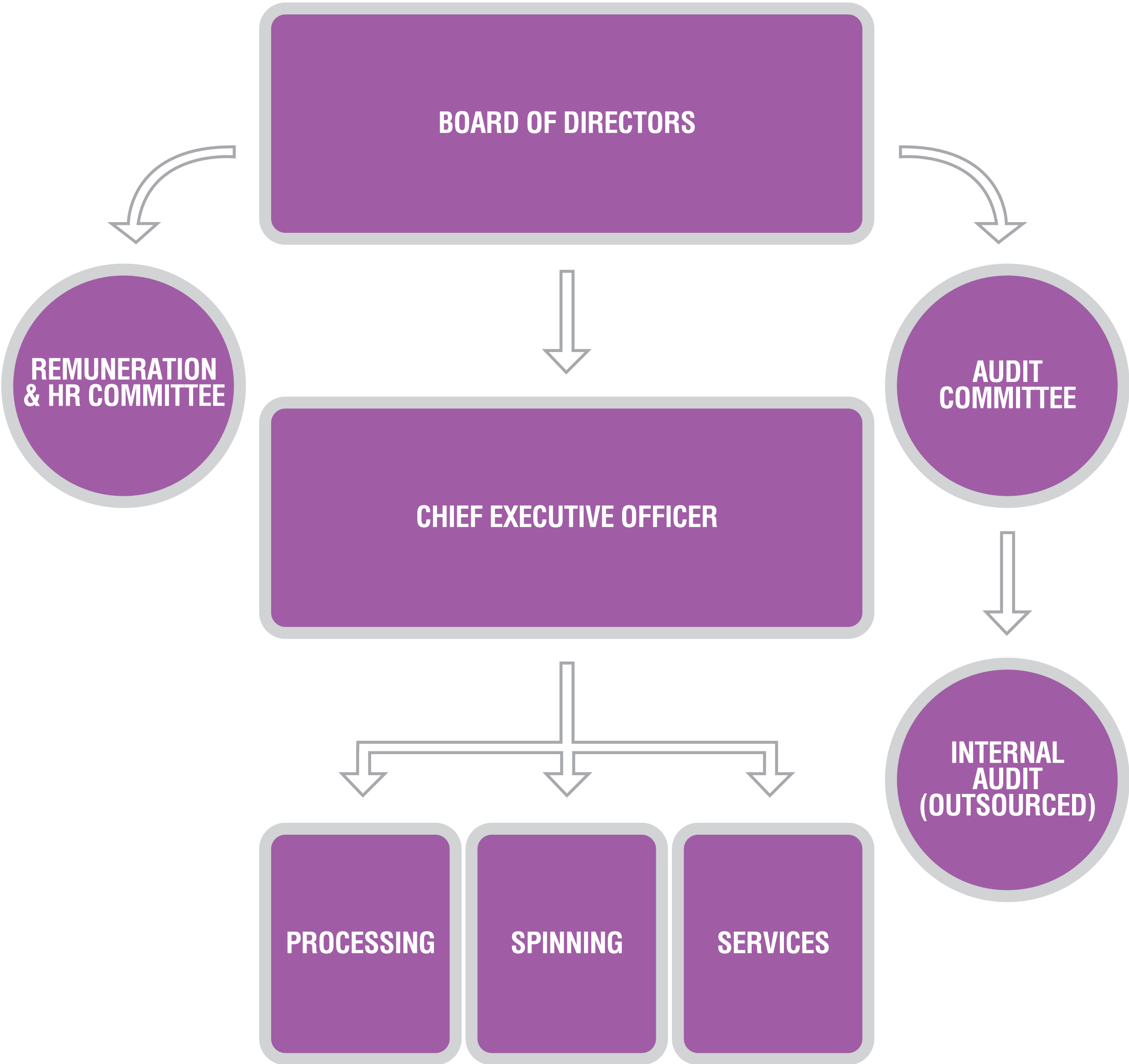
When a persona captivates the heart,
its presence is music to the eyes.


When colors and lines meet in an imagination,
they change the shape of reality.

A mind at true peace,
turns a complexity into a simplicity.


PANTONE
When chaos is undone virtually,
the results are unpredictable.

Organogram


BOARD OF DIRECTORS
REMUNERATION & HR COMMITTEE
AUDIT COMMITTEE
CHIEF EXECUTIVE OFFICER
INTERNAL AUDIT (OUTSOURCED)
PROCESSING
SPINNING
SERVICES

Strategic Objectives

The Company is primarily focused on the following areas:

- To achieve sustainable growth in revenue of the Company.
- To be the industry leader by adopting the latest technologies, production methodologies and artistic passion to produce products that make a difference and set new fashion trends.
- To develop and retain a highly capable human resource to achieve our mission.
- To be a responsible corporate citizen and produce goods minimizing effects on environment while upholding the standards of health and safety at workplace and to share our resources with our community to help safeguard their environment.
- To maintain long term relationships with customers and suppliers.
- To diversify the product portfolio to yield high margins.

Product Portfolio

The production of textile is the mix of technical expertise and the creative art required to make it acceptable to valued customers. At Gul Ahmed, efforts are made to strive and grow through learning, continuous improvement and innovation. Gul Ahmed is also equipped with the most advanced technology that enables it to cater to a vast spectrum of product varieties.

Yarn

Yarn produced by Gul Ahmed is exported to a host of countries in Asia, Middle East and Europe.

Gul Ahmed manufactures different qualities of yarn, including carded, combed, compact siro, fancy, plied, core spun, slub, package dyed / cone dyed, gassed mercerized / dyed yarn.

Fabric

Gul Ahmed has the facility to dye and print the whole range of home textile and apparel fabrics. In addition, we also have a setup for back coating and flock printing which gives us an added opportunity to serve the needs of our customers. Our products under the fabric category are plain fabrics, sheeting fabrics, poplin, canvas, oxford, duck, bedford cord, herringbone, ottoman, twill, sateen, rib stops, slub fabrics, stretch fabrics and mélange fabrics.

Made-ups

Gul Ahmed's fine textile products represent a unique fusion of the centuries-old traditions of the east and the latest textile technology of the west. The made-ups can be in white, dyed, printed or yarn-dyed form and in different styles of confectioning. Our made-ups section comprises:

- **Home textiles**

  Home textile products furnish all home and office decoration needs, which are designed to set new trends and fashion vibes. This section includes:

  - Sheets and pillowcases
  - Comforters
  - Quilt / Duvet covers
  - Bed-in-a-bag
  - Decorative pillows
  - Curtains
  - Upholstery fabrics

- **Apparel**

  We have always kept alive the passion of creative designers by inviting talented youth to work with us. We encourage them to grow their talents as well as benefit from their fresh ideas. Our value creation process and human resource have never let us down. The passion of our customers to rush to the stores on every new launch is a testament of our success in creating appealing designs and new fashion trends.

Stakeholders

Our stakeholders are our customers, employees, providers of finance, government authorities, suppliers and local community. The Company maintains a healthy relationship with all its stakeholders as a responsible corporate citizen.

- **Customers**
  Our relationship with the customers is based on mutual trust and confidence. The Company is committed to delivering quality products to customers and is always eager to develop new and innovative products that meet our customers' needs of quality and sustainability.

- **Employees**
  Employees are the human capital of the Company. The Company maintains a friendly environment and provides favorable working conditions so that employees perform efficiently and generate new and innovative ideas.

- **Providers of finance**
  This includes the shareholders and the banks providing us finance to run the business. The Company acknowledges the trust and confidence that our investors and bankers repose in us. The Company maintains good relationship with investors and communicates with them through meetings. It disseminates information in timely manner.

- **Government authorities**
  It is a Company policy to respect and adhere to all laws and regulations of the country. As a responsible corporate citizen, the Company pays all duties and taxes in time. This year the Company has contributed Rs. 694.81 million to National Exchequer.

- **Suppliers**
  The Company maintains a good relationship with suppliers to ensure continuous and uninterrupted supplies meeting the standards set by the Company. Obligations to the suppliers are met in accordance with the commitments.

- **General public and local community**
  The Company works towards betterment of society and contributes to the general public by providing employment and supporting welfare program. The Company has also contributed in times of natural disasters and will always lend a helping hand in times of need.

Profile of the Directors

Mr. Mohomed Bashir

Chairman and Chief Executive

Mr. Mohomed Bashir joined the Board of Gul Ahmed Textile Mills Limited in 1982. He is a fellow member of Chartered Institute of Management Accountants (CIMA), United Kingdom.

Mr. Mohomed Bashir has a very rich and extensive experience in the textile industry. He is currently the Chief Executive Officer of Gul Ahmed Textile Mills Limited and the Chairman of its Board of Directors. He is also serving on the Boards of the following companies:

- Gul Ahmed Energy Limited
- Habib Metropolitan Bank Limited
- GTM (Europe) Limited – UK
- Gul Ahmed International Limited (FZC) – UAE
- Habib University Foundation
- Pakistan Business Council (Founder, Director)
- GTM USA Corp-USA
- Education Fund for Sindh

Presently, his honorary Government, Trade & Industry and Consular positions include;

- Honorary Consul General of Sweden - Karachi
- Member, Advisory Committee, Federal Tax Ombudsman, Government of Pakistan
- Member, Advisory Board of CPLC, Government of Sindh (2010)
- Founder, Trustee, Fellowship Fund for Pakistan

Previously, he has also held the following honorary Government and Trade & Industry positions;

- President, International Textile Manufacturers Federation (ITMF) (2010 – 2012)
- Vice President, International Textile Manufacturers Federation (2008 – 2010)
- Member, Economic Advisory Council, Government of Pakistan (2008)
- Member, Export Promotion Board, Government of Pakistan (2002 – 2007, 1995 – 1997)
- Member, National Strategy on Textiles (2006 – 2007)
- Chairman, Pakistan Britain Advisory Council (2002 – 2005)
- Chairman, All Pakistan Textile Mills Association (1989 – 1990)
- Vice Chairman, All Pakistan Textile Mills Association (1982 – 1985)
- Chairman, Pakistan Swiss Trade and Industry Committee (1981– 2000)
- Governing Board, Pakistan Design Institute (1981 – 2000)

In recognition of his services, he was awarded Sitara-e-Imtiaz by the President of Pakistan in 2006.

Mr. Zain Bashir

Non-Executive Director

Mr. Zain Bashir joined the Board in May 1997. He is also a member of the Audit Committee of the Company and is a certified director from the Pakistan Institute of Corporate Governance (PICG). He is on the Board of Landhi Infrastructure Development and Management Company, which is responsible for enhancing the infrastructure of Landhi Industrial Area. He remained the Chairman of Landhi Association of Trade & Industry in the year 2009-10. During 2012-13, he served as Chairman of the Pakistan Bedwear Exporters Association.

His extensive association with the textile sector has provided him with an in-depth knowledge of the industry.

Mr. Ziad Bashir

Executive Director

Mr. Ziad Bashir, graduate from Babson College, USA, with a bachelor degree in Entrepreneurial Studies, has been on the Board since February 1999. He is a certified director from the Pakistan Institute of Corporate Governance (PICG). He has a comprehensive experience of the textile sector and is involved in various developmental and operational activities of the Company.

Over the years, he has served as Chairman of Landhi Association of Trade and Industry and also on the Board of Central Managing Committee of All Pakistan Textile Mills Association (APTMA). He is also currently on the Board of Governors of Young Presidents Organization (YPO), Pakistan and executive committee of the Pakistan Board of Investment.

Mr. Mohammed Zaki Bashir

Executive Director

Mr. Mohammed Zaki Bashir joined the Board in March 2008. He holds a graduate degree from Regents Business School, UK, in the subject of International Business and is also a certified director from the Pakistan Institute of Corporate Governance (PICG).

Through his thorough knowledge of the Company, he has contributed to the overall growth of the Company. He is also currently a member of the Audit Committee.

Mr. Abdul Aziz Yousuf

Executive Director

Mr. Abdul Aziz Yousuf's journey with the Board started in January 2003. He qualified as a Chartered Accountant in 1969 and is currently a fellow member of the Institute of Chartered Accountants of Pakistan and has been associated with the Company since 1992.

Prior to joining the Company, he worked in various organizations both locally and in Saudi Arabia including International Airport Projects Jeddah, Saudi Public Transport Company, Hyatt Regency Hotel, Premier Tobacco Industries Limited and Saudi Arabian Airlines.

A certified director from the Pakistan Institute of Corporate Governance (PICG), he has an extensive experience in the field of finance and has served on a number of management positions in the Company.

Mr. S.M. Nadim Shafiqullah

Independent Non-Executive Director

As an independent non-executive director, Mr. S.M. Nadim Shafiqullah's association with the board began in March 2008. He is also the Chairman of the Audit Committee of the Company and a certified director from the Pakistan Institute of Corporate Governance (PICG).

He is also serving on the Board of Security Leasing Corporation Limited since March 1995, and as the Vice-Chairman of the Board since November 2005.

Mr. Adnan Afridi

Independent Non-Executive Director

Mr. Adnan Afridi joined the Board as an independent non-executive director in March 2011. He is currently an advisor to Silkbank Limited.

Mr. Adnan Afridi has a degree in Economics (A.B, Magna Cum Laude, 1992) from Harvard University and a degree in Corporate Law (JD, Magna Cum Laude in 1995) from Harvard Law School. He has 16 years of international experience in change management, business transformation, innovation and profitability enhancement in blue chip companies and start-up situations. Industry experience includes capital markets, private equity, financial services, FMCG, healthcare sectors and operating in CEO roles with Board level representations.

Currently serving as an Independent Non-Executive Director on the board of Gul Ahmad Textile Mills Limited, Mr. Adnan Afridi is also on the Board of Governors (Education Chair 2010) of Young Presidents Organization (YPO) Pakistan.

Dr. Amjad Waheed

Independent Non-Executive Director

Dr. Amjad Waheed joined the Board as an independent non-executive director in March 2011. He holds a doctorate in Investments & Finance from Southern Illinois University, USA and is also a Chartered Financial Analyst.

Dr. Amjad Waheed has served on the Board of numerous reputable companies during his tenure at NIT, Siemens Engineering, Nishat Mills Ltd, PICIC, Askari Bank, Millat Tractors, Fauji Fertilizer Company, Pakistan Tobacco Company, Parke Davis & Co., Treet Corporation, Atlas Investment Bank, Gul Ahmed Textile Mills Limited, Bata Pakistan Ltd., among others.

Mr. Abdul Razak Bramchari

Non-Executive Director

Mr. Abdul Razak Bramchari has been on the Board as a non-executive director since November 2009. He is a graduate and possesses vast experience of over 50 years in the insurance sector.

Board Committees

AUDIT COMMITTEE

1. Composition

• Mr. S.M. Nadim Shafiqullah	Chairman & Member
• Mr. Zain Bashir	Member
• Mr. Mohammed Zaki Bashir	Member
• Mr. Mohammed Salim Ghaffar	Secretary

2. Terms of reference

The committee shall be responsible for:

- Reviewing the system of internal controls, risk management and the audit process besides assisting the Board in reviewing financial statements.
- Recommending to the Board of Directors appointment of the external auditors, determining audit fees and other related matters
- Determination of appropriate measures to safeguard the Company's assets.
- Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors.

  - Major judgmental areas:
  - Significant adjustments resulting from the audit;
  - The going-concern assumption;
  - Any changes in accounting policies and practices;
  - Compliance with applicable accounting standards; and
  - Compliance with listing regulations and other statutory and regulatory requirements.

- Review of preliminary announcements of results prior to publication.
- Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary).
- Review of management letter issued by external auditors and management's response thereto.
- Ensuring coordination between the internal and external auditors of the Company.
- Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.
- Consideration of major finding of internal investigations and management's response thereto.
- Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
- Review of the Company's statements on internal control system prior to endorsement by the Board of Directors.
- Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body.
- Determination of compliance with relevant statutory requirements.
- Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- Consideration of any other issue of matter as may be assigned by the Board of Directors.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

3. Composition

• Mr. Zain Bashir	Chairman & Member
• Mr. S.M. Nadim Shafiqullah	Member
• Mr. Abdul Aziz Yousuf	Member
• Mr. Mohammed Salim Ghaffar	Secretary

4. Terms of reference

The committee shall be responsible for:

- Ensuring that the appropriate procedures exist to assess the remuneration levels of the Chairman, Chief Executive Officer (CEO), Non-Executive Directors, Executive Directors, Board Committees and the Board of Directors as a whole.
- Ensuring that the Company adopts, monitors and applies appropriate remuneration policies and procedures.
- Ensuring that reporting disclosures related to remuneration meet the Board's disclosure objectives and all relevant legal requirements.
- Making recommendations to the Board on appropriate remuneration, in relation to both the amount and its compositions, for the Chairman, CEO, Non-Executive Directors, Executive Directors and Senior Executives.
- Developing and recommending to the Board performance based remuneration incentive programs such as bonus schemes, long term incentive plans.
- Developing, maintaining and monitoring appropriate Human Resource Policies and Procedures.
- Developing, maintaining and monitoring appropriate talent management programs including succession planning, recruitment, development, retention and termination policies and procedures for senior management.
- Developing remuneration related disclosure objectives for the Company and ensuring that publicly disclosed information meets those objectives, all legal requirements and is accurate.
- Developing and monitoring Workplace Health and Safety metrics and initiatives to ensure a safe working environment.

Code of Conduct and Ethics

Integrity and good corporate conduct guide us towards our business partners, colleagues, shareholders and the general public. The code of conduct and ethics, as stated below, are foundation of our business principles:

Abide by the law

- Employees shall not make, recommend or cause to be taken any action known or believed to be in violation of any law, regulation or corporate policy.

- Employees shall not make, recommend or cause to be made any expenditure of funds known or believed to be in violation of any law, regulation or corporate policy.

Integrity, honesty and respect for others

- Employees shall conduct their employment activities with the highest principles of honesty, integrity, truthfulness and honor. To this end, employees are to avoid not only impropriety, but also the appearance of impropriety.

- Employees shall not use their position to force, induce, coerce, harass, intimidate or in any manner influence any person, including subordinates, to provide any favor, gift or benefit, whether financial or otherwise, to themselves or others.

- Employees representing the Company to the third parties shall not allow themselves to be placed in a position in which an actual or apparent conflict of interest exists.

Confidentiality

- Employees shall not use or disclose the Company's trade secrets, proprietary confidential information, or any other confidential information gained in the performance of Company's duties as a means of making private profit, gain or benefit.

Shareholders' Information

Annual General Meeting

The annual shareholders' meeting will be held on October 31, 2013 at 11:00 a.m. at Moosa D. Dessai ICAP Auditorium, Institute of Chartered Accountants of Pakistan, G-31/8, Chartered Accountants Avenue, Clifton, Karachi. Shareholders as of October 24, 2013 are encouraged to participate and vote.

Any shareholder may appoint a proxy to vote on his or her behalf. Proxies should be filed with the Company at least 48 hours before the meeting time. CDC shareholders or their proxies are requested to bring with them copies of their Computerized National Identity Card along with the Participant's ID Number and their account numbers at the time of attending the Annual General Meeting in order to facilitate their identification.

Shareholders who have not yet submitted photocopy of their CNIC are requested to send the same to the Share Registrar of the Company FAMCO Associates (Private) Limited, 8-F, next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi at the earliest.

Ownership

On June 30, 2013 the Company has 2,160 shareholders.

Karachi Stock Exchange Share Prices 2012-13

	Price in Rupees	
Period	**High**	**Low**
1st Quarter	27.64	20.80
2nd Quarter	25.90	20.00
3rd Quarter	24.50	19.16
4th Quarter	24.57	20.00

Announcement of financial results

The tentative dates of the announcement of financial results and payment of cash dividend (if any) for the year 2013-14 are as follows:

Period	Financial Results	Dividend Payment (if any)
1st Quarter	October 28, 2013	---
2nd Quarter	February 27, 2014	---
3rd Quarter	April 28, 2014	---
Annual Accounts	September 29, 2014	November 30, 2014

The Company reserves the right to change any of the above dates.

Share Registrar

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfers should be directed to our Share Registrar FAMCO Associates (Private) Limited, 8-F, next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi, Phone Nos. (+92-021) 34380101-2 and Fax No. (+92-021) 34380106.

Web reference

Annual/Quarterly reports are regularly posted on the Company's website: www.gulahmed.com

Investor relation contact

Mr. Mohammed Salim Ghaffar, Company Secretary
Email: salim.ghaffar@gulahmed.com UAN: (+92-021) 111-485-485 & 111-486-486 Fax: (+92-021) 35018838

Notice of Annual General Meeting

Notice is hereby given that the 61st Annual General Meeting of Gul Ahmed Textile Mills Limited will be held at Moosa D. Dessai ICAP Auditorium, Institute of Chartered Accountants of Pakistan, G-31/8, Chartered Accountants Avenue, Clifton, Karachi, on Thursday, October 31, 2013 at 11:00 a.m. to transact the following business:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2013 together with the Directors' and Auditors' Reports thereon.

2. To approve the issue of bonus shares in the ratio of one share for every five shares held i.e. 20% as recommended by the Board.

3. To appoint Auditors for the year 2013-2014 and fix their remuneration.

By Order of the Board

Karachi
September 18, 2013

Mohammed Salim Ghaffar
Company Secretary

NOTES :

1. Share Transfer Books of the Company will remain closed from October 24, 2013 to October 31, 2013 (both days inclusive) for determining entitlement to the Bonus Shares.

2. A member entitled to vote at the meeting may appoint a proxy. Proxies in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.

3. Shareholders who have deposited their shares into Central Depository Company of Pakistan Limited, must bring their original Computerized National Identity Card (CNIC) or Original Passport at the time of attending the meeting. If proxies are granted by such shareholders the same must be accompanied with attested copies of the CNIC or the Passport of the beneficial owners. Representatives of corporate members should bring the usual documents required for such purpose.

4. A proxy must be a member of the Company.

5. Members who have not yet submitted photocopy of their CNIC are requested to send the same to the Share Registrar of the Company FAMCO Associates (Private) Limited, 8-F, next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi at the earliest.

6. Shareholders are requested to immediately notify the change of address, if any, to the Share Registrar of the Company.

Directors' Report

The directors of your Company are pleased to present the Annual Report and the audited financial statements for the year ended June 30, 2013 together with auditors report thereon. This report represents the financial, operating and corporate social responsibility performance of the Company and highlights the key business challenges in the year ahead.

ECONOMIC OVERVIEW

The fiscal year (FY) 2012-13 remained challenging because of the energy crisis, increasing circular debt and burden of non performing state-owned enterprises. Domestic and regional security concerns have also adversely impacted the national economy. For the last three years, flooding caused by heavy rains and lack of infrastructure have adversely affected agricultural production in the country.

Despite the tough economic challenges discussed above, the current monetary policy stance is largely supportive to promote economic growth, price stability and revival of credit to private sector. For the last two years, State Bank of Pakistan (SBP) has reduced the policy rate from 14% to 9%. SBP has been successful in effectively exercising its controls to manage inflation, which remained single digit throughout the year. Due to weak external account position, Rupee versus US Dollar depreciated significantly by 5.4% during fiscal year 2012-13.

As far as Large Scale Manufacturing (LSM) is concerned, it showed some signs of recovery. LSM grew by 4.3% as compared to 1.2% during the previous year. Improvement in this sector came on account of falling raw material prices, better sugarcane crop, capacity enhancement in iron & steel and paper & board, strength in construction activities and higher external demand for cotton yarn. Impeding growth in this sector was the power crisis and unstable law and order situation. These challenges have resulted in loss of operational/working hours.

Pakistan has now entered into an understanding with the IMF for Extended Fund Facility (EFF) of USD 6.6 billion, which is in fact a restructuring of the IMF outstanding loan. This timely achievement by the Ministry of Finance will steady and enhance foreign currency reserves giving the economy a positive outlook. However, implementation of some conditions attached to the EFF may cause short-term burden to the trade and industry.

INDUSTRY OVERVIEW

The textile sector has a key role in the economic activities of the country when it comes to contribution to the percentage of exports and Gross Domestic Product (GDP) and serves as a major engine of employment. Textile is an important industry having an inherent value addition capability and exponential employment generating potential. To weather the energy crisis, the made-ups and apparel sector is extremely vital as it requires the lowest energy and investment while yielding the greatest employment potential and value added exports.

The majority of Pakistan's textile exports cover the European Union (31%), the United States of America (23%) and China (11.5%). These figures show the textile sector's long-term focus towards the developed economies as well as its newfound direction towards the East. Slow recovery of economies in the EU and USA have weakened the growth potential of our textile products in these conventional markets thus we will have to redouble our efforts in venturing out and discovering newer emerging markets as well as opening up regional markets.

The textile sector is still facing challenging times because of the growing energy crisis, worsening law and order situation coupled with the increasing energy costs, which are causing major problems for the industry. Therefore, the textile industry works below its production capacity. There are also some encouraging signs, like the announcement of waiver of duty on 75 products by the EU. Further, approval of GSP Plus status by EU is expected in 2014, which may end up boosting export performance. This will give Pakistan a level playing field in the export market which it hasn't enjoyed in a long time.

PERFORMANCE OVERVIEW

Our financial performance is assessed mainly by improvement in the shareholders stake, which is the result of profits earned by the Company, market penetration in terms of sales and liquidity. Key performance indicators (KPI's) which we monitor are:

Directors' Report

Description	Units	2013	2012
Local sales	Rs. in million	**13,183**	10,188
Export sales	Rs. in million	**16,938**	14,639
Gross profit	Rs. in million	**4,699**	3,486
Profit / (Loss) before tax	Rs. in million	**841**	(1.4)
Profit / (Loss) after tax	Rs. in million	**702**	(240)
EBITDA	Rs. in million	**2,849**	2,129
EPS	Rupees	**4.84**	(1.73)
Debt to equity	Time	**0.40**	0.47
Current ratio	Time	**1.05**	0.99
Break-up value per share	Rupees	**35.63**	35.23

Profit and loss analysis

Performance is improving as our sales have grown by 21% and gross profit margin has increased by 35%. During the year, we were able to reduce our finance cost by 11%, which was achieved by efficient utilization of credit facilities. The Company has earned profit before tax of Rs. 841 million versus loss before tax of Rs. 1.4 million in the fiscal year 2012. Profit after tax for the year is Rs.702 million as compared to loss after tax of Rs. 240 million in the previous fiscal year.

Both local and export sales have increased by 29% and 16% respectively. We strived to make our production processes more efficient to curtail the cost of production and to that effect we managed to reduce the cost by 2% of sales.

Financial position analysis

Net assets of the company have increased by 21%. Trade debts have increased by 24% mainly due to the increase in sales. Fixed assets have increased by 4.4% mostly due to the addition of new machinery in our production facilities.

Long-term financing has increased by Rs. 58.57 million, which is 3% as compared to fiscal year 2012. Short-term borrowings have increased by 14%.

Overall there is significant improvement in the leverage, debt to equity and interest cover ratios. Inventory, debtor and creditors turnover have also improved. Comparisons are given in the financial analysis section.

Subsequent effects

The Board of Directors of the Company in its meeting held on September 18, 2013 has proposed the following:

1. **Bonus shares**

   Your directors have decided to issue 20% bonus shares on the existing paid-up capital of the Company in the ratio of one share for every five shares held.

2. **Transfer from unappropriated profit**

   An amount of Rs. 304.70 million transfer to reserves for the issue of bonus shares and Rs. 400 million to be transferred to general reserve from accumulated profit.

Quarterly analysis

Summary of quarterly results for the year ended June 30, 2013.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	Rupees in million				
Net assets	4,538	4,784	5,099	5,428	**5,428**
Sales	5,799	7,364	8,144	8,895	**30,202**
Gross profit	898	1,023	1,288	1,490	**4,699**
Profit after tax	66	105	201	330	**702**
	Rupees per share				
EPS	0.52	0.83	1.35	2.14	**4.84**

Net assets

Net assets have grown by 21% during the year. The Company performed better despite the tough economic conditions globally and was able to earn profits from the very first quarter after the loss incurred in FY 2011-12. The increase in net assets is mainly due to the profits retained and the rights issue of Rs. 254 million.

Sales

Sales in the first two quarters contributed 44% to the annual sales whereas third and fourth quarters contributed 27% and 29% respectively. Sales performance in both local and export market was encouraging. During the second quarter due to increase in local demand, local sales increase was exceptional. The reversal of economic crises in EU and the depreciation of Pak Rupees against the US dollar have contributed to the increase in exports.

Gross profit

Gross profit has increased progressively in each quarter. Overall there has been an improvement of 2% in the gross margin as compared to the corresponding period.

Profit after tax

Profit after tax has also been increased steadily in each quarter. Reduction in finance cost also contributed to the increase in profit after tax.

CAPITAL STRUCTURE

During the year, authorized share capital was increased from Rs. 1,500 million to Rs. 2,000 million to cater to the future needs of the Company. Issued share capital also increased by Rs. 254 million due to 20% issue of right shares during the year. Overall shareholders' equity increased by Rs. 956 million to Rs. 5,428 million as a result of the right shares issue and profits retained in the business.

The debt to equity ratio as at the end of June 30, 2013 improved to 28:72 (June 30, 2012: 32:68).

FUNDS MANAGEMENT

The Company closely monitors its working capital requirement. Cash flow forecasts are reviewed regularly along with interest and foreign exchange rates to manage risks or avail opportunities that may arise.

As a result of efficient fund management, current and quick ratios at the year end have improved to 1.05:1 (FY 2012: 0.99:1) and 0.27:1 (FY 2012: 0.24:1) respectively.

The Company ensures that funds are available as and when required. At the year end, the Company had Rs. 3,560 million (2012: Rs. 5,335 million) un-utilized credit lines to cover any temporary mismatches.

RISK MANAGEMENT

The Risk Management System of the Company comprises:

- **The board and its committees**

  The Board periodically reviews major risks faced by the business. Whereas, the Audit Committee reviews financial and compliance risks.

  The Remuneration and Human Resource Committee reviews compensation and reward policies to ensure that these are in line with market and are effective for retention and attraction of the skilled and experienced staff.

- **Policies and procedures**

  The Board has established appropriate policies and procedures, which help in management of risks.

- **Information and monitoring system**

  Our latest information systems timely and accurately provide information, which helps management to continuously monitor effectively the results and variances.

- **Internal audit**

  Internal audit function reports to the Audit Committee on the effectiveness of the internal controls and also suggests more appropriate steps to be implemented. Audit reports are submitted to the Audit Committee.

Risk management system assesses the impact of risk on the business and takes appropriate actions to mitigate risks identified. The Company weighs the likelihood and intensity of risk and establishes relative risk-levels to take following actions:

Mitigate

Take actions to reduce risk. If such actions cannot sufficiently reduce risk to an acceptable level then discontinue that operation.

Ignore

Level of risk within this category is acceptable. Additional mitigating actions will only be taken after cost versus benefit analysis.

Tolerate

Monitor risk according to risk management strategy but no additional actions are required.

Transfer

This category defines the event, which has high impact on the business and cannot be managed internally by the company's own operations or resources. Here the risk is transferred to a third party such as insurance company, etc.

We have to remain vigilant as to risks and opportunities to be the industry leader in the region. A brief overview of risk management is given below:

Directors' Report

Type of risks	Risks identified	Mitigating factors
Strategic Risk that strategic objectives not being met	**Technological shift rendering production process obsolete** **Decline in exports** **International Competition**	• Management ensures that the Company is producing goods with the latest technology available. Any technical advancement is acquired and adopted after the feasibility studies. • The Board meets quarterly to review the results. • Continuous focus on the quality of the products to meet international standards at reduced cost. • International exhibitions and fashion shows to market products. • Effective advertisement and marketing to boost demand.
Operational Risk of ineffective and inefficient utilization of resources	**Turnover of skilled staff** **Health & Safety at work place** **Wastage of resources**	• The management ensures that adequate remuneration and compensation packages are being offered to the staff to retain and motivate them. • Continuous staff rotation and staff training contributes to succession planning. • Formal work procedures and instructions and standardization of the processes are in place to help new employees to work effectively. • Company has implemented appropriate health and safety policies and procedures. Health and safety assurance team regularly visits and conducts audits to ensure that all employees adhere to Health & Safety procedures. • Social audit team regularly visits and also pays surprise visits to ensure compliance. • Disciplinary actions are taken against any non-compliance of policies and procedures. • Management of the Company conducts quality control reviews and critically monitors production and wastages and takes appropriate actions to minimize waste. Waste material is recycled as far as possible.
Financial Risk that the Company being unable to meet its financial obligation	**Liquidity Risk** **Foreign Currency Risk** **Interest Rate Risk** **Credit Risk**	• Management assesses liquidity risk where the Company may encounter difficulty in meeting obligations associated with financial liabilities. • Committed credit facilities are obtained from financial institutions to bridge the liquidity gap. • The Company is exposed to foreign currency risk and manages this risk through various options such as forward cover, bill discounting, etc. • The Company has long-term finance and short-term borrowings at fixed and variable rates. The Company is exposed to interest rate risk on long and short-term financing facilities and these are covered by holding "Prepayment Option" and "Rollover Option". • Wherever possible sales are either in cash, against advance or irrevocable letters of credit, providing adequate cover against this risk. • Credit sales are made after due diligence of the customers. • Credit risk insurance cover is obtained for export customers whose credit rating based on due diligence is not fully satisfactory.
Commercial Strong market competition resulting in less demand for the Company's products	**Market Risk**	The Company is continuously developing new products and improving quality of the existing products to compete in the market.
Compliance Risk of non-compliance with applicable laws & regulations	**Risk of non-compliance**	The Board has established policies and procedures to ensure that the Company's business is carried in accordance with applicable laws and regulations. Audit committee ensures that policies and procedures are strictly being followed.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is discussed in detail on page no. 30 forming part of the Annual Report 2013.

CODE OF CORPORATE GOVERNANCE

The management of the Company is committed to good corporate governance and complying with the best practices. As required under the Code of Corporate Governance, the Directors are pleased to state as follows:

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

- Proper books of accounts of the Company have been maintained.

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

- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.

- The system of internal control is sound in design and has been effectively implemented and monitored. The Audit Committee comprises three members, two of whom are non-executive directors. The Chairman is an independent non-executive director.

- The directors of the Board are well aware of their duties and responsibilities as outlined by corporate laws and listing regulations. In compliance with the provisions of the Listing Regulations, five directors have attended and completed Corporate Governance Leadership Skills program under the Board Development Series of Pakistan Institute of Corporate Governance (PICG).

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

- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

- The value of investment of provident fund based on its un-audited accounts as on June 30, 2013 is Rs. 462 million (FY 2012: as per audited accounts Rs. 366 million).

- Statements regarding the following are annexed or are disclosed in the notes to the financial statements:

  - Number of Board meetings held and attendance by directors.
  - Key financial data for the last six years.
  - Pattern of shareholding.
  - Trading in shares of Company by its Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary and their spouses and minor children.

BOARD CHANGES

There has been no change in the composition of the Board during the year. Current members of the Board are listed on page no. 02.

The elected Board has an optimum combination of executive, non-executive and independent non-executive directors. Five out of the nine directors on the Board are non-executive, three of whom are independent non-executive directors. None of the directors on the Board is a director of more than seven listed companies. All the directors have diverse exposures, all the necessary skills and understanding to deal with various business issues and have the ability to review and challenge management performance.

AUDITORS

The present auditors Hyder Bhimji & Co., Chartered Accountants, retire and present themselves for reappointment.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements for the year ended June 30, 2013 of the Company and its subsidiaries Gul Ahmed International Limited (FZC), GTM (Europe) Limited and GTM USA Corp. are attached.

Directors' Report

FUTURE OUTLOOK

With the new elected government in place after completion of five years of democracy under the previous government, investors and entrepreneurs are optimistic and relaxed as to the political stability within the country. Following are some key factors that are likely to influence the growth and development of the country:

- The outcome of the NATO forces leaving Afghanistan.
- Dealing with the energy crisis
- Deteriorating law and order situation
- The EU is in the process of approving GSP plus status to Pakistan from start of next calendar year. This status allows duty-free entry of our exports to the EU. This will give a big boost to our made-up exports.

Simultaneously, we are also working on to diversify our product portfolio so that we can avoid dependency on any one product or segment.

We see that both our sales and profit will increase in the next financial year.

ACKNOWLEDGEMENT

During the year, the senior partner of the Company's auditors Hyder Bhimji & Co., Chartered Accountants, Mr. Hyder Ali Bhimji expired. He was one of the senior most chartered accountants of Pakistan and had a very long association with our Company. The Board offers its condolence to the bereaved family members and to the partners of Hyder Bhimji & Co., Chartered Accountants.

Finally, we take this opportunity to thank all our stakeholders for their continued support. We could not have achieved these positive results without the cooperation, support and loyalty of our employees, banks, shareholders, various government bodies and members of the board of directors. The Company looks towards your continuous support as always to help us navigate through next year ahead.

For and on behalf of the Board

Karachi
September 18, 2013

Mohomed Bashir
Chairman & Chief Executive

Sustainability Report

Sustainability requires maintaining life-supporting natural capital in order for our socio-economic goals to be met. At Gul Ahmed, sustainability means long-term success and stepping forward on the path set to achieve Company s vision. We operate as a responsible Company and act in the interests of its employees and environment.

Stakeholders need to be informed of the measures and initiatives taken to ensure sustainability. This report is divided under three performance measures – Economic, Social and Environmental.

ECONOMIC MEASURES

1. Community development

Gul Ahmed as a responsible corporate citizen voluntarily works for the welfare of the society. With a history of spending for infrastructure development of society, providing tap water for local community and facilitating law enforcement forces in the area with the cooperation of other stakeholders, Gul Ahmed continues for the betterment of the community.

2. Educational promotion/awareness

Gul Ahmed, during the year, sponsored a group of students to participate in the LUMS PsiFi, which was the biggest science Olympiad in Pakistan. Over 800 delegates from all over Pakistan participated in this competition.

We are also actively participating in the activities of "Fellowship Fund for Pakistan" to showcase the problems of public interest in media and nurture the think tanks for the country.

3. Better Cotton Initiative (BCI)

BCI is working with the aim to promote measurable improvements for the environment, farming communities and the economies of cotton producing areas. BCIs objectives are:

- Reduce the environmental impact of cotton production
- Improve livelihood and economic development in cotton producing areas
- Improve commitment to and flow of better cotton throughout the supply chain
- Endure the credibility and sustainability of BCI.

Better cotton farmers' profitability is 35% higher than that of other farmers. It is because of the ability to reduce cost on commercial fertilizers, pesticides and water while maintaining their yield.

Gul Ahmed is member of BCI and promotes its objectives by purchasing the cotton, which is produced according to BCI guidelines. Gul Ahmed purchased BCI cotton weighing 5,855 tons in 2011-2012 and 7,564 tons in 2012-2013.

4. Energy

Severe energy crisis in our country is not only adversely impacting the national economy but also a matter of depression for general public as long hours of load shedding of electricity and gas has disturbed peaceful lives of the citizens. Gul Ahmed has shared national burden by investing millions of Rupees in the most efficient power generation facilities.

5. Contribution to National Exchequer

The benefit of your Company's growth and profitability is shared with national exchequer. The Company contributed a total of Rs. 833.86 million in FY 2013 (FY 2012: Rs. 786.42 million) in various federal, provincial and local taxes.

SOCIAL MEASURES

1. Health, Safety and Environment management

The Company gives prime importance to health, safety of its workforce and a neat and clean environment. It conducts training and development on Health, Safety and Environment (HSE) and provides health and safety equipments to the workforce. Every manufacturing facility has its own firefighting team equipped to cope with fire and other hazards.

The quality control management department (QCM) conducts audits relating to HSE measures to make sure that these are implemented and employees adhere to it.

Sustainability Report

HSE policy

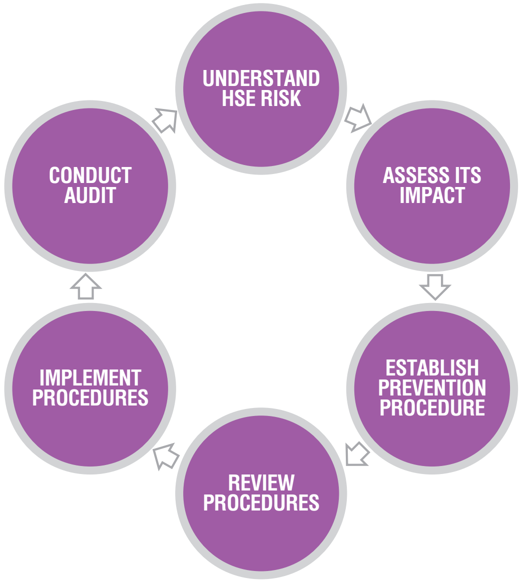
The Company has established policies and practices on HSE. Salient features of HSE policy are:

- Maintain security of the people and assets
- Produce goods without compromising adverse effects on environment
- Comply with all laws and regulations of HSE
- Train employees on their HSE responsibilities
- Hold employees accountable for HSE responsibilities
- Conduct audit and ensure that activities are conducted in accordance with HSE guidelines of the Company
- Maintaining green and clean environment
- Monitoring of accident reports and causes to make procedures and environment more controlled to avoid such type of accidents in future

HSE management system

Our HSE management system is geared to identify, assess and eliminate and control unacceptable risk and hazards.

HSE management system cycle is given below:



2. Human excellence

The Company is aware of the importance of its workforce and considers the employees as its very valuable human capital. The Company does not discriminate among its employees on the basis of race, culture, religion or sex. Gul Ahmed is an equal opportunity employer.

Recruitment process

The recruitment process is strictly based on merit. Candidates are tested through different selection processes fairly.

Development and succession plan

The selected candidates are then oriented with the Company's working environment and culture. Regular training prepares different cadre of employees which is held to help them update with latest developments and trends.

Formal work procedures, guidelines and standardization of the processes are in place to help new employees to work effectively. Work and responsibility is gradually transferred on the basis of capabilities of the employee. Job rotation and job enlargement provides an opportunity to enhance the skills of employees and management can utilize them in the areas where a gap is created due to retirement or resignation of any person. This is how we are strengthening our human resource capital for the future.

Grievance procedures

Gul Ahmed believes that there should be formal policies and procedures to resolve the problems and complaints of the employees to keep them loyal and retained. This also motivates every employee by providing an opportunity to be heard and share their problems.

Remuneration and compensation

The Company offers market-based remuneration packages to its employees. Besides this, the Company also offers bonuses to employees to motivate and acknowledge their valuable services.

Retirement benefits

The Company believes that retirement plan is essential in helping the workforce to lead rest of their lives independently. The Company has retirement plans in form of gratuity and provident fund. The Company has contributed Rs. 82 million during the year towards retirement benefits. The total retirement funds are valued at Rs. 534 millions. During the year, Rs. 42 millions are paid to outgoing employees.

Employment of special persons

As a socially responsible citizen the Company provides opportunities to special persons so that they can lead a respectable life and have a sense of contribution to the development of the country. Currently forty special persons are on the Company's payroll.

Business ethics

The Company has developed a code of conduct to ensure ethical and regulatory compliance while conducting business. Employees are fully aware of the code of conduct.

Recreational activities

The Company believes that healthy and relaxed employees perform efficiently and generate new and innovative ideas. Recognizing this need, the Company arranges different sports and recreational activities.

Employment of women

Working population is a very important factor in the economic development of any country. If women do not have adequate access to health, education and employment, the country loses half of its growth potential. With this belief, we have always pursued the policy of gender equality and encouraged women employment. Gul Ahmed has employed more than seven hundred female workers and staff.

ENVIRONMENTAL MEASURES

If we go on using earth resources uncaringly and without replenishing it, then we are just greedy. Therefore, Gul Ahmed is committed to adopting necessary measures to ensure pollution does not exceed the tolerable limit. These measures include plantation at our premises, waste water treatment plant, caustic soda recovery plant and absorbing flue gases and feeding these to heat recovery steam generator in order to reduce flue gases going into our atmosphere.

AWARDS AND RECOGNITIONS

At Gul Ahmed, we work with zeal and enthusiasm and recognition of our efforts motivates us further.

Best corporate report awards

We are happy to report that the Best Corporate Report Award 2012 - Certificate of Merit for reporting in the textile sector was awarded to us by the Joint Committee of Institute of Chartered Accountants of Pakistan and Institute of Cost & Management Accountants of Pakistan. We are among the top three companies in the textile sector who have been given this award.

Legend of textile award

In the year 2011, Legend of Textile Award of All Pakistan Textile Mills Association (APTMA) was awarded to our Chairman, Mr. Mohomed Bashir by President of Pakistan Mr. Asif Ali Zardari.

Pakistan France Business Alliance (PFBA) trade performance awards

Since 2009, PFBA has been recognizing our excellent trade performance with France. For the years 2011 to 2013, we have received the first prize.

Awards of excellence by Management Association of Pakistan (MAP)

This award is given to the companies which excel in corporate and management practices. Gul Ahmed was given excellence award in 2011.

Certifications

We have been certified for our various efforts relating to safe working environment and products, some of which are given below:

- SA – 8000 and IWAY / ISQS both for keeping safe and healthy environment
- Oeko – Tex Standard 100 for international testing for textiles limiting use of the chemicals which are harmful for consumers
- ISO 9001 – 2008 for best quality management system
- International Maritime Organization – certificate of compliance OE 100 V1.3

Financial Highlights

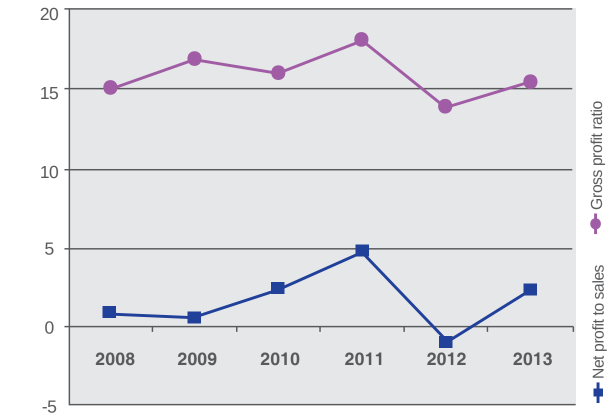
Profit & Loss		2013	2012	2011	2010	2009	2008
Sales	Rs. in million	**30,202**	24,918	25,435	19,689	13,906	11,726
Gross profit	Rs. in million	**4,699**	3,486	4,627	3,173	2,359	1,775
Operating profit	Rs. in million	**2,069**	1,374	2,635	1,653	1,209	936
Profit / (loss) before tax	Rs. in million	**841**	(1)	1,537	708	170	202
Profit / (loss) after tax	Rs. in million	**702**	(240)	1,196	478	80	103
Cash dividend	Rs. in million	**-**	-	-	79	-	55
Bonus share	Rs. in million	**305**	-	635	-	-	-
Balance Sheet							
Property, plant and equipment	Rs. in million	**7,132**	6,829	6,654	6,140	6,106	5,828
Intangible	Rs. in million	**23**	27	39	16	29	28
Long-term investment, loans, advances and deposits	Rs. in million	**112**	109	96	93	90	78
Net current assets	Rs. in million	**666**	(98)	422	(224)	(390)	(687)
Total assets employed	Rs. in million	**7,933**	6,867	7,211	6,025	5,835	5,247
Represented by:							
Share capital	Rs. in million	**1,523**	1,270	635	635	635	552
Reserves	Rs. in million	**3,905**	3,203	4,078	2,961	2,483	2,210
Shareholders' equity	Rs. in million	**5,428**	4,473	4,713	3,596	3,118	2,762
Long-term loans	Rs. in million	**2,155**	2,096	2,199	2,223	2,567	2,354
Deferred liabilities	Rs. in million	**350**	298	299	207	149	130
Total capital employed	Rs. in million	**7,933**	6,867	7,211	6,025	5,835	5,247
Cash Flow Statement							
Operating activities	Rs. in million	**(158)**	3,497	(2,617)	454	442	(339)
Investing activities	Rs. in million	**(1,072)**	(920)	(1,250)	(711)	(931)	(1,649)
Financing activities	Rs. in million	**210**	(70)	(148)	(170)	398	680
Cash and cash equivalents at the end of the year	Rs. in million	**(8,188)**	(7,169)	(9,676)	(5,660)	(5,233)	(5,141)

Financial Ratios

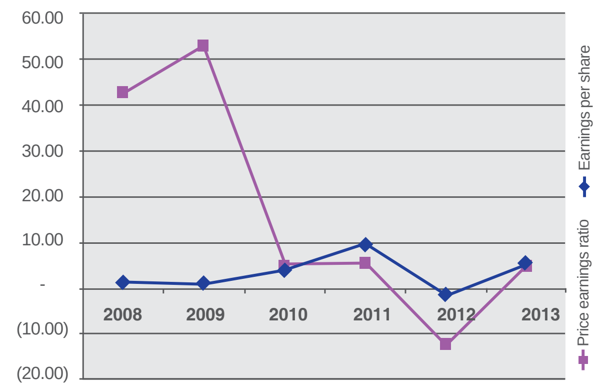
		2013	2012	2011	2010	2009	2008
Profitabiltiy ratios							
Gross profit ratio	%	**15.56**	13.99	18.19	16.12	16.96	15.14
Operating leverage ratio	Times	**2.38**	23.55	2.04	0.88	1.57	1.34
EBITDA margin to sales	%	**9.43**	8.54	13.21	11.92	13.37	12.49
Net profit to sales	%	**2.32**	(0.96)	4.70	2.43	0.58	0.88
Return on equity	%	**14.18**	(5.23)	28.80	14.22	2.73	3.80
Return on capital employed	%	**27.95**	19.52	39.82	27.87	21.82	19.14
Liquidity ratios							
Current ratio		**1.05**	0.99	1.03	0.97	0.95	0.90
Quick / acid test ratio		**0.27**	0.24	0.19	0.34	0.39	0.42
Cash to current liabilities		**0.01**	0.01	0.01	0.01	0.01	0.01
Cash flow from operations to sales		**(0.01)**	0.14	(0.10)	0.02	0.03	(0.03)
Capital structure ratios							
Financial leverage ratio		**2.03**	2.25	2.67	2.40	2.69	2.95
Weighted average cost of debt		**0.11**	0.11	0.10	0.11	0.12	0.08
Debt to equity ratio		**0.40**	0.47	0.47	0.62	0.82	0.85
Interest cover ratio		**1.69**	1.00	2.40	1.75	1.16	1.28
Turnover ratios							
Inventory turnover	Days	**121**	151	134	98	107	95
Inventory turnover ratio		**3.01**	2.41	2.72	3.74	3.40	3.85
Debtor turnover	Days	**28**	30	31	45	66	72
Debtor turnover ratio		**13.00**	12.14	11.59	8.05	5.54	5.04
Creditor turnover	Days	**100**	86	82	73	76	61
Creditor turnover ratio		**3.64**	4.23	4.43	4.98	4.77	5.96
Fixed assets turnover ratio		**4.23**	3.65	3.82	3.21	2.27	2.00
Total assets turnover ratio		**1.43**	1.41	1.25	1.35	1.02	0.95
Operating cycle	Days	**49**	95	83	70	97	106
Investor information							
Earnings per share	Rupees	**4.84**	(1.73)	9.42	3.76	0.73	0.93
Price earning ratio		**4.90**	(12.18)	5.49	4.93	53.21	43.01
Price to book ratio		**0.17**	0.15	0.16	0.08	0.18	0.18
Dividend yield ratio		**-**	-	-	0.07	-	0.03
Cash dividend per share	Rupees	**-**	-	-	1.25	-	1.00
Bonus shares issued	%	**20**	-	100	-	-	-
Dividend payout ratio	%	**-**	-	-	16.60	-	53.68
Dividend cover ratio	Times	**-**	-	-	6.02	-	1.87
Break-up value per share	Rupees	**35.63**	35.23	37.12	28.32	24.56	25.02
Market value per share							
at the end of the year	Rupees	**23.74**	21.11	51.73	18.53	38.84	40.00
high during the year	Rupees	**27.64**	64.29	53.65	38.84	49.00	51.40
low during the year	Rupees	**19.16**	16.05	18.53	17.40	28.60	37.25
EBITDA	Rs. in million	**2,849**	2,129	3,359	2,347	1,860	1,465

Graphical Analysis

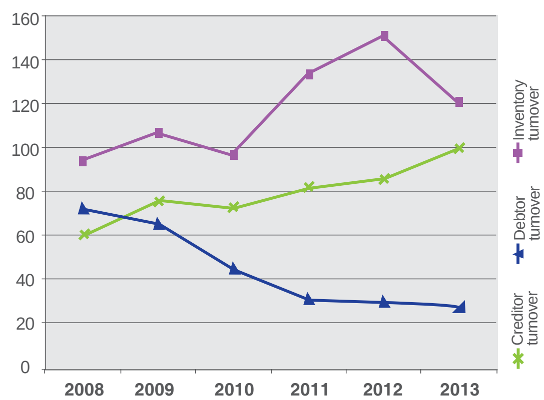
Profitability ratios



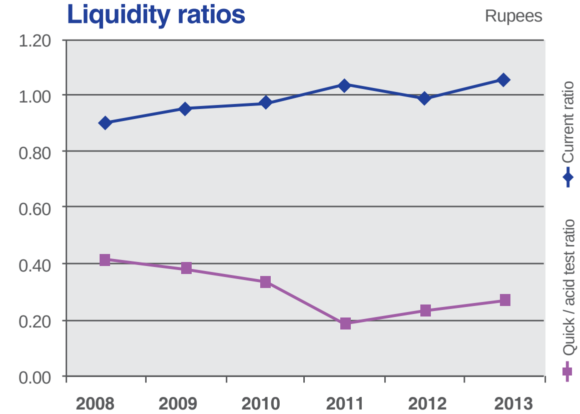
Investor ratios



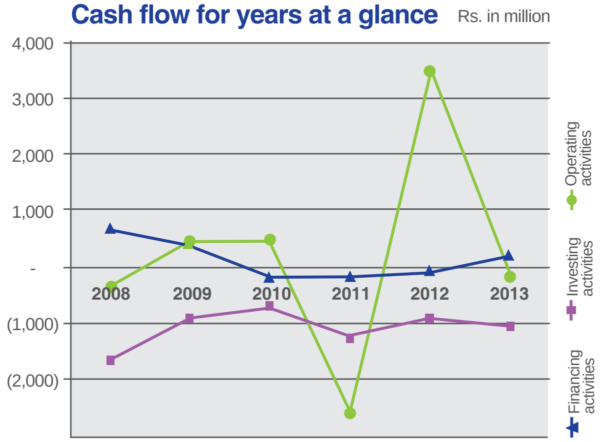
Turnover ratio



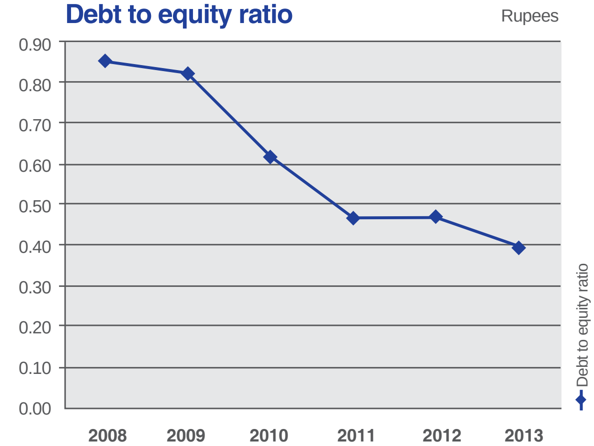
Liquidity ratios



Cash flow for years at a glance

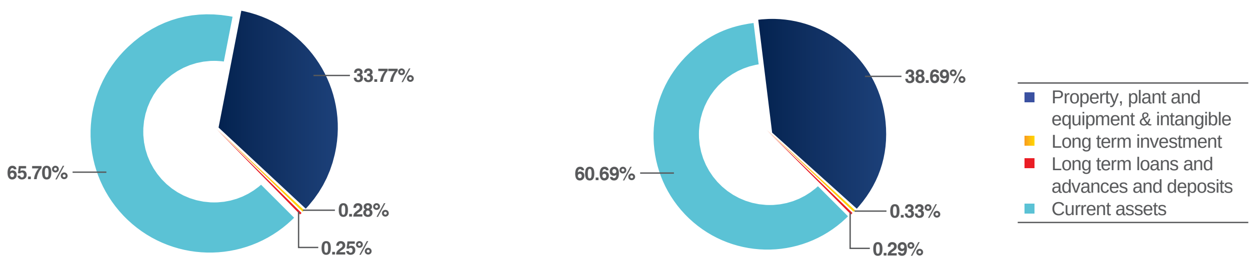


Debt to equity ratio



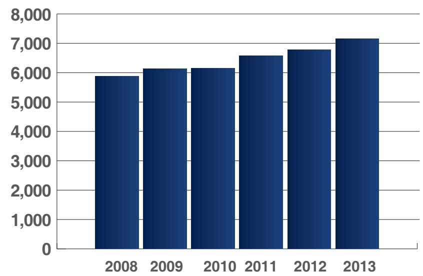
Assets 2013

Assets 2012



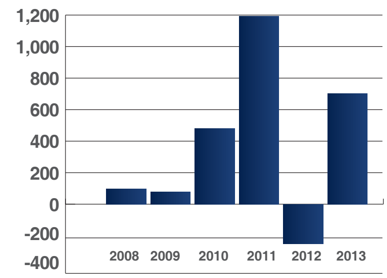
Fixed assets growth

Rs. in million



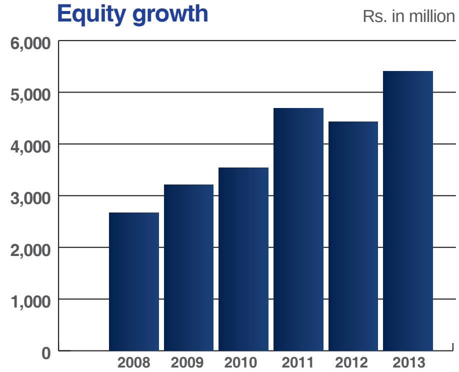
Profit after tax

Rs. in million



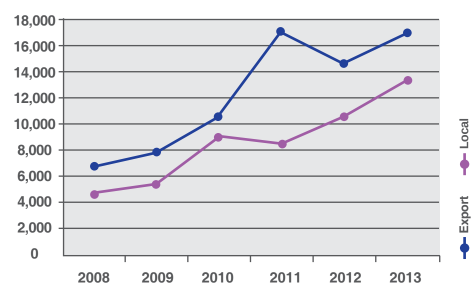
Equity growth

Rs. in million



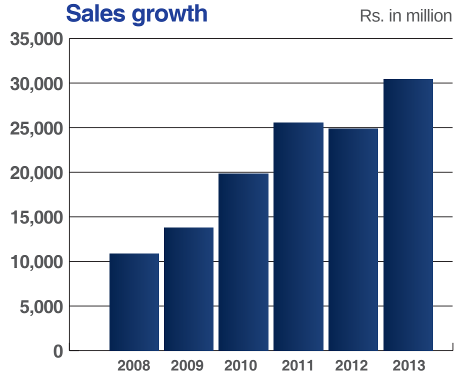
Local and export sales

Rs. in million



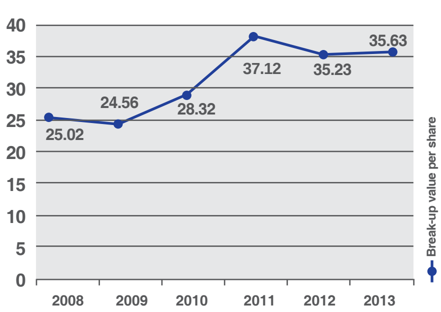
Sales growth

Rs. in million



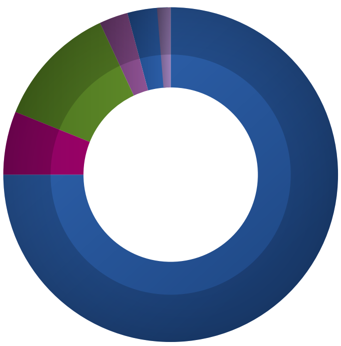
Break-up value per share

in Rupees



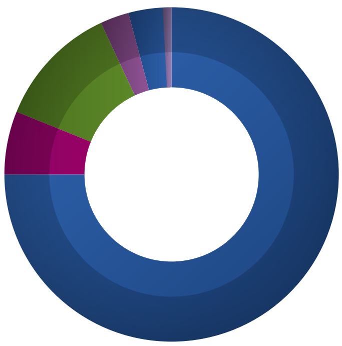
Our Value Addition and its Distribution

	2013 Rs. '000s	2013 %	2012 Rs. '000s	2012 %
Value addition				
Net sales including Sales tax	30,482,106	99.87	25,173,738	99.34
Other operating income	38,558	0.13	166,617	0.66
	30,520,664	100.00	25,340,355	100.00
Value distribution				
Cost of sales (excluding employees' remuneration, duties and taxes)	22,451,882	73.56	19,068,248	75.25
Distribution and administration expenses (Excluding employees' remuneration and taxes)	1,841,623	6.03	1,543,391	6.09
Employees' remuneration	3,484,671	11.42	2,829,279	11.17
Government taxes (includes income tax, WPPF, WWF, duties, federal & provincial taxes, Sales Tax etc.)	832,188	2.73	777,915	3.07
Providers of capital (Finance cost)	1,206,083	3.95	1,357,540	5.36
Contribution to society - Donations	2,139	0.01	4,346	0.02
Profit retained / (Accumulated Loss)	702,078	2.30	(240,364)	(0.95)
	30,520,664	100.00	25,340,355	100.00



Distribution of wealth 2013

73.56%	Cost of sales
06.03%	Distribution and administration expenses
11.42%	Employees' remuneration
2.73%	Government taxes
3.95%	Providers of capital (finance cost)
0.01%	Contribution to society
2.30%	Profit retained



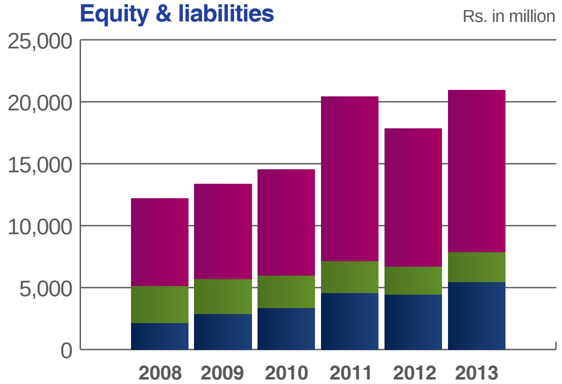
Distribution of wealth 2012

75.25%	Cost of sales
06.09%	Distribution and administration expenses
11.17%	Employees' remuneration
3.07%	Government taxes
5.36%	Providers of capital (finance cost)
0.02%	Contribution to society

Horizontal Analysis of Financial Statements

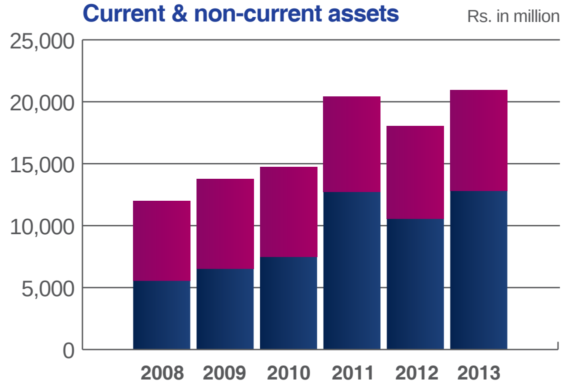
	2013	2012	2011	2010	2009	2008	2013	2012	2011	2010	2009	2008
	Rs. in '000s						Variance %					
Balance Sheet												
Total equity	**5,428,502**	4,472,509	4,712,873	3,595,765	3,118,232	2,762,029	**21.37**	(5.10)	31.07	15.31	12.90	3.87
Total non-current liabilities	**2,504,664**	2,394,295	2,497,260	2,429,247	2,715,884	2,484,561	**4.61**	(4.12)	2.80	(10.55)	9.31	32.88
Total current liabilities	**13,255,764**	10,851,954	13,194,546	8,574,679	7,749,618	7,085,112	**22.15**	(17.75)	53.88	10.65	9.38	29.27
Total equity and liabilities	**21,188,930**	17,718,758	20,404,679	14,599,691	13,583,734	12,331,702	**19.58**	(13.16)	39.76	7.48	10.15	23.19
Total non-current assets	**7,267,065**	6,964,606	6,788,103	6,249,091	6,224,462	5,933,390	**4.34**	2.60	8.63	0.40	4.91	23.43
Total current assets	**13,921,865**	10,754,152	13,616,576	8,350,600	7,359,272	6,398,312	**29.46**	(21.02)	63.06	13.47	15.02	22.98
Total assets	**21,188,930**	17,718,758	20,404,679	14,599,691	13,583,734	12,331,702	**19.58**	(13.16)	39.76	7.48	10.15	23.19
Profit & loss account												
Net sales	**30,201,588**	24,918,480	25,435,465	19,688,794	13,906,465	11,725,851	**21.20**	(2.03)	29.19	41.58	18.60	19.07
Cost of sales	**(25,502,336)**	(21,432,746)	(20,808,843)	(16,515,934)	(11,547,856)	(9,951,072)	**18.99**	3.00	25.99	43.02	16.05	18.86
Gross profit	**4,699,252**	3,485,734	4,626,622	3,172,860	2,358,609	1,774,779	**34.81**	(24.66)	45.82	34.52	32.90	20.30
Distribution expenses	**(1,509,886)**	(1,322,582)	(1,090,588)	(776,234)	(585,657)	(278,966)	**14.16**	21.27	40.50	32.54	109.94	11.65
Administrative expenses	**(1,086,920)**	(955,070)	(808,926)	(715,293)	(572,983)	(563,336)	**13.81**	18.07	13.09	24.84	1.71	18.88
Other expenses	**(72,356)**	(653)	(116,604)	(53,619)	(13,712)	(15,050)	**10,980.55**	(99.44)	117.47	291.04	(8.89)	(24.34)
Other income	**38,558**	166,617	24,931	25,116	22,594	18,250	**(76.86)**	568.31	(0.74)	11.16	23.80	32.64
Operating profit	**2,068,648**	1,374,046	2,635,435	1,652,830	1,208,851	935,677	**50.55**	(47.86)	59.45	36.73	29.20	25.52
Financial expenses	**(1,227,520)**	(1,375,463)	(1,097,981)	(944,603)	(1,038,990)	(733,839)	**(10.76)**	25.27	16.24	(9.08)	41.58	51.85
Profit before taxation	**841,128**	(1,417)	1,537,454	708,227	169,861	201,838	**(59,470.00)**	(100.09)	117.08	316.95	(15.84)	(23.02)
Income tax expense	**(139,050)**	(238,947)	(340,997)	(230,694)	(89,651)	(99,000)	**(41.81)**	(29.93)	47.81	157.32	(9.44)	1.24
Profit for the year	**702,078**	(240,364)	1,196,457	477,533	80,210	102,838	**(392.09)**	(120.09)	150.55	495.35	(22.00)	(37.45)

Equity & liabilities Rs. in million



- Total current liabilities
- Total non-current liabilities
- Total equity

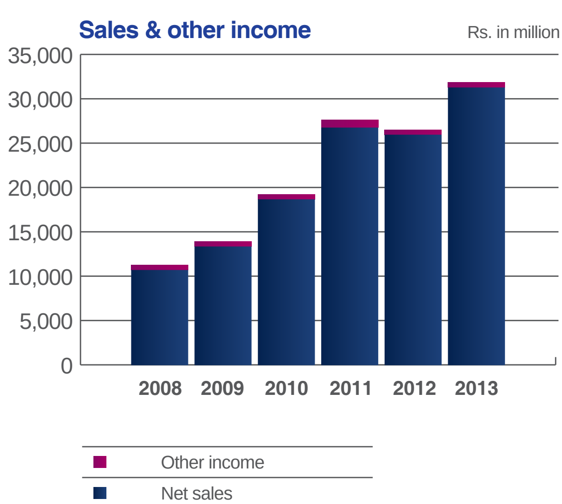
Current & non-current assets Rs. in million

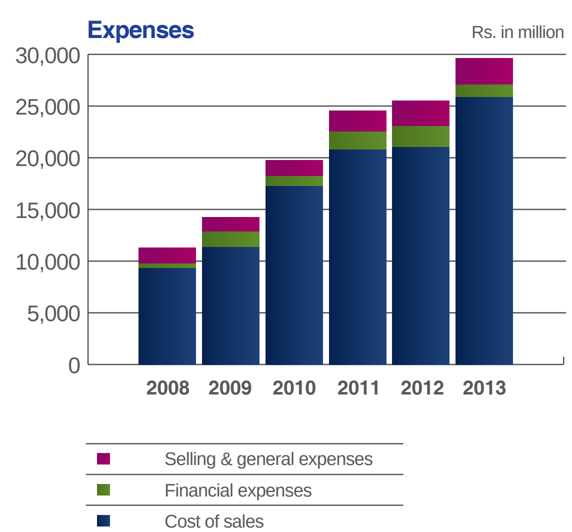


- Total non-current assets
- Total current assets

Vertical Analysis of Financial Statements

	2013		2012		2011		2010		2009		2008	
	Rs. in '000s	%	Rs. in '000s	%	Rs. in '000s	%	Rs. in '000s	%	Rs. in '000s	%	Rs. in '000s	%
Balance Sheet												
Total equity	**5,428,502**	**25.62**	4,472,509	25.24	4,712,873	23.10	3,595,765	24.63	3,118,232	22.96	2,762,029	22.40
Total non-current liabilities	**2,504,664**	**11.82**	2,394,295	13.51	2,497,260	12.24	2,429,247	16.64	2,715,884	19.99	2,484,561	20.15
Total current liabilities	**13,255,764**	**62.56**	10,851,954	61.25	13,194,546	64.66	8,574,679	58.73	7,749,618	57.05	7,085,112	57.45
Total equity and liabilities	**21,188,930**	**100.00**	17,718,758	100.00	20,404,679	100.00	14,599,691	100.00	13,583,734	100.00	12,331,702	100.00
Total non-current assets	**7,267,065**	**34.30**	6,964,606	39.31	6,788,103	33.27	6,249,091	42.80	6,224,462	45.82	5,933,390	48.11
Total current assets	**13,921,865**	**65.70**	10,754,152	60.69	13,616,576	66.73	8,350,600	57.20	7,359,272	54.18	6,398,312	51.89
Total assets	**21,188,930**	**100.00**	17,718,758	100.00	20,404,679	100.00	14,599,691	100.00	13,583,734	100.00	12,331,702	100.00
Profit & loss account												
Net sales	**30,201,588**	**100.00**	24,918,480	100.00	25,435,465	100.00	19,688,794	100.00	13,906,465	100.00	11,725,851	100.00
Cost of sales	**(25,502,336)**	**(84.44)**	(21,432,746)	(86.01)	(20,808,843)	(81.81)	(16,515,934)	(83.88)	(11,547,856)	(83.04)	(9,951,072)	(84.86)
Gross profit	**4,699,252**	**15.56**	3,485,734	13.99	4,626,622	18.19	3,172,860	16.12	2,358,609	16.96	1,774,779	15.14
Distribution expenses	**(1,509,886)**	**(5.00)**	(1,322,582)	(5.31)	(1,090,588)	(4.29)	(776,234)	(3.94)	(585,657)	(4.21)	(563,336)	(4.80)
Administrative expenses	**(1,086,920)**	**(3.60)**	(955,070)	(3.83)	(808,926)	(3.18)	(715,293)	(3.63)	(572,983)	(4.12)	(278,966)	(2.38)
Other income	**38,558**	**0.13**	166,617	0.67	24,931	0.10	25,116	0.13	22,594	0.16	18,250	0.16
Other expenses	**(72,356)**	**(0.24)**	(653)	(0.00)	(116,604)	(0.46)	(53,619)	(0.27)	(13,712)	(0.10)	(15,050)	(0.13)
Operating profit	**2,068,648**	**6.85**	1,374,046	5.51	2,635,435	10.36	1,652,830	8.39	1,208,851	8.69	935,677	7.98
Financial expenses	**(1,227,520)**	**(4.06)**	(1,375,463)	(5.52)	(1,097,981)	(4.32)	(944,603)	(4.80)	(1,038,990)	(7.47)	(733,839)	(6.26)
Profit before taxation	**841,128**	**2.79**	(1,417)	(0.01)	1,537,454	6.04	708,227	3.60	169,861	1.22	201,838	1.72
Income tax expense	**(139,050)**	**(0.46)**	(238,947)	(0.96)	(340,997)	(1.34)	(230,694)	(1.17)	(89,651)	(0.64)	(99,000)	(0.84)
Profit for the year	**702,078**	**2.32**	(240,364)	(0.96)	1,196,457	4.70	477,533	2.43	80,210	0.58	102,838	0.88





Comments on Financial Analysis

- Shareholders equity has almost doubled to Rs. 5,428 million as compared Rs. 2,762 million in FY 2008.
- Property, plant and equipment have increased by Rs. 1,304 million to Rs. 7,132 million over the six years period. Capacity has increased and latest state of the art machinery has been inducted.
- Over the last six years, net sales grew by 158% from Rs. 11,726 million in FY 2008 to Rs. 30,202 million in FY 2013. The growth has more than doubled in the last six years. Local Sales and Export Sales have increased both in volume and price
- Finance cost as percentage of sales has gone down to 4.1% in FY2013 from 6.3% in FY 2008.
- Profit after tax in FY 2013 has increased to Rs. 704 million as compared to Rs. 103 million in FY 2008. Earnings per share now stand at Rs. 4.84 versus Rs. 0.93 in FY 2008.
- During the six year period Company has paid 22.5% cash dividend and issued 100% bonus shares. In addition for the FY 2013 20% bonus shares have been proposed, taking the total bonus issue 120%.

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance ("the CCG") contained in the Listing Regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing the minority interest on its Board of Directors ("the Board"). At present the Board includes:

   Independent Non-Executive Directors
   S.M. Nadim Shafiqullah
   Dr. Amjad Waheed
   Adnan Afridi

   Executive Directors
   Mohomed Bashir
   Ziad Bashir
   Mohammed Zaki Bashir
   Abdul Aziz Yousuf

   Non-Executive Directors
   Zain Bashir
   Abdul Razak Bramchari

   The independent directors meet the criteria of independence under clause i (b) of the CCG.

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

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

4. No casual vacancy occurred on the Board during the year.

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

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executive and non-executive directors, have been taken by the Board/shareholders.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The directors of the Board are well aware of their duties and responsibilities as outlined by corporate laws and listing regulations. In compliance with the provisions of the Listing Regulations, five directors have attended and completed Corporate Governance Leadership Skills program under the Board Development Series of Pakistan Institute of Corporate Governance (PICG).

10. No new appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit was made during the year. The Board has approved appointments of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

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

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

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

15. The Board has formed an Audit Committee. It comprises three members, two of whom are non-executive directors. The Chairman of the Committee is an independent non-executive director.

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

17. The Board has formed an Human Resource and Remuneration Committee. It comprises three members, of whom two are non-executive directors. The Chairman of the Committee is a non-executive director.

18. The Board has set up an effective internal audit function. This function has been outsourced to Anjum Asim Shahid Rahman, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The ‘closed period’, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company’s securities, was determined and intimated to directors, employees and Karachi and Lahore Stock Exchanges.

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

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

MOHOMED BASHIR
Chairman and Chief Executive

ZAIN BASHIR
Director

Karachi
September 18, 2013

Review Report to the Members on the Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2013 prepared by the Board of Directors of Gul Ahmed Textile Mills Limited ("the Company") to comply with the Listing Regulations of 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 Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, the Listing Regulations require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

HYDER BHIMJI & CO.
Chartered Accountants
Engagement Partner: Shaikh Mohammad Tanvir

Karachi
September 18, 2013

Auditors' Report to the Members

We have audited the annexed Balance Sheet of Gul Ahmed Textile Mills Limited ("the Company") as at June 30, 2013 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

HYDER BHIMJI & CO.
Chartered Accountants
Engagement Partner: Shaikh Mohammad Tanvir

Karachi
September 18, 2013

Balance Sheet

As at June 30, 2013

	Note	2013	2012
		Rs. 000s	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	4	**1,523,486**	1,269,571
Reserves	5	**3,180,000**	3,430,000
Un-appropriated profit/(accumulated loss)		**725,016**	(227,062)
		5,428,502	4,472,509
NON-CURRENT LIABILITIES			
Long term financing	6	**2,154,999**	2,096,432
Deferred liabilities			
Deferred taxation - net	7	**316,028**	273,969
Staff retirement benefits	8	**33,637**	23,894
		349,665	297,863
CURRENT LIABILITIES			
Trade and other payables	9	**4,211,618**	2,716,990
Accrued mark-up	10	**191,792**	171,612
Short term borrowings	11	**8,290,416**	7,289,065
Current maturity of long term financing		**561,938**	664,636
Provision for taxation - net of payments		**-**	9,651
		13,255,764	10,851,954
CONTINGENCIES AND COMMITMENTS	12		
		21,188,930	17,718,758

	Note	2013	2012
		Rs. 000s	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	**7,132,112**	6,828,920
Intangible assets	14	**23,130**	26,535
Long term investment	15	**58,450**	58,450
Long term loans and advances	16	**2,061**	2,900
Long term deposits		**51,312**	47,801
		7,267,065	6,964,606
CURRENT ASSETS			
Stores, spare parts and loose tools	17	**723,435**	739,986
Stock-in-trade	18	**9,555,224**	7,415,451
Trade debts	19	**2,573,268**	2,074,159
Loans and advances	20	**346,429**	169,612
Short term prepayments		**28,172**	27,361
Income tax refundable-payments less provision		**190,248**	-
Other receivables	21	**173,714**	182,699
Tax refunds due from Government	22	**229,454**	24,871
Cash and bank balances	23	**101,921**	120,013
		13,921,865	10,754,152
		21,188,930	17,718,758

The annexed notes 1 - 44 form an integral part of these financial statements.

MOHOMED BASHIR
Chairman and Chief Executive

ZAIN BASHIR
Director

Profit and Loss Account

For the Year Ended June 30, 2013

	Note	2013	2012
		Rs. 000s	
Sales	24	**30,201,588**	24,918,480
Cost of sales	25	**25,502,336**	21,432,746
Gross profit		**4,699,252**	3,485,734
Distribution cost	26	**1,509,886**	1,322,582
Administrative expenses	27	**1,086,920**	955,070
Other operating expenses	28	**72,356**	653
		2,669,162	2,278,305
		2,030,090	1,207,429
Other income	29	**38,558**	166,617
Operating profit		**2,068,648**	1,374,046
Finance cost	30	**1,227,520**	1,375,463
Profit/(loss) before taxation		**841,128**	(1,417)
Provision for taxation	31	**139,050**	238,947
Profit/(loss) after taxation		**702,078**	(240,364)
			Re-stated
Earnings/(loss) per share - basic and diluted (Rs.)	32	**4.84**	(1.73)

The annexed notes 1 - 44 form an integral part of these financial statements.

MOHOMED BASHIR
Chairman and Chief Executive

ZAIN BASHIR
Director

Statement of Comprehensive Income

For the Year Ended June 30, 2013

	2013	2012
	Rs. 000s	
Profit/(loss) after taxation	**702,078**	(240,364)
Other comprehensive income	**-**	-
Total comprehensive income	**702,078**	(240,364)

The annexed notes 1 - 44 form an integral part of these financial statements.

MOHOMED BASHIR
Chairman and Chief Executive

ZAIN BASHIR
Director

Cash Flow Statement

For the Year Ended June 30, 2013

	Note	2013	2012
		Rs. 000s	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation		841,128	(1,417)
Adjustments for:			
Depreciation		767,708	741,979
Amortisation		12,209	12,841
Provision for gratuity		24,953	17,204
Finance cost		1,227,520	1,375,463
Provision for slow moving/obsolete items		15,011	12,287
Provision for doubtful debts		29,825	30,721
Property, plant and equipment scrapped		5,489	609
Profit on sale of property, plant and equipment		(17,080)	(12,824)
		2,906,763	2,176,863
Changes in working capital:			
(Increase)/decrease in current assets			
Stores, spare parts and loose tools		1,540	(45,923)
Stock-in-trade		(2,139,773)	2,918,909
Trade debts		(528,934)	(74,157)
Loans and advances		(176,817)	(31,910)
Short term prepayments		(811)	13,125
Other receivables		8,985	29,847
Tax refunds due from Government		(204,583)	24,055
		(3,040,393)	2,833,946
Increase in current liabilities			
Trade and other payables		1,494,628	130,476
		(1,545,765)	2,964,422
Cash generated from operations		1,360,998	5,141,285
(Payments) for/receipts from:			
Gratuity		(15,210)	(7,416)
Finance cost		(1,207,340)	(1,420,649)
Income tax		(296,891)	(217,762)
Long term loans and advances		839	1,341
Net cash (used in)/generated from operating activities		(157,604)	3,496,799
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		(1,139,216)	(938,482)
Addition to intangible assets		(5,289)	(746)
Proceeds from sale of property, plant and equipment		76,393	33,523
Long term deposits		(3,511)	(14,744)
Net cash used in investing activities		(1,071,623)	(920,449)

	Note	2013	2012
		Rs. 000s	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		**619,510**	560,147
Repayments of long term financing		**(663,641)**	(629,714)
Proceeds from issue of right shares		**253,915**	-
Net cash generated from/(used in) financing activities		**209,784**	(69,567)
Net (decrease)/increase in cash and cash equivalents		**(1,019,443)**	2,506,783
Cash and cash equivalents - at the beginning of the year		**(7,169,052)**	(9,675,835)
Cash and cash equivalents - at the end of the year	34	**(8,188,495)**	(7,169,052)

The annexed notes 1 - 44 form an integral part of these financial statements.

MOHOMED BASHIR
Chairman and Chief Executive

ZAIN BASHIR
Director

Statement of Changes in Equity

For the Year Ended June 30, 2013

	Share Capital	Revenue reserve	Capital reserve	Reserve for Issue of bonus/ right shares	Un-appropriated profit/ (Accumulated loss)	Total
	Rs. 000s					
Balance as at June 30, 2011	634,785	2,430,000	450,446	-	1,197,642	4,712,873
Transfer to reserve for issue of bonus shares	-	-	(450,446)	634,786	(184,340)	-
Transfer to revenue reserve	-	1,000,000	-	-	(1,000,000)	-
Transaction with owners						
Issuance of bonus shares for the year ended June 30, 2011	634,786	-	-	(634,786)	-	-
Total comprehensive income for the year ended June 30, 2012						
Loss for the year	-	-	-	-	(240,364)	(240,364)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(240,364)	(240,364)
Balance as at June 30, 2012	1,269,571	3,430,000	-	-	(227,062)	4,472,509
Transfer from revenue reserve	-	(250,000)	-	-	250,000	-
Transaction with owners						
Issue of right shares	253,915	-	-	-	-	253,915
Total comprehensive income for the year ended June 30, 2013						
Profit for the year	-	-	-	-	702,078	702,078
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	702,078	702,078
Balance as at June 30, 2013	**1,523,486**	**3,180,000**	**-**	**-**	**725,016**	**5,428,502**

The annexed notes 1 - 45 form an integral part of these financial statements.

MOHOMED BASHIR
Chairman and Chief Executive

ZAIN BASHIR
Director

Notes to the Financial Statements

For the Year Ended June 30, 2013

1 LEGAL STATUS AND ITS OPERATIONS

1.1 Gul Ahmed Textile Mills Limited (The Company) was incorporated on April 01, 1953 in Pakistan as a private limited company, converted into public limited company on January 07, 1955 and was listed on Karachi and Lahore Stock Exchanges in 1970 and 1971 respectively. The Company is a composite textile mill and is engaged in the manufacture and sale of textile products.

The Company's registered office is situated at Plot No. 82, Main National Highway, Landhi, Karachi.

2 BASIS OF PREPARATION

2.1 Basis of measurement

These financial statements comprise of balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with explanatory notes and have been prepared under the 'historical cost convention' except as has been specifically stated below in respective notes.

2.2 Statement of compliance

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

2.3 Functional and presentation currency

These financial statements have been prepared in Pak Rupees, which is the Company's functional currency. All financial information presented in Pak Rupees has been rounded to nearest thousand.

2.4 Critical accounting estimates and judgments

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

Defined benefit plan

Actuarial assumptions have been adopted as disclosed in note 8 to the financial statements for valuation of present value of defined benefit obligations.

Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence/non-occurrence of the uncertain future event(s).

Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life, residual value used in the calculation of depreciation. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

Stock-in-trade

The Company reviews the net realisable value of stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

Provision against trade debts, advances and other receivables

The Company reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

Taxation

The Company takes into account relevant provisions of the prevailing income tax laws while providing for current and deferred taxes as explained in note 3.7 of these financial statements. Deferred tax calculation has been made based on estimate of expected future ratio of export and local sales based on past history.

Provision for obsolescence and slow moving spare parts

Provision for obsolescence and slow moving spare parts is based on parameters set out by management.

Impairment of investment in subsidiary company

In making an estimate of recoverable amount of the Company's investment in subsidiary company, the management considers breakup value of shares as per audited accounts of respective period.

Intangibles

The Company reviews appropriateness of useful life. Further, where applicable, an estimate of recoverable amount of intangible asset is made for possible impairment on an annual basis.

2.5 New Standards, Interpretations and Amendments to Published Approved Accounting and Financial Reporting Standards

a New and amended standards and interpretations became effective:

During the year, the following approved accounting standards, interpretations, amendments/ revisions to the approved accounting standards became effective for the accounting periods beginning from the dates specified below;

IAS 1 Presentation of Financial Statement - Amendments to Presentation of items of comprehensive income (Effective for annual periods beginning on or after July 01, 2012)

This introduce new requirement to group together items in 'other comprehensive income' (OCI) that may be subsequently reclassified to profit or loss (reclassification adjustments) in order to facilitate the assessment of their impact on overall performance of the entity. Amendment has no effect on Company's financial statement except for additional disclosure.

IAS 12 Income Taxes - (Amendment) Deferred Taxes: Recovery of underlying Assets (Effective for annual periods beginning on or after July 01, 2012)

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sales. Furthermore, it introduces the requirement that deferred tax on non depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the assets. The amendment is not relevant to the company.

b Approved standards, Interpretations and Amendments to published approved accounting standards issued but not yet effective for the current financial year:

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan and would be effective from the dates mentioned below against the respective standards or interpretations:

IAS 19 Employee Benefits - Amendment (Effective for annual periods beginning on or after January 01, 2013)

The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income (elimination of 'corridor method' for recognition of actuarial gains and losses). It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

IAS 27 Separate Financial Statements (2011) - Amendment (Effective for annual periods beginning on or after January 01, 2013)

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost or in accordance with IFRS 9 Financial Instruments/IAS 39 Financial Instruments: Recognition and Measurement. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

IAS 28 Investments in Associates and Joint Ventures - Amendment (Effective for annual periods beginning on or after January 01, 2013)

This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

IAS 32 Financial Instruments: Presentation - Disclosures about offsetting of financial assets and liabilities (Effective for annual periods beginning on or after January 01, 2014)

These clarify certain aspects in the application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off', the application of simultaneous realization and settlement, the offsetting of collateral amounts and the unit of account for applying the offsetting requirements.

IFRS 7 Financial Instruments: Disclosures about offsetting of financial assets and liabilities (Effective for annual periods beginning on or after January 01, 2013)

These amendments require entities to disclose gross amount subject to right of set off, amounts set off in accordance with accounting standards followed, and the related net credit exposure. These disclosures are intended to facilitate comparison between those entities that prepare financial statements based on IFRS and those that prepare financial statements based on US GAAP.

The management anticipates that, except for the effects on the financial statements of amendments to IAS 19 'Employee Benefits', the adoption of the above standards, amendments and interpretations, will have no material impact on the Company's financial statements other than in presentation/disclosures.

The company accounts for actuarial gain/loss with respect to actuarial valuation of its retirement benefit plan immediately in the relevant year as stated in note 3.4. However, the change will result in routing it through other comprehensive income instead of profit and loss account whose impact is not significant.

Annual improvements to IFRS 2009-2011 cycle

(Effective for annual periods beginning on or after January 01, 2013)

The International Accounting Standards Board (the Board) has issued the Annual Improvements to IFRSs 2009-2011 Cycle, which contains following amendments/improvements to the approved accounting standards:

IAS 1 Presentation of Financial Statements - Clarification of the requirements for comparative information

This clarifies that additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of IAS 1. If additional comparative information is provided, the information should be presented in accordance with IFRSs, including disclosure of comparative information for any additional statements included beyond the minimum comparative financial statement requirements. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

In addition, the opening statement of financial position (known as the third balance sheet) must be presented in the following circumstances: when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications and that change has a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. However, unlike the voluntary comparative information, the related notes are not required to accompany the third balance sheet period.

IAS 16 **Property, Plant and Equipment -** Clarification of the servicing equipments

Clarifies that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment and as inventory otherwise.

IAS 32 **Financial Instruments: Presentation -** Tax effect of distributions to holders of equity instruments

The amendment removes the perceived inconsistency between IAS 32 and IAS 12 and clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 **Interim financial reporting -** Interim financial reporting and segment information for total assets and liabilities

The total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

c **New Standards issued by ISAB but not yet notified by SECP:**

Following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan.

IFRS 9 **Financial Instruments** (Effective for annual periods beginning on or after January 01, 2015)

This is the first part of new standards on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest/mark-up.

IFRS 10 **Consolidated Financial Statements** (Effective for annual periods beginning on or after January 01, 2013)

This is a new standard that replaces the consolidation requirements in SIC - 12 Consolidation: Special Purpose Entities and IAS 27 - Consolidated and Separate Financial Statements.

The proposed standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11 **Joint Arrangements** (Effective for annual periods beginning on or after January 01, 2013)

This is a new standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangements, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.

IFRS 12 Disclosure of Interest in Other Entities (Effective for annual periods beginning on or after January 01, 2013)

This is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 Fair Value Measurement (Effective for annual periods beginning on or after January 01, 2013)

This standard applies to IFRSs that require or permit fair value measurement or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit-price' notion and uses 'a fair value hierarchy', which results in market-based, rather than entity-specific measurement.

IAS 27 Separate Financial Statements (2011) - (Effective for annual periods beginning on or after January 01, 2013)

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost or in accordance with IFRS 9 Financial Instruments/IAS 39 Financial Instruments: Recognition and Measurement. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

IAS 28 Investments in Associates and Joint Ventures - (Effective for annual periods beginning on or after January 01, 2013)

This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date or as fixed under contractual arrangements. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction.

Foreign exchange gains and losses on translation are recognised in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

3.2 Borrowings

Borrowings are recorded at the amount of proceeds received.

3.3 Borrowing cost

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commissioning.

3.4 Staff retirement benefits

Defined benefit plan

The Company operates unfunded gratuity schemes for all its eligible employees who are not part of the provident fund scheme. Benefits under the scheme are payable to employees on completion of the prescribed qualifying period of service under the scheme. Actuarial valuation is conducted periodically using the "Projected Unit Credit Method" and the latest valuation was carried out as at June 30, 2013. The results of valuation are summarized in Note 8.

Actuarial gains and losses arising at each valuation date are recognised immediately in the profit and loss account. However, the amendment in IAS-19 Employee benefit, (effective from the accounting period beginning on July 2013), requires to recognize the actuarial gain or loss in Other Comprehensive Income instead of Profit and Loss Account, whose impact is not significant.

Benefits under the scheme are payable to employees on completion of the prescribed qualifying period of service under the scheme.

Defined Contribution Plan

The Company operates a recognised provident fund scheme for its eligible employees to which equal monthly contribution is made by the Company and the employees at the rate of 8.33% of the basic salary.

3.5 Accumulated employee compensated absences

The Company provides for compensated absences for all eligible employees in the period in which these are earned in accordance with the rules of the Company.

3.6 Provisions

Provisions are recognised when the company has present obligation (legal or constructive) as a result of past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.7 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years. The Company takes into account the current income tax law and decisions taken by the Taxation Authorities.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted.

3.8 Property, plant and equipment

Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss except leasehold land which is stated at cost.

Depreciation is charged on reducing balance method and straight line method on class of items at rates specified in the note 13.1. Depreciation is charged on additions on monthly basis i.e. from the month in which it is capitalized till the month of its disposal. Depreciation is charged on the assets even if the assets are idle.

Gains and losses on disposal of operating assets are included in profit and loss account.

The costs of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits associated with the part will flow to the Company and its cost can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Capital work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less impairment, if any. Cost represents expenditure incurred on property, plant and equipment in the course of construction. These expenditures are transferred to relevant category of property, plant and equipment as and when the assets starts operation.

3.9 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment if any. Amortisation is charged over the useful life of the assets on a systematic basis to income by applying the straight line method at the rate specified in note 14.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an assets' fair value less costs to sell and value in use.

3.10 Investment in subsidiary

Investments in subsidiary company are stated at cost. The Company reconsiders the carrying amount of the investments to assess whether there is any indication of impairment loss. If such indication exists, the carrying amount is reduced to recoverable amount and the difference is recognised as an expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount. The reversal of such impairment loss is recognised as income.

3.11 Loans and receivables

Financial assets which have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. These are measured at amortised cost less impairment, if any.

3.12 Stores, spare parts and loose tools

These are stated at moving average cost less provision for slow moving/obsolete items and goods-in-transit are valued at invoice amount plus other costs incurred thereon upto balance sheet date.

3.13 Stock-in-trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued at lower of weighted average cost and net realizable value. Waste products are valued at net realisable value. Cost of raw materials and trading stock comprises of the invoice value plus other charges paid thereon. Cost of work-in-process and finished goods includes cost of direct materials, labour and appropriate portion of manufacturing overheads. Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

Net realizable value signifies the estimated selling prices in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

3.14 Trade debts

Trade debts are carried at original invoice amount except export receivables. Export trade debts are translated into Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual arrangements. Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

3.15 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3.16 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received, respectively. These financial assets and liabilities are subsequently measured at fair value or amortised cost, as the case may be.

3.17 Derivative financial instruments

The Company uses derivative financial instruments to hedge its risks associated with interest and exchange rate fluctuations. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Any change in the fair value of the derivative financial instruments is taken to the profit and loss account.

3.18 Offsetting of financial assets and liabilities

All financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legal enforceable right to set off the recognised amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

3.19 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicated that one or more events have had a negative effect on the estimated future cash flows of that asset.

The company considers evidence of impairment for receivable and other financial assets at specific asset level. Impairment losses are recognised as expense in profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Non-Financial assets

The carrying amount of non-financial assets is assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount of such assets is estimated. Recoverable amount is higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognised as expense in the profit and loss account for the amount by which asset's carrying amount exceeds its recoverable amount.

3.20 Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is recognised on following basis:

- Sale is recognised when the product is dispatched to the customer and in case of export when the products are shipped. Revenue from sale of goods is measured at the fair value of consideration received or receivable, net of returns and trade discounts.

- Profit on deposits with banks is recognised on time proportion basis taking into account the amount outstanding and rates applicable thereon.

- Duty draw back on export sales is recognised on an accrual basis at the time of export sale.

- Processing charges are recorded when processed goods are delivered to customers and invoices raised.

- Dividend income is recognised when the Company's right to receive the payment is established.

- Interest on loans and advances to employees is recognised on receipt basis.

3.21 Cash and cash equivalents

The cash and cash equivalents comprises cash and cheques in hand and balances with banks on current, savings and deposit accounts, short term investments, running finance under mark-up arrangements and short-term borrowings.

3.22 Dividend and appropriation to reserves

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders at the Annual General Meeting, while the interim dividend distributions are recognised in the period in which the dividends are declared by the Board of Directors. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

3.23 Segment reporting

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly administrative, other operating expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

	2013	2012
	Rs. 000s	

4 SHARE CAPITAL

4.1 Authorised capital

2013	2012		2013	2012
200,000,000	150,000,000	Ordinary shares of Rs.10 each	**2,000,000**	1,500,000

4.2 Issued, subscribed and paid - up capital

2013	2012		2013	2012
64,188,985	38,797,566	Ordinary shares of Rs.10 each fully paid in cash	**641,890**	387,975
5,447,326	5,447,326	Ordinary shares of Rs.10 each fully paid under scheme of arrangement for amalgamation	**54,473**	54,473
82,712,204	82,712,204	Ordinary shares of Rs.10 each issued as fully paid bonus shares	**827,123**	827,123
152,348,515	126,957,096		**1,523,486**	1,269,571

4.3 Reconciliation of the number of shares outstanding

	(Number of Shares)	
Number of shares outstanding at the beginning of the year	**126,957,096**	63,478,548
Add: 100% Issue of bonus shares during the year	**-**	63,478,548
Add: 20% Issue of right shares during the year	**25,391,419**	-
	152,348,515	126,957,096

5. RESERVES

	Note	2013	2012
		Rs. 000s	
Revenue reserve			
General reserve - opening		**3,430,000**	2,430,000
Transfer (to)/from profit and loss account	5.1	**(250,000)**	1,000,000
		3,180,000	3,430,000

5.1 This represents appropriation of profit in past years to meet future exigencies.

6 LONG TERM FINANCING

Banking Companies Loans - Secured

Related Party

	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up Rate per annum	2013 Rs. 000s	2012 Rs. 000s
Habib Metropolitan Bank Limited Loan 1 a) Under LTF-EOP scheme	6.2, 6.4, 6.5	12 half yearly March-2010	684	7.00% p.a. payable quarterly	**3,414**	4,782
b) Under LTF-EOP scheme		12 half yearly April-2010	2,042	7.00% p.a. payable quarterly	**10,206**	14,290
Habib Metropolitan Bank Limited Loan 2 Under LTF-EOP scheme	6.2, 6.4, 6.5	12 half yearly November-2010	19,417	7.00% p.a. payable quarterly	**116,498**	155,332
Habib Metropolitan Bank Limited Loan 3 Under LTFF scheme	6.2, 6.4, 6.6	16 half yearly February-2012	2,719	10.00% p.a. payable quarterly	**35,338**	40,776
Habib Metropolitan Bank Limited Loan 4 Under LTFF scheme	6.2, 6.4, 6.6	16 half yearly March-2012	2,504	10.00% p.a. payable quarterly	**32,553**	37,561
Habib Metropolitan Bank Limited Loan 5 Under LTFF scheme	6.2, 6.4, 6.6	16 half yearly June-2012	4,212	10.25% p.a. payable quarterly	**54,737**	63,161
Habib Metropolitan Bank Limited Loan 6 Under LTFF scheme	6.2, 6.4, 6.6	16 half yearly July-2012	1,804	10.25% p.a. payable quarterly	**25,252**	28,860
Habib Metropolitan Bank Limited Loan 7 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly December-2013	3,328	11.20% p.a. payable quarterly	**33,280**	33,280
Habib Metropolitan Bank Limited Loan 8 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly January-2014	970	12.70% p.a. payable quarterly	**9,691**	9,691
Habib Metropolitan Bank Limited Loan 9 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly February-2014	449	12.70% p.a. payable quarterly	**13,414**	13,414
Habib Metropolitan Bank Limited Loan 10 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly June-2014	9,140	12.70% p.a. payable quarterly	**96,180**	96,180
Habib Metropolitan Bank Limited Loan 11 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly August-2014	1,048	12.70% p.a. payable quarterly	**13,570**	13,570
Habib Metropolitan Bank Limited Loan 12 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly September-2014	3,392	12.70% p.a. payable quarterly	**33,920**	33,920
Habib Metropolitan Bank Limited Loan 13 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly October-2014	158	12.70% p.a. payable quarterly	**1,575**	1,575
Habib Metropolitan Bank Limited Loan 14 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly August-2015	2,959	11.40% p.a. payable quarterly	**29,590**	-
Habib Metropolitan Bank Limited Loan 15 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly September-2015	13,689	11.40% p.a. payable quarterly	**136,885**	-
		Total due to related party			**646,103**	546,392

Notes to the Financial Statements

For the Year Ended June 30, 2013

Other Banks	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up Rate per annum	2013 Rs. 000s	2012 Rs. 000s
Allied Bank Limited Loan 1	6.3	12 quarterly March-2010	16,667	Average three months KIBOR Ask rate + 1.00% payable quarterly	**-**	33,333
Allied Bank Limited Loan 2 Under LTFF scheme	6.3, 6.6	32 quarterly July-2010	9,256	10.00% p.a. payable quarterly	**185,129**	222,153
Bank Al-Habib Limited Loan 1 Under LTF-EOP scheme	6.2, 6.5	12 half yearly December-2008	2,315	7.00% p.a. payable quarterly	**9,256**	13,886
Bank Al-Habib Limited Loan 2 Under LTFF scheme	6.1, 6.2, 6.6	8 half yearly December-2013	17,159	12.60% p.a. payable quarterly	**137,265**	137,265
Bank Al-Falah Limited - Islamic Banking	6.2	9 half yearly March-2014	9,439	Average six months KIBOR Ask rate + 1.25% payable half yearly	**84,950**	-
Bank Al-Falah Limited - Islamic Banking	6.2	9 half yearly April-2014	6,457	Average six months KIBOR Ask rate + 1.25% payable half yearly	**58,119**	-
Faysal Bank Limited Loan 1 Under LTFF scheme	6.2, 6.6	10 Half Yearly January-2014	6,720	11.20% p.a. payable quarterly	**67,200**	67,200
Faysal Bank Limited Loan 2 Under LTFF scheme	6.2, 6.6	10 half yearly January-2014	3,850	12.70% p.a. payable quarterly	**38,500**	38,500
Faysal Bank Limited Loan 3 Under LTFF scheme	6.2, 6.6	10 half yearly April-2014	219	12.70% p.a. payable quarterly	**6,714**	6,714
Faysal Bank Limited Loan 4 Under LTFF scheme	6.2, 6.6	10 half yearly June-2014	241	12.70% p.a. payable quarterly	**2,410**	2,410
Faysal Bank Limited Loan 5 Under LTFF scheme	6.2, 6.6	10 half yearly July-2014	846	12.70% p.a. payable quarterly	**8,460**	8,460
Faysal Bank Limited Loan 6 Under LTFF scheme	6.2, 6.6	10 half yearly September-2014	10,970	12.70% p.a. payable quarterly	**109,700**	109,700
Habib Bank Limited Loan 4 a) Under State Bank of Pakistan (SBP) scheme of Long Term Finance - Export Oriented Projects (LTF-EOP)	6.1, 6.5	12 half yearly June-2010	5,416	7.00% p.a. payable quarterly	**28,097**	37,913
b) Under LTF-EOP scheme		12 half yearly November-2010	4,450	7.00% p.a. payable quarterly	**26,703**	35,603
Habib Bank Limited Loan 5 Under LTF-EOP scheme	6.1, 6.5	12 half yearly December-2010	2,571	7.00% p.a. payable quarterly	**15,426**	20,568
Habib Bank Limited Loan 6 Under LTF-EOP scheme	6.1, 6.5	12 half yearly February-2010	9,510	7.00% p.a. payable quarterly	**47,551**	66,571
Habib Bank Limited Loan 7 Under LTF-EOP scheme	6.1, 6.5	12 half yearly January-2010	778	7.00% p.a. payable quarterly	**3,888**	5,444

	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up Rate per annum	2013 Rs. 000s	2012 Rs. 000s
Habib Bank Limited Loan 8 a) Under LTF-EOP scheme	6.1, 6.5	12 half yearly January-2010	1,698	7.00% p.a. payable quarterly	**8,487**	11,885
b) Under LTF-EOP scheme		12 half yearly February-2010	139	7.00% p.a. payable quarterly	**692**	970
Habib Bank Limited Loan 10 Under State Bank of Pakistan (SBP) Scheme of Long Term Financing Facility (LTFF)	6.1, 6.6	16 half yearly July-2011	11,054	10.00% p.a. payable quarterly	**132,650**	154,758
Habib Bank Limited Loan 11 Under LTFF scheme	6.1, 6.6	16 half yearly August-2011	562	10.00% p.a. payable quarterly	**6,747**	7,871
Habib Bank Limited Loan 12 Under LTFF scheme	6.1, 6.6	16 half yearly October-2011	710	10.00% p.a. payable quarterly	**8,514**	9,932
Habib Bank Limited Loan 13 Under LTFF scheme	6.1, 6.6	16 half yearly March-2012	277	10.00% p.a. payable quarterly	**3,599**	4,153
Habib Bank Limited Loan 14 Under LTFF scheme	6.1, 6.6	16 half yearly August-2012	3,536	10.25% p.a. payable quarterly	**49,542**	56,614
HSBC Bank Middle East Limited Loan 1 a) Under LTF-EOP scheme	6.2, 6.5	12 half yearly October-2010	2,883	7.00% p.a. payable quarterly	**17,300**	23,066
b) Under LTF-EOP scheme		12 half yearly November-2010	1,038	7.00% p.a. payable quarterly	**6,225**	8,301
HSBC Bank Middle East Limited Loan 2 Under LTF-EOP scheme	6.2, 6.5	12 half yearly December-2010	1,838	7.00% p.a. payable quarterly	**11,030**	14,707
HSBC Bank Middle East Limited Loan 3 Under LTF-EOP scheme	6.2, 6.5	12 half yearly February-2010	875	7.00% p.a. payable quarterly	**4,373**	6,123
HSBC Bank Middle East Limited Loan 4 Under LTF-EOP scheme	6.2, 6.5	12 half yearly March-2010	844	7.00% p.a. payable quarterly	**4,220**	5,909
Meezan Bank Limited Diminishing Musharaka 1	6.3	6 half yearly February-2011	15,266	Average six months KIBOR Ask rate + 1.00% payable half yearly	**15,266**	45,797
Meezan Bank Limited Diminishing Musharaka 2	6.3	6 half yearly June-2011	1,449	Average six months KIBOR Ask rate + 1.50% payable half yearly	**1,449**	4,348
Meezan Bank Limited Diminishing Musharaka 3	6.3	6 half yearly July-2011	5,253	Average six months KIBOR Ask rate + 1.50% payable half yearly	**10,505**	21,011
National Bank of Pakistan Loan 3	6.3	25 quarterly September-2009	4,000	Average three months KIBOR Ask rate + 1.00% payable quarterly	**36,000**	52,000
National Bank of Pakistan Loan 4 Under LTFF scheme	6.2, 6.3, 6.6	16 quarterly September-2011	2,351	10.40% p.a. payable quarterly	**21,159**	30,563

Notes to the Financial Statements

For the Year Ended June 30, 2013

	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up Rate per annum	2013 Rs. 000s	2012 Rs. 000s
NIB Bank Limited Loan 1 Under LTFF scheme	6.3, 6.6	16 quarterly June-2010	2,839	9.00% p.a. payable quarterly	**8,510**	19,866
NIB Bank Limited Loan 2 Under LTFF scheme	6.3, 6.6	16 quarterly September-2010	1,883	9.00% p.a. payable quarterly	**7,529**	15,061
NIB Bank Limited Loan 3 Under LTFF scheme	6.3, 6.6	16 quarterly June-2014	2,827	10.90% p.a. payable quarterly	**45,234**	-
NIB Bank Limited Loan 4 Under LTFF scheme	6.3, 6.6	16 quarterly March-2014	829	10.90% p.a. payable quarterly	**13,265**	-
NIB Bank Limited Loan 5 Under LTFF scheme	6.3, 6.6	16 quarterly August-2014	498	10.90% p.a. payable quarterly	**7,960**	-
NIB Bank Limited Loan 6	6.3, 6.6	16 quarterly March-2014	829	Average three months KIBOR Ask rate + 1.50% payable quarterly	**13,265**	-
NIB Bank Limited Loan 7	6.3, 6.6	16 quarterly June-2014	2,827	Average three months KIBOR Ask rate + 1.50% payable quarterly	**45,235**	-
NIB Bank Limited Loan 8 Under LTFF scheme	6.3, 6.6	16 quarterly September-2014	1,289	10.90% p.a. payable quarterly	**20,640**	-
Standard Chartered Bank Loan 1 Under LTFF scheme	6.3, 6.6	8 Half Yearly October-2012	2,995	11.10% p.a. payable quarterly	**17,970**	23,960
Standard Chartered Bank Loan 2 Under LTFF scheme	6.3, 6.6	8 Half Yearly November-2012	21,886	11.10% p.a. payable quarterly	**131,329**	175,100
United Bank Limited Loan 2	6.3	10 half yearly March-2009	50,000	Average three months KIBOR Ask rate + 1.00% payable half yearly	**50,000**	150,000
United Bank Limited Loan 3 Under LTF-EOP scheme	6.3, 6.5	12 half yearly April-2010	931	7.00% p.a. payable quarterly	**4,655**	6,517
United Bank Limited Loan 4	6.3	6 half yearly August-2010	48,199	Average six months KIBOR Ask rate + 1.00% payable half yearly	**-**	96,397
United Bank Limited Loan 5 Under LTFF scheme	6.3, 6.6	16 half yearly November-2010	363	10.00% p.a. payable quarterly	**3,628**	4,354
United Bank Limited Loan 6	6.3	6 half yearly March-2011	25,000	Average six months KIBOR Ask rate + 1.25% payable half yearly	**25,000**	75,000
United Bank Limited Loan 7 Under LTFF scheme	6.3, 6.6	10 half yearly December-2012	1,319	10.50% p.a. payable quarterly	**10,553**	13,190
United Bank Limited Loan 8 Under LTFF scheme	6.3, 6.6	12 half yearly December-2011	557	10.50% p.a. payable quarterly	**4,462**	5,576

	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up Rate per annum	2013 Rs. 000s	2012 Rs. 000s
United Bank Limited Loan 9 Under LTFF scheme	6.3, 6.6	12 half yearly January-2012	128	10.50% p.a. payable quarterly	**1,156**	1,412
United Bank Limited Loan 10 Under LTFF scheme	6.3, 6.6	12 half yearly February-2012	741	10.50% p.a. payable quarterly	**6,672**	8,154
United Bank Limited Loan 11 Under LTFF scheme	6.3, 6.6	12 half yearly April-2012	3,686	11.20% p.a. payable quarterly	**33,172**	40,542
United Bank Limited Loan 12 Under LTFF scheme	6.2, 6.6	19 half yearly November-2011	7,441	11.20% p.a. payable quarterly	**111,621**	126,503
United Bank Limited Loan 13 Under LTFF scheme	6.2, 6.6	19 half yearly December-2011	5,916	11.20% p.a. payable quarterly	**88,737**	100,568
United Bank Limited Loan 14	6.3	12 half yearly September-2013	269	Average six months KIBOR Ask rate + 1.00% payable half yearly	**3,225**	3,225
United Bank Limited Loan 15	6.3	12 half yearly October-2013	1,235	Average six months KIBOR Ask rate + 1.00% payable half yearly	**14,823**	14,823
United Bank Limited Loan 16	6.3	12 half yearly December-2013	5,450	Average six months KIBOR Ask rate + 1.00% payable half yearly	**70,700**	70,700
United Bank Limited Loan 17 Under LTFF scheme	6.3, 6.6	12 half yearly January-2014	259	12.70% p.a. payable quarterly	**3,115**	-
United Bank Limited Loan 18 Under LTFF scheme	6.3, 6.6	12 half yearly March-2014	1,525	11.20% p.a. payable quarterly	**18,302**	-
United Bank Limited Loan 19	6.3	12 half yearly January-2014	11,913	Average six months KIBOR Ask rate + 1.00% payable half yearly	**142,950**	-
Total from other banks					**2,070,834**	2,214,676
Total long term financing from banking companies					**2,716,937**	2,761,068
Current portion shown under current liabilities					**(561,938)**	(664,636)
					2,154,999	2,096,432

Notes to the Financial Statements

For the Year Ended June 30, 2013

6.1 These loans are secured by first pari passu charge over present and future property, plant and equipment of the Company and equitable mortgage over land and building.

6.2 These loans are secured by charge over specified machinery.

6.3 These loans are secured by way of joint pari passu charge over the property, plant and equipment of the Company.

6.4 Habib Metropolitan Bank Limited is an associate company.

6.5 Grace period of one year in payment of principal outstanding under LTF-EOP facilities was allowed by the banks as per State Bank of Pakistan SMEFD circular No. 01 dated January 22, 2009.

6.6 The financing availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of two years from the availment date. However, where financing facilities have been provided for a period of upto five years maximum grace period shall not exceed one year as per State Bank of Pakistan MFD Circular No. 07 dated December 31, 2007.

	Note	2013	2012
		Rs. 000s	
7 DEFERRED TAXATION - NET			
Taxable temporary difference in respect of			
Accelerated tax depreciation allowance		**349,378**	300,147
Deductible temporary differences in respect of			
Provision for gratuity		**(4,604)**	(3,323)
Provision for doubtful debts		**(18,832)**	(14,867)
Provision for slow moving items		**(9,914)**	(7,988)
		(33,350)	(26,178)
		316,028	273,969

8 STAFF RETIREMENT BENEFITS

8.1 Principal actuarial assumptions

	2013	2012
Following principal actuarial assumptions were used for the valuation:		
Estimated rate of increase in salary of the employees	**9.5 % p.a.**	11 % p.a.
Discount rate	**10.5 % p.a.**	12 % p.a.
Average expected remaining working life time of employees	**10 years**	10 years

8.2 Movement in liability

	Note	2013	2012
Opening balance		**23,894**	14,106
Charge for the year	8.3	**24,953**	17,204
Payments during the year		**(15,210)**	(7,416)
Closing balance		**33,637**	23,894

	Note	2013	2012
		Rs. 000s	

8.3 Reconciliation of the present value of defined benefit obligation

		2013	2012
Opening balance		23,894	14,106
Charge for the year			
Current service cost		11,677	14,201
Interest cost		2,867	3,003
Actuarial loss		10,409	-
		24,953	17,204
Benefits paid during the year		(15,210)	(7,416)
Closing balance		33,637	23,894

9 TRADE AND OTHER PAYABLES

	Note	2013	2012
Creditors		2,828,618	1,730,756
Due to related parties		73,829	15,473
Murabaha	9.1	507,569	280,426
Accrued expenses	9.2	568,088	510,880
Advance from customers - others		101,131	109,533
Advance from customers - related parties		-	15,897
Payable to employees' provident fund		7,712	2,746
Workers' profit participation fund	9.3	45,224	8,884
Workers' welfare fund	9.4	40,289	23,104
Unclaimed dividend		512	512
Others		38,646	18,779
		4,211,618	2,716,990

9.1 Murabaha is secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables. Unavailed murabaha facility at the year end was Rs. Nil (2012: Rs. Nil). Murabaha facilities mature within 12 months. It includes accrued profit of Rs. 7.569 million (2012: Rs. 14.283 million). The effective rate of profit ranges from 8.95% to 13.05%.

9.2 Accrued expenses includes Infrastructure Cess amounting to Rs. 34.962 million (2012: Rs. 10.229 million). The Company alongwith other Petitioners have challenged the imposition of Infrastructure Cess by the relevant Excise and Taxation Officer, Karachi. However, in view of the uncertainties in such matters, full provision has been made in the financial statements.

Notes to the Financial Statements

For the Year Ended June 30, 2013

	2013	2012
	Rs. 000s	
9.3 Workers' profit participation fund		
Opening balance	**8,884**	85,424
Provision for the year	**45,224**	-
Interest for the year	**-**	8,884
	54,108	94,308
Payments made during the year	**(8,884)**	(85,424)
Closing balance	**45,224**	8,884

9.4 The Company alongwith other petitioners have challenged the constitutionality of the amendments brought into Workers' Welfare Fund Ordinance, 1971 through Finance Acts of 2006 and 2008. The Sindh High Court has given the decision in favour of the Government. The Company has filed an appeal in the Supreme Court of Pakistan against the above decision. However, in view of the uncertainties in such matters, full provision has been made in the Financial Statements.

	Note	2013	2012
		Rs. 000s	
10 ACCRUED MARK-UP			
Mark-up on long term financing		**64,145**	43,940
Mark-up on short term borrowings		**127,647**	127,672
		191,792	171,612
11 SHORT TERM BORROWINGS - SECURED			
Short term bank borrowings	11.1	**8,009,477**	6,167,104
Short term running finance		**280,939**	1,121,961
		8,290,416	7,289,065

11.1 It includes short term istisna amounting to Rs. 1,125 million (2012: Rs. 990 million).

11.2 Short term borrowings are secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables. Unavailed facility at the year end was Rs. 3,560 million (2012: Rs. 5,335 million). The facility for short term borrowings mature within twelve months. Short term borrowings include Rs. 592 million (2012: Rs. 599 million) from related party.

11.3 Mark-up rates range from 0.80% to 14.98% (2012: 1.56% to 16.56%) per annum.

12 CONTINGENCIES AND COMMITMENTS

12.1 The Company owns and possesses a plot of land measuring 44 acres in Deh Khanto, which is appearing in the books at a cost of Rs. 64 million. The Company holds title deeds of the land which are duly registered in its name. Ownership of the land has been challenged in the Sindh High Court by some claimants who claim to be the owners, as this land was previously sold to them and subsequently resold to the Company. The claim of the alleged owners is fictitious. The Company is confident that its title to the land is secure and accordingly no provision in this behalf has been made in these financial statements.

12.2 The Company has filed a suit in the Sindh High Court for recovery of Rs. 33.409 million (2012: Rs. 33.409 million) included in other receivables note 21.1. The Company's management and its legal counsel are of the opinion that the case will be decided in the Company's favour and as such no provision has been made there against.

12.3 The Company has filed a petition in the Sindh High Court against order passed by the Board of Trustees, Employees Old-Age Benefits Institution (EOBI) for upholding the unjustified additional demand of payment raised by EOBI for accounting years 2000-01 and 2001-02 amounting to Rs. 50.827 million (2012: Rs. 50.827 million). This demand has been raised after lapse of more than two years although the records and books of the Company were verified by the EOBI to their entire satisfaction and finalization of all matters by EOBI. The Honorable Sindh High Court has already restrained EOBI from taking any action or proceedings against the Company. No provision has been made there against in these financial statements as the Company is confident of the favourable outcome of the petition.

12.4 The Company has filed a Constitution Petition in the Sindh High Court against the City District Government of Karachi for striking down the unjustified demand of payment of Ground Rent of Rs. 10 million. The Honorable Sindh High Court has already restrained the City District Government of Karachi from taking any coercive action against the Company. No provision has been made there against in these financial statements as the Company is confident of the favourable outcome of the Petition. Also refer note 20.1.

12.5 The Government of Pakistan increased the Gas Infrastructure Development Cess (GIDC) from July-2012 from Rs.13/- to Rs.100/- per MMBTU. This was subsequently reduced by the Government to Rs.50/- per MMBTU from September-2012. The Company alongwith several other companies has filed a suit in the Sindh High Court challenging the increase in GIDC. The Sindh High Court has been pleased to stay recovery of the enhanced GIDC and hence the Company has not paid the enhanced GIDC. The Company has not provided for increase in GIDC in these financial statements which upto June-2013 works out Rs.145 million as the Company is confident that the case will be decided in its favour. Similar petitions filed in the Peshawar and Islamabad High Courts have been decided in favour of the companies. In the case of Islamabad High Court the matter is now with its division bench and decision of the Peshawar High Court has been challenged by the Government in the Supreme Court of Pakistan.

12.6 Guarantees

(a) Rs. 332 million (2012: Rs. 260 million) against guarantees issued by banks which are secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables. These guarantees includes guarantees issued by related party amounting to Rs. 269 million (2012: Rs. 203 million)

(b) Post dated cheques Rs. 182 million (2012: Rs. 153 million) issued to various Government Agencies.

(c) Bills discounted Rs. 2,216 million (2012: Rs. 1,731 million).

(d) Corporate guarantee of Rs. 102.260 million (2012: Rs. 96.420 million) has been issued to a bank in favour of subsidiary company.

Comitments

12.7 The Company is committed for capital expenditure as at June 30, 2013 of Rs. 410 million (2012: Rs. 197 million).

12.8 The Company is committed for non capital expenditure items under letters of credits as at June 30, 2013 of Rs. 579 million (2012: Rs. 374 million)

12.9 The Company is committed for minimum rental payments for each of following period as follows:

	Note	2013	2012
		Rs. 000s	
Not more than one year		**262,090**	216,826
More than one year but not more than five years		**994,498**	901,170
More than five years		**600,930**	707,749
		1,857,518	1,825,745

13 PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
Operating assets	13.1	**6,906,799**	6,606,533
Capital work in progress	13.2	**225,313**	222,387
		7,132,112	6,828,920

13.1 Operating Assets

	Note	Leasehold land	Buildings and structures on leasehold land	Plant and machinery	Furniture and fixtures	Office equipment	Vehicles	Total
		Rs. 000s						
Net carrying value basis year ended June 30, 2013								
Opening net book value (NBV)		234,107	1,017,567	4,918,427	63,180	155,148	218,104	6,606,533
Direct additions (at cost)		-	23,287	142,949	3,188	21,793	77,720	268,937
Transfer from CWIP		-	72,501	779,316	559	11,462	-	863,838
Disposal at NBV	13.1.2 & 13.1.3	-	-	(51,279)	(2,906)	(3,808)	(6,808)	(64,801)
Depreciation charge	13.1.1	-	(121,069)	(546,449)	(6,842)	(43,468)	(49,880)	(767,708)
Closing net book value		**234,107**	**992,286**	**5,242,964**	**57,179**	**141,127**	**239,136**	**6,906,799**
Gross carrying value basis as at June 30, 2013								
Cost		234,107	2,116,229	10,568,505	100,991	372,316	476,930	13,869,078
Accumulated depreciation		-	(1,123,943)	(5,325,541)	(43,812)	(231,189)	(237,794)	(6,962,279)
Net book value		**234,107**	**992,286**	**5,242,964**	**57,179**	**141,127**	**239,136**	**6,906,799**
Net carrying value basis year ended June 30, 2012								
Opening net book value (NBV)		234,107	1,040,644	4,913,020	64,577	141,374	188,360	6,582,082
Direct aadditions (at cost)		-	16,259	11,908	2,752	18,279	99,020	148,218
Transfer from CWIP		-	82,617	519,881	3,738	33,284	-	639,520
Disposal at NBV		-	-	(4,200)	-	(2,440)	(14,668)	(21,308)
Depreciation charge		-	(121,953)	(522,182)	(7,887)	(35,349)	(54,608)	(741,979)
Closing net book value		**234,107**	**1,017,567**	**4,918,427**	**63,180**	**155,148**	**218,104**	**6,606,533**
Gross carrying value basis as at June 30, 2012								
Cost		234,107	2,020,441	9,782,852	105,644	357,496	419,082	12,919,622
Accumulated depreciation		-	(1,002,874)	(4,864,425)	(42,464)	(202,348)	(200,978)	(6,313,089)
Net book value		**234,107**	**1,017,567**	**4,918,427**	**63,180**	**155,148**	**218,104**	**6,606,533**
Depreciation rate % per annum		**-**	**10**	**10**	**10 to 12**	**15 to 30**	**20**	

13.1.1 Depreciation charge for the year has been allocated as follows:

	Note	2013	2012
		Rs. 000s	
Cost of goods manufactured	25.1	**623,544**	607,578
Distribution cost	26	**65,990**	59,387
Administrative expenses	27	**78,174**	75,014
		767,708	741,979

13.1.2 Details of operating assets sold (by negotiation except where stated)

Particulars	Cost	Written down value	Sale proceeds	Particulars of buyers
	Rs. 000s			
Plant and machinery				
Various models of Carding and autocone machines	75,331	14,009	15,049	International Textile Machinery Enterprise Suit No. 1001, 10th Floor, Business Plaza, I.I.Chundrigar Road, Karachi.
Recycling Plant Complete with Allied Accessories	28,324	17,964	15,500	Texstyle Corporation 16th Floor, Gul Tower, I.I Chundrigar Road, Karachi.
Dyeing and Bleaching machine	26,466	16,496	29,600	Insurance Claim
Furniture and fixtures				
Various wooden furniture	268	96	88	Excellence Furniture Liaquatabad Furniture Market, Karachi.
Vehicles				
Honda Civic - AFB-656	1,427	163	751	Mr. Gul Dad House No. HK-579, KPT Building, New Qadri House, Karachi.
Toyota Corolla Altis - APK-166	1,370	449	1,151	Mr. Gul Dad House No. HK-579, KPT Building, New Qadri House, Karachi.
Toyota Mark - AFB-011	3,005	343	875	Mr. Aamir House No. F-107/B, Block-F, North Nazimabad, Karachi.
Suzuki Cultus - AMJ-854	610	160	243	Mr. Hakim Azizuddin - Employee Flat No. 101, D.H.A Building, Phase No. 5, D.H.A., Karachi.
Suzuki Cultus - ARJ-248	766	314	622	Mr. Muhammad Ali Akber Khan House No. A-171, Block No. 12, F.B. Area, Karachi.
Honda City - APE-064	866	284	345	Mr. Muhammad Ali 572/3, Kutyana Mohalla, F.B. Area, Karachi.
Daihatsu Coure - APX-576	515	169	195	Mr. Muhammad Irfan - Employee House No. A-57, UK Apartment, Block-14,Gulshan-e-Iqbal, Karachi.
Toyota Corolla - ARY-745	1,302	534	900	Mr. Muhammad Musharaf Baig - Employee Flat No. E-3, Phase 11, North City Apartment, Karachi.
Honda City - ANN-490	900	236	360	Mr. Muhammad Salman House No. B-33, Dhoraji Colony, Karachi.

Particulars	Cost	Written down value	Sale proceeds	Particulars of buyers
	Rs. 000s			
Suzuki Cultus - AGE-738	590	84	236	Mr. Sabir Ali Landhi Bin Qasim Town, Mohalla Shafi Goth, Karachi.
Suzuki Alto - APK-441	516	169	212	Mr. Shamshad Khan House No. 7/16, Survey 89, Mohalla Golden Town, Rafa-e-Aam, Karachi.
Suzuki Alto - AFS-264	496	71	315	Mr. Sultan Hassan Khan House No. A-908/12, F.B. Area, Karachi.
Honda Civic - AQS-634	1,563	512	916	Mr. Syed Hassan Riaz Bukhari - Employee House No. 27-D, Model Town, Lahore.
Suzuki Alto - AKW-798	512	107	282	Mr. Tahir Hassan House No. R-1119, Sector 15/B, Buffer Zone, North Karachi, Karachi.
Honda City - AQF-526	907	297	878	Insurance Claim
Honda City - AYE-536	1,657	1,657	1,648	Insurance Claim
Suzuki Alto - AWR-745	779	623	776	Insurance Claim
Suzuki Bolan - CR-2517	412	108	420	Insurance Claim
Suzuki Cultus - ASU-138	819	419	805	Insurance Claim
Written down value below Rs. 50,000 each				
- Vehicle	859	110	393	Various
- Others	11,354	3,938	3,832	Various
2013	**161,615**	**59,312**	**76,392**	
2012	92,276	20,699	33,523	

13.1.3 Disposals include assets scrapped during the year amounting to Rs. 5.489 million (2012: Rs. 0.609 million)

13.2 Capital work in progress

	2013				2012			
	Machinery and store Items held for capitalisation	Civil Work	Other assets	Total	Machinery and store Items held for capitalisation	Civil Work	Other assets	Total
	Rs. 000s							
Cost as at July 1	199,596	19,951	2,840	222,387	23,462	37,673	10,508	71,643
Capital expenditure incurred during the year	754,842	98,106	17,331	870,279	696,015	64,895	29,354	790,264
Transferred to property, plant and equipment	(779,316)	(72,501)	(12,021)	(863,838)	(519,881)	(82,617)	(37,022)	(639,520)
Transferred to intangible assets	-	-	(3,515)	(3,515)	-	-	-	-
Cost as at June 30	175,122	45,556	4,635	225,313	199,596	19,951	2,840	222,387

14 INTANGIBLE ASSETS

	Note	2013	2012
		Rs. 000s	
Computer Software			
Net carrying value basis as at June 30			
Opening net book value		26,535	38,630
Additions (at cost)		5,289	746
Transfer from capital work in process		3,515	-
Amortisation charge	14.1	(12,209)	(12,841)
Closing net book value		23,130	26,535
Gross carrying value basis as at June 30			
Cost		157,003	148,199
Accumulated amortisation		(133,873)	(121,664)
Net book value		23,130	26,535

14.1 The cost is being amortised over a period of five years and the amortisation charge has been allocated as follows:

	Note	2013	2012
Distribution cost	26	1,384	1,614
Administrative expenses	27	10,825	11,227
		12,209	12,841

14.2 Remaining useful life range from one to four years.

15 LONG TERM INVESTMENT

	Note	2013	2012
Gul Ahmed International Limited - FZC UAE	15.1	58,450	58,450

15.1 Gul Ahmed International Limited - FZC UAE is a wholly owned unquoted subsidiary (the subsidiary) of the Company having 10,000 (2012: 10,000) ordinary shares of USD 100 each, valued at cost. The subsidiary is corporated in United Arab Emirates (UAE). The Investment's breakup value of shares as per the audited accounts for the year ended June 30, 2013 is Rs. 263 million (2012: Rs. 242 million).

	Note	2013	2012
		Rs. 000s	

16 LONG TERM LOANS AND ADVANCES

	Note	2013	2012
Considered good - Secured			
- Due from executives (other than CEO and Directors)	16.2	**2,075**	5,183
- Due from non-executive employees		**1,340**	1,111
		3,415	6,294
Current portion being receivable within twelve months following the balance sheet date			
- Due from executives		**(1,163)**	(2,892)
- Due from non-executive employees		**(191)**	(502)
	20	**(1,354)**	(3,394)
		2,061	2,900

16.1 Loans and advances have been given for the purchase of cars, scooters and household equipment and housing assistance in accordance with the terms of employment and are repayable in different monthly installments. These loans are secured against cars, outstanding balance of provident fund, retirement benefits and/or upon guarantees of two employees.

Included in these are loans Rs. 0.367 million (2012: Rs. 1.161 million) to executives and Rs. 0.595 million (2012: Rs. 0.204 million) to non-executives which carry no interest. The balance amount carries interest ranging from 12 % to 14%.

The maximum aggregate amount due from executives at the end of any month during the year was Rs. 4.852 million (2012: Rs. 8.843 million).

	Note	2013	2012
		Rs. 000s	

16.2 Reconciliation of carrying amount of loans to executives

	Note	2013	2012
Opening balance		**5,183**	5,845
Disbursement during the year		**-**	5,134
Transfer from non-executive to executive employees		**-**	907
Recovered during the year		**(3,108)**	(6,703)
Closing balance		**2,075**	5,183

17 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2013	2012
Stores		**432,227**	451,097
Spare parts		**360,497**	342,876
Loose tools		**3,153**	3,444
		795,877	797,417
Provision for slow moving/obsolete items	17.1	**(72,442)**	(57,431)
		723,435	739,986

		Note	2013 Rs. 000s	2012 Rs. 000s
17.1	**Movement in provision for slow moving/obsolete items**			
	Opening balance		**57,431**	45,144
	Charge for the year		**15,011**	12,287
	Closing balance		**72,442**	57,431

		Note	2013 Rs. 000s	2012 Rs. 000s
18	**STOCK-IN-TRADE**			
	Raw materials		**2,457,304**	2,236,375
	Work-in-process		**265,327**	233,153
	Finished goods	18.1	**6,832,593**	4,945,923
			9,555,224	7,415,451

18.1 Finished goods include stock of waste valuing Rs. 76.868 million (2012: Rs. 56.887 million) determined at net realizable value.

		Note	2013 Rs. 000s	2012 Rs. 000s
19	**TRADE DEBTS**			
	Export debtors - secured			
	- Considered good	19.1	**622,544**	554,023
	Local debtors - unsecured			
	- Considered good	19.1	**1,950,724**	1,520,136
	- Considered doubtful		**137,610**	107,785
			2,088,334	1,627,921
	Provision for doubtful trade debts	19.3	**(137,610)**	(107,785)
			1,950,724	1,520,136
			2,573,268	2,074,159

19.1 Includes amounts due from related parties as under:

	2013	2012
Export debtors - secured		
Gul Ahmed International (FZC)-UAE - wholly owned subsidiary	**1,587**	-
GTM (Europe) Limited - wholly owned sub subsidiary	**33,560**	139,703
	35,147	139,703
Local debtors - unsecured		
Swisstex Chemicals (Private) Limited - Associate company	**-**	759
	35,147	140,462

19.2 The maximum aggregate month end balance due from related parties during the year was Rs. 255 million (2012: Rs. 310 million).

19.2.1 Ageing analysis of the amounts due from related parties is as follows:

	2013				2012			
	Upto 1 month	1-6 months	More than 6 months	Total	Upto 1 month	1-6 months	More than 6 months	Total
	Rs. 000s							
GTM (Europe) Limited	-	33,560	-	33,560	-	139,703	-	139,703
Gul Ahmed International (FZC)-UAE	1,587	-	-	1,587	-	-	-	-
Swisstex Chemicals (Private) Limited	-	-	-	-	65	694	-	759
	1,587	33,560	-	35,147	65	140,397	-	140,462

	Note	2013	2012
		Rs. 000s	
19.3 Movement in provision for doubtful trade debts			
Opening balance		107,785	77,064
Charge for the year		29,825	30,721
Closing Balance		137,610	107,785

20 LOANS AND ADVANCES

	Note	2013	2012
Considered good			
Current portion being receivable within twelve months following the balance sheet date			
- Executives		1,163	2,892
- Other employees		191	502
	16	1,354	3,394
Advances to suppliers	20.1 & 20.2	272,212	132,384
Letters of credit		72,863	33,834
		346,429	169,612

20.1 Includes amount of Rs. 2.57 million (2012: Rs. 2.57 million) paid to Nazir Sindh High Court, Karachi in compliance with the Order of the Sindh High Court in respect of ground rent suit as mentioned in Note 12.4.

20.2 Advances to suppliers include Rs. 1.534 million (2012: Rs. 2.364 million) with related party - Arwen Tech (Private) Limited.

Notes to the Financial Statements

For the Year Ended June 30, 2013

	Note	2013	2012
		Rs. 000s	
21 OTHER RECEIVABLES			
Research and development claim		-	632
Duty drawback local taxes and levies		-	6,942
Duty drawback		104,158	116,271
Mark-up rate subsidy receivable		6,918	10,398
Others	21.1	62,638	48,456
		173,714	182,699
21.1 Others			
Receivable against sale of property	12.2	33,409	33,409
Others		29,229	15,047
		62,638	48,456
22 TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax		168,735	8,255
Income tax		60,719	16,616
		229,454	24,871
23 CASH AND BANK BALANCES			
Cash in hand		8,246	7,124
Balances with banks in current accounts			
- Local currency		84,638	109,540
- Foreign currency		9,037	3,349
	23.1	93,675	112,889
		101,921	120,013

23.1 Bank balances include amount of Rs. 35 million (2012: Rs. 45 million) kept with a related party - Habib Metropolitan Bank.

	Note	2013	2012
		Rs. 000s	
24 SALES			
Local	24.1	**13,182,713**	10,187,793
Export			
Direct export		**16,143,131**	13,739,015
Indirect export		**794,987**	900,157
		16,938,118	14,639,172
Duty drawback		**143,011**	142,248
		30,263,842	24,969,213
Brokerage and commission		**(62,254)**	(50,733)
		30,201,588	24,918,480

24.1 Sales are exclusive of sales tax amounting to Rs. 280.518 million (2012: Rs. 255.258 million).

	Note	2013	2012
		Rs. 000s	
25 COST OF SALES			
Opening stock of finished goods		**4,945,923**	6,216,882
Cost of goods manufactured	25.1	**21,775,264**	18,103,189
Purchases and processing charges		**5,613,742**	2,058,598
		32,334,929	26,378,669
Closing stock of finished goods		**(6,832,593)**	(4,945,923)
		25,502,336	21,432,746
25.1 Cost of goods manufactured			
Raw materials consumed	25.2	**12,897,675**	10,225,755
Stores consumed		**2,976,436**	2,615,106
Staff Cost	27.1	**2,876,294**	2,257,235
Fuel, power and water		**1,739,168**	1,687,956
Insurance		**97,779**	82,231
Repairs and maintenance - net of insurance claim		**590,417**	558,694
Depreciation	13.1.1	**623,544**	607,578
Other manufacturing expenses		**104,584**	77,213
Cost of samples shown under distribution cost		**(98,459)**	(85,586)
		21,807,438	18,026,182
Work-in-process			
Opening		**233,153**	310,160
Closing	18	**(265,327)**	(233,153)
		(32,174)	77,007
		21,775,264	18,103,189
25.2 Raw material consumed			
Opening stock		**2,236,375**	3,807,318
Purchases during the year - net of insurance claim		**13,118,604**	8,654,812
Closing stock		**(2,457,304)**	(2,236,375)
		12,897,675	10,225,755

		Note	2013	2012
			Rs. 000s	
26	DISTRIBUTION COST			
	Freight and shipment expenses		201,961	164,782
	Staff Cost	27.1	365,181	357,762
	Insurance		13,019	6,519
	Advertisement and publicity		382,703	296,869
	Participation in exhibition		13,453	38,036
	Cost of samples transferred from cost of goods manufactured		98,459	85,586
	Rent, rates and taxes		280,425	239,888
	Depreciation	13.1.1	65,990	59,387
	Amortisation	14.1	1,384	1,614
	Export development surcharge		41,326	35,466
	Other expenses		45,985	36,673
			1,509,886	1,322,582
27	ADMINISTRATIVE EXPENSES			
	Staff Cost	27.1	356,730	315,934
	Rent, rates and taxes		36,617	40,349
	Repairs and maintenance		35,643	29,094
	Vehicle up keep and maintenance		103,857	87,984
	Utiliites		75,634	63,559
	Conveyance and traveling		130,689	97,702
	Printing and stationery		29,868	20,370
	I.T expenses		26,330	25,361
	Postage and telecommunication		57,376	50,168
	Legal and consultancy fees		39,616	33,434
	Depreciation	13.1.1	78,174	75,014
	Amortisation	14.1	10,825	11,227
	Auditors' remuneration	27.2	1,597	1,585
	Donations	27.3	2,139	4,346
	Insurance		14,672	12,202
	Provision for doubtful trade debts		29,825	30,721
	Provision for slow moving/obsolete items		15,011	12,287
	Other expenses		42,317	43,733
			1,086,920	955,070

27.1 Staff cost

	Cost of sales		Distribution cost		Administrative expenses		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	Rs. 000s							
- Salaries, wages & benefits	**2,784,996**	2,181,671	**354,431**	347,311	**339,726**	300,949	**3,479,153**	2,829,931
Retirement benefits								
- Gratuity	**24,953**	17,204	**-**	-	**-**	-	**24,953**	17,204
- Contribution to provident fund	**32,132**	27,213	**10,035**	9,920	**14,768**	13,054	**56,935**	50,187
	57,085	44,417	**10,035**	9,920	**14,768**	13,054	**81,888**	67,391
- Staff compensated absences	**34,213**	31,147	**715**	531	**2,236**	1,931	**37,164**	33,609
	2,876,294	2,257,235	**365,181**	357,762	**356,730**	315,934	**3,598,205**	2,930,931

27.2 Auditors' remuneration

	2013	2012
	Rs. 000s	
Audit fee	**1,150**	1,000
Review fee of half yearly accounts	**30**	30
Fee for consolidation of holding and subsidiaries	**150**	150
Review fee of statement of compliance with code of corporate governance	**50**	50
Other certification fees	**32**	130
Out of pocket expenses	**185**	225
	1,597	1,585

27.3 Donation of Rs. 1.920 million (2012: Rs. 1.720 million) paid to Fellowship Fund for Pakistan. Mr. Mohomed Bashir, Chairman and Chief Executive of the Company is a Trustee of the Fund.

28 OTHER OPERATING EXPENSES

	2013	2012
	Rs. 000s	
Workers' profit participation fund	**45,224**	-
Workers' welfare fund	**18,124**	-
Loss on sale of property, plant and equipment	**3,519**	44
Property, plant and equipment scrapped	**5,489**	609
	72,356	653

29 OTHER INCOME

	2013	2012
	Rs. 000s	
Income from financial assets		
Interest income from loans and advances	1,151	967
Exchange gain on realisation of export receivables	9,605	145,444
Income from non-financial assets		
Profit on sale of property, plant and equipment	20,599	12,868
Scrap sales	7,203	7,172
Others	-	166
	38,558	166,617

30 FINANCE COST

	2013	2012
Mark-up on long term financing	291,354	292,778
Mark-up on short term borrowings	790,303	888,694
Profit on murabaha	40,340	41,992
Interest on workers' profit participation fund	-	8,884
Bank charges	52,833	53,483
Exchange loss	52,690	89,632
	1,227,520	1,375,463

30.1 Mark-up on long term financing/short term borrowings include Rs. 116 million (2012: Rs. 119 million) in respect of long term financing/short term borrowings from related party.

31 PROVISION FOR TAXATION

	Note	2013	2012
		Rs. 000s	
Current			
- for the year		151,032	250,851
- prior		(54,041)	(1,310)
		96,991	249,541
Deferred		42,059	(10,594)
	31.1	139,050	238,947

31.1 Reconciliation between accounting profit and tax expense

	2013
Net Profit for the year before taxation	841,128
Tax rate	35%
Tax on accounting profit	294,395
Tax effect of	
Tax credit	(92,976)
Prior year	(54,041)
Final tax on exports	4,461
Admissible/inadmissible	(9,554)
Others	(3,235)
	(155,345)
	139,050

31.2 Provision for taxation for the year ended June 30, 2012 had been made on the basis of minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001. Accordingly, reconciliation of tax expense with the accounting profit for the year ended June 30, 2012 had not been prepared being impracticable.

31.3 Income tax assessments of the Company have been finalised upto fiscal year 2011-12 (Tax year 2012).

	Note	2013	2012
		Rs. 000s	
32 EARNINGS/(LOSS) PER SHARE - basic and diluted			Re-Stated
Profit/(loss) for the year		**702,078**	(240,364)
Weighted average number of shares		**145,051,752**	138,637,149
Earnings/(loss) per share (Rs.)		**4.84**	(1.73)

32.1 Weighted average number of shares in issue during last year have been restated for the effect of right shares issued during current year.

32.2 There is no dilutive effect on the (loss)/earnings per share of the Company.

33 SEGMENT INFORMATION

The Company has the following two reportable business segments:

a) Spinning : Production of different qualities of yarn using both natural and artificial fibers.

b) Processing : Production of greige fabric, its processing into various types of fabrics for sale as well as manufacture and sale of madeups and home textile products.

Transactions among the business segments are recorded at cost.

33.1 Segment Profitability

	Spinning		Processing		Elimination Of Inter Segment Transaction		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	Rs. 000s							
Sales	**10,697,890**	10,148,346	**21,745,641**	18,395,510	**(2,241,943)**	(3,625,376)	**30,201,588**	24,918,480
Cost of sales	**9,615,708**	9,974,763	**18,128,571**	15,083,359	**(2,241,943)**	(3,625,376)	**25,502,336**	21,432,746
Gross profit	**1,082,182**	173,583	**3,617,070**	3,312,151	**-**	-	**4,699,252**	3,485,734
Distribution & Administrative expenses	**257,126**	186,267	**2,339,680**	2,091,385	**-**	-	**2,596,806**	2,277,652
Profit/(loss) before tax and before charging following	**825,056**	(12,684)	**1,277,390**	1,220,766	**-**	-	**2,102,447**	1,208,082
Financial charges							**1,227,520**	1,375,463
Other operating expenses							**72,356**	653
Other income							**(38,558)**	(166,617)
Taxation							**139,050**	238,947
							1,400,368	1,448,446
Profit/(loss) after taxation							**702,078**	(240,364)

33.2 Segment assets and liabilities

	Spinning		Processing		Unallocated		Total Company	
	2013	2012	2013	2012	2013	2012	2013	2012
	Rs. 000s							
Assets	**5,574,899**	5,214,791	**13,668,112**	11,008,064	**1,945,919**	1,495,903	**21,188,930**	17,718,758
Liabilities	**815,183**	1,181,037	**4,680,756**	3,429,356	**10,264,489**	8,635,856	**15,760,428**	13,246,249

33.3 Unallocated items represent those assets and liabilities which are common to all segments and investment in subsidiary.

33.4 Information about major customers

Revenue from major customer whose revenue exceeds 10% of gross sales is Rs. 5,490 million (2012: Rs. 4,305 million).

33.5 Information by geographical area

	Revenue		Non-current assets	
	2013	2012	2013	2012
	Rs. 000s			
Pakistan	**13,120,459**	10,137,060	**7,208,615**	6,906,156
Germany	**3,141,496**	2,523,681	**-**	-
United Kingdom	**2,959,899**	2,474,669	**-**	-
China	**2,098,851**	1,972,600	**-**	-
United States	**2,065,066**	1,828,492	**-**	-
Netherland	**1,021,286**	888,344	**-**	-
France	**1,326,246**	876,156	**-**	-
Brazil	**503,155**	633,294	**-**	-
United Arab Emirates	**242,358**	362,659	**58,450**	58,450
Other Countries	**3,722,772**	3,221,525	**-**	-
Total	**30,201,588**	24,918,480	**7,267,065**	6,964,606

34 CASH AND CASH EQUIVALENTS

	Note	2013	2012
		Rs. 000s	
Cash and bank balances	23	**101,921**	120,013
Short term borrowings	11	**(8,290,416)**	(7,289,065)
		(8,188,495)	(7,169,052)

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2013				2012			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	Rs. 000s							
Managerial remuneration	**4,800**	**10,400**	**253,062**	**268,262**	4,800	10,400	225,463	240,663
House rent allowance	**1,920**	**4,160**	**101,224**	**107,304**	1,920	4,160	90,185	96,265
Other allowances	**730**	**1,482**	**44,361**	**46,573**	480	1,040	30,463	31,983
Contribution to provident fund	**400**	**866**	**18,815**	**20,081**	400	866	16,162	17,428
	7,850	**16,908**	**417,462**	**442,220**	7,600	16,466	362,273	386,339
Number of persons	**1**	**3**	**241**	**245**	1	3	215	219

35.1 The Chief Executive, Directors and certain Executives are provided with free use of Company maintained cars and are also covered under Company's Health Insurance Plan along with their dependents.

35.2 The Chief Executive and two Directors are also provided with free residential telephones.

35.3 Aggregate amount charged in the accounts for the year for meeting fee to five Non Executive Directors was Rs. 450,000 (2012: five Non Executive Directors Rs. 405,000).

35.4 Executive means an employee other than the Chief Executive and Director, whose basic salary exceeds five hundred thousand rupees in a financial year.

36 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise subsidiaries, associated companies, companies where directors also hold directorship, directors of the Company and key management personnel. The Company in the normal course of business carries out transactions with various related parties.

Relationship with the Company	Nature of Transactions	2013	2012
		Rs. 000s	
Subsidiaries	Purchase of goods	**43,001**	497
	Sales of goods	**649,820**	1,296,759
Associated companies and others related parties	Purchase of goods	**79,208**	60,598
	Sale of goods	**5,029**	5,579
	Rent paid	**7,200**	5,820
	Fees paid	**1,250**	1,000
	Reimbursement of expenses to related party	**-**	525
	Commission/Rebate	**4,863**	4,562
	Bills discounted	**1,801,027**	705,530
	Commission/Bank charges paid	**32,624**	23,781
	Mark-up/interest charged	**116,260**	118,984
	Provident fund contribution	**56,934**	50,186

Relationship with the Company	Nature of Outstanding Balances	2013	2012
		Rs. 000s	
Subsidiaries	Corporate guarantee issued in favour of subsidiary company	**102,260**	96,420
	Trade & other payable	**62,440**	2,858
	Long term investment	**58,450**	58,450
	Trade debts	**35,147**	139,703
	Advance from customer	**-**	15,897
Associated companies and others related parties	Deposit with bank	**35,341**	44,498
	Borrowing from bank	**1,238,406**	1,144,905
	Bank guarantee	**268,628**	203,472
	Trade & other payable	**11,389**	12,615
	Accrued mark up	**17,942**	26,430
	Trade debts	**-**	759
	Advances to suppliers	**1,534**	2,364
	Loans to key management personnel	**2,074**	5,183

There are no transactions with directors of the Company and key management personnel other than under the terms of employment. Loans and remuneration of the key management personnel are disclosed in notes 16 and 35 respectively.

Related parties status of outstanding receivables and payables as at June 30, 2013 are also included in respective notes to the financial statements.

37 CAPACITY AND PRODUCTION

	Unit	2013 Capacity	2013 Production	2013 Working	2012 Capacity	2012 Production	2012 Working
		000s	000s		000s	000s	
Cloth	**Sq. meters (50 Picks converted)**	**136,745**	**83,819**	**3 shifts**	**124,136**	**81,096**	**3 shifts**
Yarn	**Kgs. (20 Counts converted)**	**49,055**	**37,501**	**3 shifts**	**48,227**	**36,525**	**3 shifts**

Production is lower due to variation in production mix and various technical factors.

38 FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabiliites of the Company as at June 30, 2013 are as follows

	2013						
	Interest/mark-up/profit bearing			Non interest/mark-up/profit bearing			Total
	Maturity upto one Year	Maturity after one Year	Sub total	Maturity upto one Year	Maturity after one Year	Sub total	
Financial assets							
Investment in subsidiary							
Long term investment	-	-	-	-	58,450	-	**58,450**
Loans and receivables							
Long term deposits	-	-	-	-	51,312	51,312	**51,312**
Trade debts	-	-	-	2,573,268	-	2,573,268	**2,573,268**
Loans and advances	1,093	1,360	2,453	260	702	962	**3,415**
Other receivables	-	-	-	173,714	-	173,714	**173,714**
Cash and bank balances	-	-	-	101,921	-	101,921	**101,921**
	1,093	1,360	2,453	2,849,163	52,014	2,901,177	**2,903,630**
Financial liabilities							
At Amortised cost							
Long term financing	561,938	2,154,999	2,716,937	-	-	-	**2,716,937**
Short term borrowings	8,290,416	-	8,290,416	-	-	-	**8,290,416**
Trade and other payables	552,793	-	552,793	3,517,352	-	3,517,352	**4,070,145**
Accrued interest	-	-	-	191,792	-	191,792	**191,792**
	9,405,147	2,154,999	11,560,146	3,709,144	-	3,709,144	**15,269,290**
Off balance sheet items							
Guarantees	-	-	-	332,117	-	332,117	**332,117**
Bills discounted	-	-	-	2,215,854	-	2,215,854	**2,215,854**
Commitments	-	-	-	988,779	-	988,779	**988,779**
	-	-	-	3,536,750	-	3,536,750	**3,536,750**

Financial assets and liabiliites of the Company as at June 30, 2012 are as follows

	2012						
	Interest/mark-up/profit bearing			Non interest/mark-up/profit bearing			Total
	Maturity upto one Year	Maturity after one Year	Sub total	Maturity upto one Year	Maturity after one Year	Sub total	
Financial assets							
Investment in subsidiary							
Long term investment	-	-	-	-	58,450	58,450	58,450
Loans and receivables							
Long term deposits	-	-	-	-	47,801	47,801	47,801
Trade debts	-	-	-	2,074,159	-	2,074,159	2,074,159
Loans and advances	2,711	2,217	4,928	683	683	1,366	6,294
Other receivables	-	-	-	182,699	-	182,699	182,699
Cash and bank balances	-	-	-	120,013	-	120,013	120,013
	2,711	2,217	4,928	2,377,554	48,484	2,426,038	2,430,966
Financial liabilities							
At Amortised cost							
Long term financing	664,636	2,096,432	2,761,068	-	-	-	2,761,068
Short term borrowings	7,289,065	-	7,289,065	-	-	-	7,289,065
Trade and other payables	275,027	-	275,027	2,280,888	-	2,280,888	2,555,915
Accrued interest	-	-	-	171,612	-	171,612	171,612
	8,228,728	2,096,432	10,325,160	2,452,500	-	2,452,500	12,777,660
Off balance sheet items							
Guarantees	-	-	-	260,061	-	260,061	260,061
Bills discounted	-	-	-	1,730,690	-	1,730,690	1,730,690
Commitments	-	-	-	570,604	-	570,604	570,604
	-	-	-	2,561,355	-	2,561,355	2,561,355

39 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management objectives

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

Risk Management is carried out under policies and principles approved by the management. All treasury related transactions are carried out within the parameters of these policies and principles.

The information about the Company's exposure to each of the above risk, the Company's objectives, policies and procedures for measuring and managing risk and the Company's management of capital, is as follows;

39.1 Market risk

Market risk is the risk that the fair value or future cash flows of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk. The Company is exposed to currency risk and interest rate risk only.

a Currency risk

Foreign currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly from future economic transactions or receivables and payables that exist due to transactions in foreign exchange.

Exposure to foreign currency risk

The Company is exposed to foreign currency risk arising from foreign exchange fluctuations due to the following financial assets and liabilities:

	2013	2012
	USD 000s	
Long term investment	**1,000**	1,000
Trade debts	**6,321**	5,913
Cash and bank balances	**91**	36
Borrowings from financial institutions	**(32,578)**	(25,127)
Trade and other payables	**(6,177)**	(5,884)
Net exposure	**(31,343)**	(24,062)

The Company manages foreign currency risk through obtaining forward covers and due monitoring of the exchange rates and net exposure to mitigate the currency risk.

Foreign currency commitments outstanding at year end are as follows:

	2013	2012
	Rs. 000s	
USD	**740,137**	347,912
EURO	**173,081**	210,780
JPY	**3,310**	3,926
	916,528	562,618

The following significant exchange rates were applied during the year:

	Rupees	
Rupee per USD		
Average rate	**98.49**	89.25
Reporting date rate	**98.94/98.74**	93.70/93.90

Foreign currency sensitivity analysis

A 10 percent strengthening/weakening of the PKR against the USD at June 30, 2013 would have increased/decreased the equity and profit/loss after tax by Rs. 201.155 million (2012: Rs. 146.862 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2012.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the Company.

b Interest/mark-up rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in the interest/mark-up rates. The Company has long term finance and short term borrowings at fixed and variable rates.

The Company is exposed to interest/mark-up rate risk on long and short term financing and these are covered by holding "Prepayment Option" and "Rollover Option". Interest rate risk on short term borrowings is covered by holding "Prepayment Option" which can be exercised upon any adverse movement in the underlying interest rates.

Financial assets include balances of Rs. 2.4 million (2012: Rs. 4.9 million) which are subject to interest rate risk. Financial liabilities include balances of Rs. 11.560 million (2012: Rs. 10.325 million) which are subject to interest rate risk. Applicable interest rates for financial assets and liabilities are given in respective notes.

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2013, if interest rates on long term financing would have been 1% higher/lower with all other variables held constant, post tax profit for the year would have been Rs 3.9 million (2012: Rs 4.55 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At June 30, 2013, if interest rates on short term borrowings would have been 1% higher/lower with all other variables held constant, post tax profit for the year would have been Rs. 64.35 million (2012: Rs. 63.05 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Fair value sensitivity analysis for fixed rate instruments

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

c Other Price risk

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

39.2 Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk interalia by setting out credit limits in relation to individual customers and/or by obtaining advance against sales and/or through letter of credits and/or by providing for doubtful debts.

The Company is exposed to credit risk from its operating and certain investing activities and the Company's credit risk exposures are categorised under the following headings:

Exposure to credit risk

Company's operating activities exposes it to credit risks arising mainly in respect of loans and advances, trade debts, deposits and other receivables and cash at bank. The maximum exposure to credit risk at the reporting date is as follows:

	2013	2012
	Rs. 000s	
Long term loans and advances	**2,061**	2,900
Long term deposit	**51,312**	47,801
Trade debts	**2,573,268**	2,074,159
Loans and advances	**1,354**	3,394
Other receivables	**62,638**	48,456
Bank balances	**93,675**	112,889
	2,784,308	2,289,599

Loans and advances

These loans are secured against vehicles, outstanding balance of provident fund and retirement dues of the relevant employee. In addition the Company obtains guarantees by two employees against each disbursement made on account of loans and these can be assessed by reference to note 16. The carrying amount of guarantees are up to the extent of loans outstanding as at the date of default. Further, the guarantor will pay the outstanding amount if the counter party will not meet their obligation.

The Company is actively pursuing for the recovery of these and the Company does not expect these employees will fail to meet their obligations. The Company believes that no impairment allowance is necessary in respect of loans.

Trade debts

Trade debts are essentially due from local and foreign companies and the Company does not expect that these companies will fail to meet their obligations.

The Company established an allowance for the doubtful trade debts that represent its estimate of incurred losses in respect of trade debts. This allowance is based on the management assessment of a specific loss component that relates to individually significant exposures. The movement in allowance for impairment in respect of trade debts during the year can be assessed by reference to note 19.

Ageing of trade debts is as follows:

	2013	2012
	Rs. 000s	
1 to 6 months	**2,503,470**	2,038,889
6 months to 1 year	**49,028**	7,859
1 year to 2 years	**20,770**	27,411
	2,573,268	2,074,159

The Company believes that no impairment allowance is necessary in respect of trade debts past due other than the amount provided. The Company is actively pursuing for the recovery of the debt and the Company does not expect these companies will fail to meet their obligations.

Export debts are secured under irrevocable letter of credit, document acceptance, cash against documents and other acceptable banking instruments.

Other receivables

The Company believes that no impairment allowance is necessary in respect of receivables that are past due. The Company is actively pursuing for the recovery and the Company does not expect that the recovery will be made soon and can be assessed by reference to note 21.

Bank balances

The Company limits its exposure to credit risk by maintaining bank accounts only with counter-parties that have stable credit rating.

The bank balances along with credit ratings are tabulated below

	2013	2012
	Rs. 000s	
A1+	**72,222**	72,889
A1	**20,397**	39,949
A2	**1,056**	51
	93,675	112,889

Given these high credit ratings, management does not expect that any counter-party will fail to meet their obligations.

Financial assests that are either past due or impaired

The credit quality of financial assets that are either past due or impaired can be assessed by reference to historical information and external ratings or to historical information about counter-party default rates.

The management believed that there are no finanacial assets that are impared except against which provision has been made as a matter of prudence.

39.3 Liquidity risk

Liquidity risk represent the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. The exposure to credit risk along with their maturites is disclosed in respective notes.

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2013, the Company has Rs. 12,350 million (2012: Rs. 12,890 million) available borrowing limit from financial institutions. Unutilized borrowing facilities of Rs. 3,560 million (2012: Rs. 5,335 million) and also has Rs. 94 million (2012: Rs.113 million) being balances at banks. Based on the above, management believes the liquidity risk is insignificant.

39.4 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values except those which are described in respective notes.

39.5 Capital risk management

The primary objectives of the Company when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

During 2013 the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2013 and 2012 were as follows:

	2013	2012
	Rs. 000s	
Total borrowings	**11,007,353**	10,050,133
Cash and bank	**(101,921)**	(120,013)
Net debt	**10,905,432**	9,930,120
Total equity	**5,428,502**	4,472,509
Total equity and debt	**16,337,934**	14,402,629
Gearing ratio (%)	**67**	69

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix amongst various sources of finance to minimize risk.

Notes to the Financial Statements

For the Year Ended June 30, 2013

40 PROVIDENT FUND RELATED DISCLOSURES

The following information based on latest financial statements of the fund:

		2013	2012
		Un-audited	Audited
Size of the fund - Total assets	(Rs. 000s)	500,775	391,446
Cost of investments made	(Rs. 000s)	428,624	340,139
Percentage of investments made		85.59%	86.89%
Fair value of investments	(Rs. 000s)	461,740	366,355

40.1 The break-up of fair value of investment is:

	2013		2012	
	Un-audited		Audited	
	Rs. 000s	%	Rs. 000s	%
Shares in listed companies	26,314	5.70%	7,772	2.12%
Government securities	202,513	43.86%	225,797	61.63%
Debt securities	133,971	29.01%	65,763	17.95%
Mutual funds	98,942	21.43%	67,023	18.30%
	461,740	100.00%	366,355	100.00%

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

41 NUMBER OF PERSONS

Number of persons employed as on year end were 12,436 (2012: 10,298) and average number of employees during the year were 12,369 (2012: 10,042).

42 EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Company in their meeting held on September 18, 2013 have decided to issue 20% bonus shares on the existing paid-up capital of the Company in the ratio of one share for every five shares held. In addition, the Board of Directors have approved an amount of Rs. 304.70 million transfer to reserves for the issue of bonus shares and Rs. 400 million to be transferred to general reserve from accumulated profit (2012: transfer to accumulated loss from revenue reserve of Rs. 250 million).

43 DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 18, 2013 by the Board of Directors of the Company.

44 CORRESPONDING FIGURES

For better presentation, reclassification made in the financial statements is as follows:

Reclassification from component	Reclassification to component	Amount Rs.000
Cost Of Sales	**Distribution Cost**	
Staff Cost	Staff Cost	23,917
Cost Of Sales	**Administrative Expenses**	
Fuel, power and water	Utilities	63,559
Sales	**Other Income**	
Direct export	Exchange gain on realisation of export receivables	145,444
Accrued Mark-Up	**Trade and Other Payables**	
Mark-up on short term borrowings	Murabaha	14,283

MOHOMED BASHIR
Chairman and Chief Executive

ZAIN BASHIR
Director

Attendance at Board and Committee Meetings

As at June 30, 2013

Name of Director	Board		Audit Committee		Human Resource & Remuneration Committee	
	Required	Attended	Required	Attended	Required	Attended
Mohomed Bashir	4	4	-	-	-	-
Zain Bashir	4	3	5	4	1	1
Ziad Bashir	4	3	-	-	-	-
Mohammed Zaki Bashir	4	3	5	5	-	-
Abdul Aziz Yousuf	4	4	-	-	1	1
S.M. Nadim Shafiqullah	4	4	5	5	1	1
Abdul Razak Bramchari	4	4	-	-	-	-
Dr. Amjad Waheed	4	4	-	-	-	-
Adnan Afridi	4	4	-	-	-	-

Pattern of Shareholding

As at June 30, 2013

No. of Shareholders		Shareholding			Shares held
674	From	1	to	100	23,558
794	From	101	to	500	239,790
302	From	501	to	1,000	217,693
279	From	1,001	to	5,000	593,823
37	From	5,001	to	10,000	277,661
14	From	10,001	to	15,000	175,500
7	From	15,001	to	20,000	127,160
10	From	20,001	to	25,000	230,137
2	From	25,001	to	30,000	59,576
5	From	30,001	to	35,000	166,635
3	From	35,001	to	40,000	115,613
1	From	45,001	to	50,000	46,382
1	From	50,001	to	55,000	50,704
1	From	55,001	to	60,000	57,420
1	From	60,001	to	65,000	62,445
1	From	65,001	to	70,000	66,084
1	From	70,001	to	75,000	72,867
1	From	80,001	to	85,000	80,115
1	From	85,001	to	90,000	88,101
2	From	95,001	to	100,000	200,000
2	From	115,001	to	120,000	238,137
1	From	135,001	to	140,000	139,000
1	From	165,001	to	170,000	166,543
2	From	170,001	to	175,000	346,261
1	From	340,001	to	345,000	344,500
1	From	370,001	to	375,000	374,311
1	From	385,001	to	390,000	387,340
1	From	625,001	to	630,000	628,576
1	From	820,001	to	825,000	821,500
1	From	1,470,001	to	1,475,000	1,474,949
1	From	3,315,001	to	3,320,000	3,315,516
1	From	4,070,001	to	4,075,000	4,074,018
1	From	4,565,001	to	4,570,000	4,567,505
1	From	7,625,001	to	7,630,000	7,628,964
1	From	10,840,001	to	10,845,000	10,843,658
1	From	11,350,001	to	11,355,000	11,354,070
1	From	14,855,001	to	14,860,000	14,855,548
1	From	14,885,001	to	14,890,000	14,888,918
1	From	15,230,001	to	15,235,000	15,232,723
2	From	28,855,001	to	28,860,000	57,715,214
2,160					**152,348,515**

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	2,116	108,159,282	70.99
Investment Companies & Mutual Funds	20	4,381,680	2.88
Insurance Companies	4	4,895,616	3.21
Joint Stock Companies	9	4,694,642	3.08
Modaraba Companies	1	150	-
Financial Institutions	1	246	-
Foreign Investors	4	30,135,306	19.78
Charitable Institutions	3	70,603	0.05
Government Departments	2	10,990	0.01
	2,160	**152,348,515**	**100.00**

Pattern of Shareholding

As at June 30, 2013

Additional Information

Categories of Shareholders	Number	Shares held
Associated Companies, Undertakings and Related Parties		
Trustee - Gul Ahmed Textile Mills Limited Employees Provident Fund Trust	1	72,867
Swisstex Chemicals (Private) Limited	1	4,567,505
NIT and ICP		
IDBP (ICP Unit)	1	3,513
National Bank of Pakistan - Trustee Department	1	382
National Bank of Pakistan - Trustee Department NI(U)T Fund	1	3,315,516
Trustee National Bank of Pakistan Employees Benevolent Fund Trust	1	2,191
Trustee National Bank of Pakistan Employees Pension Fund	1	62,445
Mutual Funds		
CDC Trustee AKD Opportunity Fund	1	66,084
Golden Arrow Selected Stocks Fund Limited	1	628,576
Banks, NBFI, DFI and Investment Companies	12	230,106
Insurance Companies	4	4,895,616
Joint Stock Companies	8	127,137
Modaraba Companies	1	150
Financial Institutions	1	246
Foreign Investors	4	30,135,306
Charitable Institutions	3	70,603
Government Departments	2	10,990
Directors		
Mohomed Bashir (Chairman & Chief Executive)	1	7,628,964
Zain Bashir	1	15,232,723
Ziad Bashir	1	28,857,607
Mohammed Zaki Bashir	1	28,857,607
Abdul Aziz Yousuf	1	11,172
S.M. Nadim Shafiqullah	1	6,900
Abdul Razak Bramchari	1	6,009
Dr. Amjad Waheed	1	6,000
Adnan Afridi	1	6,000
Directors'/CEO's Spouse		
Parveen Bashir	1	10,843,658
Tania Zain	1	11,354,070
Chief Financial Officer (CFO)		
Mohammed Saleem Sattar	1	6,000
Shareholders holding 5% or more Voting Interest		
Mohomed Bashir (Chairman & Chief Executive)	1	7,628,964
Zain Bashir (Director)	1	15,232,723
Ziad Bashir (Director)	1	28,857,607
Mohammed Zaki Bashir (Director)	1	28,857,607
Parveen Bashir	1	10,843,658
Tania Zain	1	11,354,070
Hamdan Holdings Limited	1	14,888,918
Metalcrest Limited	1	14,855,548

Details of trading in the shares by:

No trading was carried out by Directors, CEO, CFO, Company Secretary,their Spouses and minor children during the year under review except for 20% Right Shares subscribed as per details given below:-

Directors	Shares
Mohomed Bashir	=1,271,494=
Zain Bashir	=2,538,787=
Ziad Bashir	=4,809,601=
Mohammed Zaki Bashir	=4,809,601=
Abdul Aziz Yousuf	=1,862=
S.M. Nadim Shafiqullah	=1,150=
Abdul Razak Bramchari	=1,001=
Dr. Amjad Waheed	=1,000=
Adnan Afridi	=1,000=
Chief Financial Officer	
Mohammed Saleem Sattar	=1,000=

Consolidated Financial Statements 2013

Group Directors' Report

The directors are pleased to present their report together with the audited Group Consolidated Financial Statements for the year ended June 30, 2013.

The group

The Group comprises Gul Ahmed International Limited (FZC) – UAE, GTM (Europe) Limited – UK and GTM USA Corp. – USA, wholly owned subsidiaries. All the subsidiaries are engaged in the trading of textile related products.

Group results

The consolidated financial results of the Group are given below:

	Rs. '000s
Profit before tax	838,523
Taxation	(139,719)
Profit after tax	698,804
Unappropriated loss brought forward	(123,758)
Amount available for appropriation	575,046
Appropriation	
Transfer from general reserves	(250,000)
Transfer to statutory reserve	209
Amount carried forward	824,837
	575,046
Earnings per share **(Rs.)**	4.82

Pattern of shareholding

Gul Ahmed Textile Mills Limited (Parent Company) holds 100% shares of each of the subsidiaries.

Subsequent effects

The directors of the Group in their meeting held on September 18, 2013 have proposed the following:

1. **Bonus shares**

   Your directors have decided to issue 20% bonus shares on the existing paid-up capital of the Company in the ratio of one share for every five shares held.

2. **Transfer from unappropriated profit**

   An amount of Rs. 304.70 million transfer to reserves for the issue of bonus shares and Rs. 400 million to be transferred to general reserve from accumulated profit.

By order of the Board

Karachi
September 18, 2013

Mohomed Bashir
Chairman & Chief Executive

Auditors' Report on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Gul Ahmed Textile Mills Limited (the Holding Company) and Gul Ahmed International Limited (FZC), GTM (Europe) Limited and GTM USA Corp. (the Subsidiaries) as at June 30, 2013 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Holding Company. The financial statements of Gul Ahmed International Limited (FZC), GTM (Europe) Limited and GTM USA Corp. (the Subsidiaries) have been audited by other firms of auditors, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such Subsidiaries, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements examined by us, present fairly the financial position of Gul Ahmed Textile Mills Limited and its Subsidiaries as at June 30, 2013 and the result of their operations for the year then ended.

HYDER BHIMJI & CO.
Chartered Accountants
Engagement Partner: Shaikh Mohammad Tanvir

Karachi
September 18, 2013

Consolidated Balance Sheet

As at June 30, 2013

	Note	2013	2012
		Rs. 000s	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	4	**1,523,486**	1,269,571
Reserves	5	**3,268,511**	3,507,237
Un-appropriated profit/(accumulated loss)		**824,837**	(123,758)
		5,616,834	4,653,050
NON-CURRENT LIABILITIES			
Long term financing	6	**2,154,999**	2,096,432
Deferred liabilities			
Deferred taxation - net	7	**326,526**	284,467
Staff retirement benefits	8	**40,303**	27,952
		366,829	312,419
CURRENT LIABILITIES			
Trade and other payables	9	**4,248,013**	2,718,143
Accrued mark-up	10	**191,792**	171,612
Short term borrowings	11	**8,290,416**	7,349,525
Current maturity of long term financing		**561,938**	664,636
Provision for taxation - net of payments		**-**	11,293
		13,292,159	10,915,209
CONTINGENCIES AND COMMITMENTS	12		
		21,430,821	17,977,110

	Note	2013	2012
		Rs. 000s	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	**7,144,238**	6,839,436
Intangible assets	14	**27,242**	29,465
Long term loans and advances	15	**2,061**	2,900
Long term deposits		**51,312**	47,801
		7,224,853	6,919,602
CURRENT ASSETS			
Stores, spare parts and loose tools	16	**723,435**	739,986
Stock-in-trade	17	**9,673,821**	7,481,834
Trade debts	18	**2,702,373**	2,272,265
Loans and advances	19	**352,058**	175,611
Short term prepayments		**46,718**	39,487
Income tax refundable - payments less provision		**189,596**	-
Other receivables	20	**177,592**	182,699
Tax refunds due from Government	21	**231,018**	25,903
Cash and bank balances	22	**109,357**	139,723
		14,205,968	11,057,508
		21,430,821	17,977,110

The annexed notes 1 - 44 form an integral part of these financial statements.

MOHOMED BASHIR
Chairman and Chief Executive

ZAIN BASHIR
Director

Consolidated Profit and Loss Account

For the Year Ended June 30, 2013

	Note	2013	2012
		Rs. 000s	
Sales	23	**30,592,761**	25,278,956
Cost of sales	24	**25,689,344**	21,620,266
Gross profit		**4,903,417**	3,658,690
Distribution cost	25	**1,536,025**	1,337,758
Administrative expenses	26	**1,252,790**	1,058,115
Other operating expenses	27	**72,356**	653
		2,861,171	2,396,526
		2,042,246	1,262,164
Other income	28	**39,033**	167,132
Operating profit		**2,081,279**	1,429,296
Finance cost	29	**1,242,756**	1,401,983
Profit/(loss) before taxation		**838,523**	27,313
Provision for taxation	30	**139,719**	242,898
Profit/(loss) after taxation		**698,804**	(215,585)
Earnings/(loss) per share - basic and diluted (Rs.)	31	**4.82**	(1.56)

The annexed notes 1 - 44 form an integral part of these financial statements.

MOHOMED BASHIR
Chairman and Chief Executive

ZAIN BASHIR
Director

Consolidated Statement of Comprehensive Income

For the Year Ended June 30, 2013

	2013	2012
	Rs. 000s	
Profit/(loss) after taxation	**698,804**	(215,585)
Foreign currency translation differences - Foreign operations	**11,065**	22,303
Total comprehensive income	**709,869**	(193,282)

The annexed notes 1 - 44 form an integral part of these financial statements.

MOHOMED BASHIR
Chairman and Chief Executive

ZAIN BASHIR
Director

Consolidated Cash Flow Statement

For the Year Ended June 30, 2013

	Note	2013	2012
		Rs. 000s	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation		838,523	27,313
Adjustments for:			
Depreciation		775,977	745,139
Amortisation		13,766	14,668
Provision for gratuity		27,561	17,651
Finance cost		1,242,756	1,401,983
Provision for slow moving/obsolete items		15,011	12,287
Provision for doubtful debts		29,825	30,721
Property, plant and equipment scrapped		5,489	609
Profit on sale of property, plant and equipment		(17,080)	(13,339)
		2,931,828	2,237,032
Changes in working capital:			
(Increase)/decrease in current assets			
Stores, spare parts and loose tools		1,540	(45,923)
Stock-in-trade		(2,191,987)	2,948,380
Trade debts		(459,933)	(66,584)
Loans and advances		(176,447)	(35,825)
Short term prepayments		(7,231)	6,340
Other receivables		5,107	29,847
Tax refunds due from Government		(205,115)	25,824
		(3,034,066)	2,862,059
Increase in current liabilities			
Trade and other payables		1,529,870	69,633
		(1,504,196)	2,931,692
Cash generated from operations		1,427,632	5,168,724
(Payments) for/receipts from:			
Gratuity		(15,210)	(7,416)
Finance cost		(1,222,576)	(1,447,169)
Income tax		(298,550)	(219,413)
Long term loans and advances		839	1,341
Net cash (used in)/generated from operating activities		(107,865)	3,496,067
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		(1,149,104)	(945,979)
Addition to intangible assets		(8,028)	(1,811)
Proceeds from sale of property, plant and equipment		76,402	35,646
Long term deposits		(3,511)	(14,744)
Net cash used in investing activities		(1,084,241)	(926,888)

	Note	2013	2012
		Rs. 000s	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		**619,510**	560,147
Repayments of long term financing		**(663,641)**	(629,714)
Proceeds from issue of right shares		**253,915**	-
Net cash generated from/(used in) financing activities		**209,784**	(69,567)
Exchange difference on translation of foreign subsidiaries		**11,065**	22,303
Net (decrease)/increase in cash and cash equivalents		**(971,257)**	2,521,915
Cash and cash equivalents - at the beginning of the year		**(7,209,802)**	(9,731,717)
Cash and cash equivalents - at the end of the year	34	**(8,181,059)**	(7,209,802)

The annexed notes 1 - 44 form an integral part of these financial statements.

MOHOMED BASHIR
Chairman and Chief Executive

ZAIN BASHIR
Director

Consolidated Statement of Changes in Equity

For the Year Ended June 30, 2013

	Share Capital	Revenue reserve	Exchange difference on translation of foreign subsidiaries	Capital reserve	Statutory Reserve	Reserve for Issue of bonus/ right shares	Un-appropriated profit/ (Accumulated loss)	Total
	Rs. 000s							
Balance as at June 30, 2011	634,785	2,430,000	44,788	450,446	8,290	-	1,278,023	4,846,332
Transfer to reserve for issue of bonus shares	-	-	-	(450,446)	-	634,786	(184,340)	-
Transfer to revenue reserve	-	1,000,000	-	-	-	-	(1,000,000)	-
Transfer to statutory reserve	-	-	-	-	1,856	-	(1,856)	-
Transaction with owners								
Issuance of bonus shares for the year ended June 30, 2011	634,786	-	-	-	-	(634,786)	-	-
Total comprehensive income for the year ended June 30, 2012								
Loss for the year	-	-	-	-	-	-	(215,585)	(215,585)
Other comprehensive income	-	-	22,303	-	-	-	-	22,303
Total comprehensive income for the year	-	-	22,303	-	-	-	(215,585)	(193,282)
Balance as at June 30, 2012	**1,269,571**	**3,430,000**	**67,091**	**-**	**10,146**	**-**	**(123,758)**	**4,653,050**
Transfer from revenue reserve	-	(250,000)	-	-	-	-	250,000	-
Transaction with owners								
Issue of right shares	253,915	-	-	-	-	-	-	253,915
Transfer to statutory reserve	-	-	-	-	209	-	(209)	-
Total comprehensive income for the year ended June 30, 2013								
Profit for the year	-	-	-	-	-	-	698,804	698,804
Other comprehensive income	-	-	11,065	-	-	-	-	11,065
Total comprehensive income for the year	-	-	11,065	-	-	-	698,804	709,869
Balance as at June 30, 2013	**1,523,486**	**3,180,000**	**78,156**	**-**	**10,355**	**-**	**824,837**	**5,616,834**

The annexed notes 1 - 44 form an integral part of these financial statements.

MOHOMED BASHIR
Chairman and Chief Executive

ZAIN BASHIR
Director

1 LEGAL STATUS AND ITS OPERATIONS

1.1 Gul Ahmed Group (the Group) comprises the following:

- Gul Ahmed Textile Mills Limited
- Gul Ahmed International Limited (FZC) - UAE
- GTM (Europe) Limited - UK
- GTM USA Corp. - USA

Gul Ahmed Textile Mills Limited (The Company) was incorporated on 1st April 1953 in Pakistan as a private limited company, converted into public limited company on 7th January 1955 and was listed on Karachi and Lahore Stock Exchanges in 1970 and 1971, respectively. The Company is a composite textile mill and is engaged in the manufacture and sale of textile products.

Gul Ahmed International Limited (FZC) - UAE is a wholly owned subsidiary of Gul Ahmed Textile Mills Limited, GTM (Europe) Limited is a wholly owned subsidiary of Gul Ahmed International Limited (FZC) - UAE and GTM USA Corp. is a wholly owned subsidiary of GTM (Europe) Limited.

The ultimate parent company registered office is situated at Plot No. 82, Main National Highway, Landhi, Karachi.

All three subsidiaries are engaged in trading of textile related products.

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Group.

Subsidiary companies are consolidated from the date on which more than 50% voting rights are transferred to the Holding Company or power to govern the financial and operating policies over the subsidiary and is excluded from consolidation from the date of disposal or cessation of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Holding Company, using consistent accounting policies.

The assets and liabilities of the subsidiary companies have been consolidated on a line-by-line basis and the carrying value of investment held by the Holding Company is eliminated against the subsidiary's share capital. Material intra-group balances and transactions are eliminated.

2 BASIS OF PREPARATION

2.1 Basis of measurement

These financial statements comprise of balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with explanatory notes and have been prepared under the ‘historical cost convention’ except as has been specifically stated below in respective notes.

2.2 Statement of compliance

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

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupee which is the Group's functional currency.

2.4 Critical accounting estimates and judgments

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

Defined benefit plan

Actuarial assumptions have been adopted as disclosed in note 8 to the financial statements for valuation of present value of defined benefit obligations.

Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Group, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence/non-occurrence of the uncertain future event(s).

Property, plant and equipment

The Group reviews appropriateness of the rate of depreciation, useful life, residual value used in the calculation of depreciation. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

Stock-in-trade

The Group reviews the net realisable value of stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

Provision against trade debts, advances and other receivables

The Group reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

Taxation

The Group takes into account relevant provisions of the prevailing income tax laws while providing for current and deferred taxes as explained in note 3.7 of these financial statements. Deferred tax calculation has been made based on estimate of expected future ratio of export and local sales based on past history.

Provision for obsolescence and slow moving spare parts

Provision for obsolescence and slow moving spare parts is based on parameters set out by management.

Intangibles Assets

The Group reviews appropriateness of useful life. Further where applicable, an estimate of recoverable amount of intangible asset is made for possible impairment on an annual basis.

2.5 New Standards, Interpretations and Amendments to Published Approved Accounting and Financial Reporting Standards

a New and amended standards and interpretations became effective:

During the year, the following approved accounting standards, interpretations, amendments/

revisions to the approved accounting standards became effective for the accounting periods beginning from the dates specified below;

IAS 1 **Presentation of Financial Statement -** Amendments to Presentation of items of comprehensive income (Effective for annual periods beginning on or after July 01, 2012)

This introduce new requirement to group together items in 'other comprehensive income' (OCI) that may be subsequently reclassified to profit or loss (reclassification adjustments) in order to facilitate the assessment of their impact on overall performance of the entity. Amendment has no effect on Group's financial statement except for additional disclosure.

IAS 12 **Income Taxes -** (Amendment) Deferred Taxes: Recovery of underlying Assets (Effective for annual periods beginning on or after July 01, 2012)

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sales. Furthermore, it introduces the requirement that deferred tax on non depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the assets. The amendment is not relevant to the Group.

b Approved standards, Interpretations and Amendments to published approved accounting standards issued but not yet effective for the current financial year:

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan and would be effective from the dates mentioned below against the respective standards or interpretations:

IAS 19 **Employee Benefits -** Amendment (Effective for annual periods beginning on or after January 01, 2013)

The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income (elimination of ‘corridor method’ for recognition of actuarial gains and losses). It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. The amendment is not likely to have any material impact on the Group's financial statements.

IAS 27 **Separate Financial Statements (2011) -** Amendment (Effective for annual periods beginning on or after January 01, 2013)

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments/IAS 39 Financial Instruments: Recognition and Measurement. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

IAS 28 **Investments in Associates and Joint Ventures -** Amendment (Effective for annual periods beginning on or after January 01, 2013)

This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The

Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

IAS 32 Financial Instruments: Presentation - Disclosures about off-setting of financial assets and liabilities (Effective for annual periods beginning on or after January 01, 2014)

These clarify certain aspects in the application of the requirements on off-setting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off', the application of simultaneous realization and settlement, the off-setting of collateral amounts and the unit of account for applying the off-setting requirements.

IFRS 7 Financial Instruments: Disclosures about off-setting of financial assets and liabilities (Effective for annual periods beginning on or after January 01, 2013)

These amendments require entities to disclose gross amount subject to right of set-off, amounts set-off in accordance with accounting standards followed and the related net credit exposure. These disclosures are intended to facilitate comparison between those entities that prepare financial statements based on IFRS and those that prepare financial statements based on US GAAP.

The management anticipates that, except for the effects on the financial statements of amendments to IAS 19 "Employee Benefits", the adoption of the above standards, amendments and interpretations, will have no material impact on the Group's financial statements other than in presentation/disclosures.

The Group accounts for acturial gain/loss with respect to acturial valuation of its retirement benefit plan immediately in the relevant year as stated in note 3.4. However, the change will result in routing it through other comprehensive income instead of profit and loss account whose impact is not significant.

Annual improvements to IFRS 2009-2011 cycle
(Effective for annual periods beginning on or after January 01, 2013)

The International Accounting Standards Board (the Board) has issued the Annual Improvements to IFRSs 2009-2011 Cycle, which contains following amendments/improvements to the approved accounting standards:

IAS 1 Presentation of Financial Statements - Clarification of the requirements for comparative information.

This clarifies that additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of IAS 1. If additional comparative information is provided, the information should be presented in accordance with IFRSs, including disclosure of comparative information for any additional statements included beyond the minimum comparative financial statement requirements. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

In addition, the opening statement of financial position (known as the third balance sheet) must be presented in the following circumstances: when an entity changes its accounting policies; makes retro-spective re-statements or makes re-classifications, and that change has a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. However, unlike the voluntary comparative information, the related notes are not required to accompany the third balance sheet period.

IAS 16 Property, Plant and Equipment - Clarification of the servicing equipments

Clarifies that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment and as inventory otherwise.

IAS 32 Financial Instruments: Presentation - Tax effect of distributions to holders of equity instruments

The amendment removes the perceived inconsistency between IAS 32 and IAS 12 and clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim financial reporting - Interim financial reporting and segment information for total assets and liabilities

The total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

c New Standards issued by IASB but not yet notified by SECP:

Following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan.

IFRS 9 Financial Instruments (Effective for annual periods beginning on or after January 01, 2015)

This is the first part of new standards on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest/mark-up.

IFRS 10 Consolidated Financial Statements (Effective for annual periods beginning on or after January 01, 2013)

This is a new standard that replaces the consolidation requirements in SIC-12 Consolidation: Special Purpose Entities and IAS 27 - Consolidated and Separate Financial Statements.

The proposed standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Group and provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11 Joint Arrangements (Effective for annual periods beginning on or after January 01, 2013)

This is a new standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangements, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.

IFRS 12 Disclosure of Interest in Other Entities (Effective for annual periods beginning on or after January 01, 2013)

This is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.

IFRS 13 Fair Value Measurement (Effective for annual periods beginning on or after January 01, 2013)

This standard applies to IFRSs that require or permit fair value measurement or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit-price' notion and uses 'a fair value hierarchy', which results in market-based, rather than entity-specific measurement.

IAS 27 Separate Financial Statements (2011) - (Effective for annual periods beginning on or after January 01, 2013)

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost or in accordance with IFRS 9 Financial Instruments/IAS 39 Financial Instruments: Recognition and Measurement. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

IAS 28 Investments in Associates and Joint Ventures - (Effective for annual periods beginning on or after January 01, 2013)

This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date or as fixed under contractual arrangements. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction. Foreign exchange gains and losses on translation are recognised in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

For the purposes of consolidation, income and expense items of the foreign subsidiaries are translated at annual average exchange rate. All monetary and non monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date except for share capital which is translated at historical rate. Exchange differences arising on the translation of foreign subsidiaries are classified as equity reserve until the disposal of interest in such subsidiaries.

3.2 Borrowings

Borrowings are recorded at the amount of proceeds received.

3.3 Borrowing cost

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commissioning.

3.4 Staff retirement benefits

Defined benefit plan

The Group operates unfunded gratuity scheme for all its eligible employees who are not part of the provident fund scheme. Benefits under the scheme are payable to employees on completion of the prescribed qualifying period of service under the scheme. Actuarial valuation is conducted periodically using the "Projected Unit Credit Method" and the latest valuation was carried out as at June 30, 2013. The results of valuation are summarized in Note 8.

Actuarial gains and losses arising at each valuation date are recognised immediately in the profit and loss account. However, the amendment in IAS-19 Employee benefit, (effective from the Accounting period begining on July 2013), requires to recognize the actuarial gain or loss in Other Comprehensive Income instead of Profit and Loss Account, whose impact is not significant.

Benefits under the scheme are payable to employees on completion of the prescribed qualifying period of service under the scheme.

Defined Contribution Plan

The Group operates a recognised provident fund scheme for its eligible employees to which equal monthly contribution is made by the Group and the employees at the rate of 8.33% of the basic salary.

3.5 Accumulated employee compensated absences

The Group provides for compensated absences for all eligible employees in the period in which these are earned in accordance with the rules of the Group.

3.6 Provisions

Provisions are recognised when the Group has present obligation (legal or constructive) as a result of past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.7 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years. The Group takes into account the current income tax law and decisions taken by the Taxation Authorities.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted.

3.8 Property, plant and equipment

Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss except leasehold land which is stated at cost.

Depreciation is charged on reducing balance method and straight line method on class of items at rates specified in the note 13.1. Depreciation is charged on additions on monthly basis i.e. from the month in which it is capitalised till the month of its disposal. Depreciation is charged on the assets even if the assets are idle.

Gains and losses on disposal of operating assets are included in profit and loss account.

The costs of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Capital work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less impairment, if any. Cost represents expenditure incurred on property, plant and equipment in the course of construction. These expenditures are transferred to relevant category of property, plant and equipment as and when the assets starts operation.

3.9 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment if any. Amortisation is charged over the useful life of the assets on a systematic basis to income by applying the straight line method at the rate specified in note 14.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an assets' fair value less costs to sell and value in use.

3.10 Loans and receivables

Financial assets which have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. These are measured at amortised cost less impairment, if any.

3.11 Stores, spare parts and loose tools

These are stated at moving average cost less provision for slow moving/obsolete items and goods-in-transit are valued at invoice amount plus other costs incurred thereon upto balance sheet date.

3.12 Stock-in-trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued at lower of weighted average cost and net realizable value. Waste products are valued at net realisable value. Cost of raw materials and trading stock comprises of the invoice value plus other charges paid thereon. Cost of work-in-process and finished goods includes cost of direct materials, labour and appropriate portion of manufacturing overheads. Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

Net realizable value signifies the estimated selling prices in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

3.13 Trade debts

Trade debts are carried at original invoice amount except export receivables. Export trade debts are translated into Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual arrangements. Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

3.14 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3.15 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received, respectively. These financial assets and liabilities are subsequently measured at fair value or amortised cost, as the case may be.

3.16 Offsetting of financial assets and liabilities

All financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Group has a legal enforceable right to set off the recognised amounts and intends either to settle on net basis or to realise the assets and settle the liabilities simultaneously.

3.17 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicated that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Group considers evidence of impairment for receivable and other financial assets at specific asset level. Impairment losses are recognised as expense in profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Non-Financial assets

The carrying amount of non-financial assets is assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount of such assets is estimated. Recoverable amount is higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognised as expense in the profit and loss account for the amount by which asset's carrying amount exceeds its recoverable amount.

3.18 Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is recognised on following basis:

- Sale is recognised when the product is dispatched to the customer and in case of export when the products are shipped. Revenue from sale of goods is measured at the fair value of consideration received or receivable, net of returns and trade discounts.

- Profit on deposits with banks is recognised on time proportion basis taking into account the amount outstanding and rates applicable thereon.

- Duty draw back on export sales is recognised on an accrual basis at the time of export sale.

- Processing charges are recorded when processed goods are delivered to customers and invoices raised.

- Dividend income is recognised when the Group's right to receive the payment is established.

- Interest on loans and advances to employees is resognised on receipt basis.

3.19 Cash and cash equivalents

The cash and cash equivalents comprises cash and cheques in hand and balances with banks on current, savings and deposit accounts, short term investments, running finance under mark-up arrangements and short-term borrowings.

3.20 Dividend and appropriation to reserves

Final dividend distributions to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Group's shareholders at the Annual General Meeting, while the interim dividend distributions are recognised in the period in which the dividends are declared by the Board of Directors. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

3.21 Segment reporting

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly administrative, other operating expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

	Note	2013	2012
		Rs. 000s	

4 SHARE CAPITAL

4.1 Authorised capital

2013	2012		2013	2012
200,000,000	150,000,000	Ordinary shares of Rs.10 each	2,000,000	1,500,000

4.2 Issued, subscribed and paid - up capital

2013	2012		2013	2012
64,188,985	38,797,566	Ordinary shares of Rs.10 each fully paid in cash	641,890	387,975
5,447,326	5,447,326	Ordinary shares of Rs.10 each fully paid under scheme of arrangement for amalgamation	54,473	54,473
82,712,204	82,712,204	Ordinary shares of Rs.10 each issued as fully paid bonus shares	827,123	827,123
152,348,515	126,957,096		1,523,486	1,269,571

4.3 Reconciliation of the number of shares outstanding

	Number of Shares 2013	2012
Number of shares outstanding at the beginning of the year	126,957,096	63,478,548
Add: 100% Issue of bonus shares during the year	-	63,478,548
Add: 20% Issue of right shares during the year	25,391,419	-
	152,348,515	126,957,096

5 RESERVES

	Note	Rs. 000s 2013	2012
Revenue reserve			
General reserve - opening		3,430,000	2,430,000
Transfer (to)/from profit and loss account	5.1	(250,000)	1,000,000
Exchange difference on translation of foreign subsidiaries		78,156	67,091
Statutory reserve		10,355	10,146
		3,268,511	3,507,237

5.1 This represents appropriation of profit in past years to meet future exigencies.

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2013

6 LONG TERM FINANCING

Banking Companies Loans- Secured

Related Party

	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up Rate per annum	2013 Rs. 000s	2012 Rs. 000s
Habib Metropolitan Bank Limited Loan 1 a) Under LTF-EOP scheme	6.2, 6.4, 6.5	12 half yearly March-2010	684	7.00% p.a. payable quarterly	3,414	4,782
b) Under LTF-EOP scheme		12 half yearly April-2010	2,042	7.00% p.a. payable quarterly	10,206	14,290
Habib Metropolitan Bank Limited Loan 2 Under LTF-EOP scheme	6.2, 6.4, 6.5	12 half yearly November-2010	19,417	7.00% p.a. payable quarterly	116,498	155,332
Habib Metropolitan Bank Limited Loan 3 Under LTFF scheme	6.2, 6.4, 6.6	16 half yearly February-2012	2,719	10.00% p.a. payable quarterly	35,338	40,776
Habib Metropolitan Bank Limited Loan 4 Under LTFF scheme	6.2, 6.4, 6.6	16 half yearly March-2012	2,504	10.00% p.a. payable quarterly	32,553	37,561
Habib Metropolitan Bank Limited Loan 5 Under LTFF scheme	6.2, 6.4, 6.6	16 half yearly June-2012	4,212	10.25% p.a. payable quarterly	54,737	63,161
Habib Metropolitan Bank Limited Loan 6 Under LTFF scheme	6.2, 6.4, 6.6	16 half yearly July-2012	1,804	10.25% p.a. payable quarterly	25,252	28,860
Habib Metropolitan Bank Limited Loan 7 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly December-2013	3,328	11.20% p.a. payable quarterly	33,280	33,280
Habib Metropolitan Bank Limited Loan 8 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly January-2014	970	12.70% p.a. payable quarterly	9,691	9,691
Habib Metropolitan Bank Limited Loan 9 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly February-2014	449	12.70% p.a. payable quarterly	13,414	13,414
Habib Metropolitan Bank Limited Loan 10 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly June-2014	9,140	12.70% p.a. payable quarterly	96,180	96,180
Habib Metropolitan Bank Limited Loan 11 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly August-2014	1,048	12.70% p.a. payable quarterly	13,570	13,570
Habib Metropolitan Bank Limited Loan 12 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly September-2014	3,392	12.70% p.a. payable quarterly	33,920	33,920
Habib Metropolitan Bank Limited Loan 13 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly October-2014	158	12.70% p.a. payable quarterly	1,575	1,575
Habib Metropolitan Bank Limited Loan 14 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly August-2015	2,959	11.40% p.a. payable quarterly	29,590	-
Habib Metropolitan Bank Limited Loan 15 Under LTFF scheme	6.2, 6.4, 6.6	10 half yearly September-2015	13,689	11.40% p.a. payable quarterly	136,885	-
		Total due to related party			646,103	546,392

Other Banks	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up Rate per annum	2013 Rs. 000s	2012 Rs. 000s
Allied Bank Limited Loan 1	6.3	12 quarterly March-2010	16,667	Average three months KIBOR Ask rate + 1.00% payable quarterly	**-**	33,333
Allied Bank Limited Loan 2 Under LTFF scheme	6.3, 6.6	32 quarterly July-2010	9,256	10.00% p.a. payable quarterly	**185,129**	222,153
Bank Al-Habib Limited Loan 1 Under LTF-EOP scheme	6.2, 6.5	12 half yearly December-2008	2,315	7.00% p.a. payable quarterly	**9,256**	13,886
Bank Al-Habib Limited Loan 2 Under LTFF scheme	6.1, 6.2, 6.6	8 half yearly December-2013	17,159	12.60% p.a. payable quarterly	**137,265**	137,265
Bank Al-Falah Limited - Islamic Banking	6.2	9 half yearly March-2014	9,439	Average six months KIBOR Ask rate + 1.25% payable half yearly	**84,950**	-
Bank Al-Falah Limited - Islamic Banking	6.2	9 half yearly April-2014	6,457	Average six months KIBOR Ask rate + 1.25% payable half yearly	**58,119**	-
Faysal Bank Limited Loan 1 Under LTFF scheme	6.2, 6.6	10 Half Yearly January-2014	6,720	11.20% p.a. payable quarterly	**67,200**	67,200
Faysal Bank Limited Loan 2 Under LTFF scheme	6.2, 6.6	10 half yearly January-2014	3,850	12.70% p.a. payable quarterly	**38,500**	38,500
Faysal Bank Limited Loan 3 Under LTFF scheme	6.2, 6.6	10 half yearly April-2014	219	12.70% p.a. payable quarterly	**6,714**	6,714
Faysal Bank Limited Loan 4 Under LTFF scheme	6.2, 6.6	10 half yearly June-2014	241	12.70% p.a. payable quarterly	**2,410**	2,410
Faysal Bank Limited Loan 5 Under LTFF scheme	6.2, 6.6	10 half yearly July-2014	846	12.70% p.a. payable quarterly	**8,460**	8,460
Faysal Bank Limited Loan 6 Under LTFF scheme	6.2, 6.6	10 half yearly September-2014	10,970	12.70% p.a. payable quarterly	**109,700**	109,700
Habib Bank Limited Loan 4 a) Under State Bank of Pakistan (SBP) scheme of Long Term Finance - Export Oriented Projects (LTF-EOP)	6.1, 6.5	12 half yearly June-2010	5,416	7.00% p.a. payable quarterly	**28,097**	37,913
b) Under LTF-EOP scheme		12 half yearly November-2010	4,450	7.00% p.a. payable quarterly	**26,703**	35,603
Habib Bank Limited Loan 5 Under LTF-EOP scheme	6.1, 6.5	12 half yearly December-2010	2,571	7.00% p.a. payable quarterly	**15,426**	20,568
Habib Bank Limited Loan 6 Under LTF-EOP scheme	6.1, 6.5	12 half yearly February-2010	9,510	7.00% p.a. payable quarterly	**47,551**	66,571
Habib Bank Limited Loan 7 Under LTF-EOP scheme	6.1, 6.5	12 half yearly January-2010	778	7.00% p.a. payable quarterly	**3,888**	5,444

	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up Rate per annum	2013 Rs. 000s	2012 Rs. 000s
Habib Bank Limited Loan 8 a) Under LTF-EOP scheme	6.1, 6.5	12 half yearly January-2010	1,698	7.00% p.a. payable quarterly	**8,487**	11,885
b) Under LTF-EOP scheme		12 half yearly February-2010	139	7.00% p.a. payable quarterly	**692**	970
Habib Bank Limited Loan 10 Under State Bank of Pakistan (SBP) Scheme of Long Term Financing Facility (LTFF)	6.1, 6.6	16 half yearly July-2011	11,054	10.00% p.a. payable quarterly	**132,650**	154,758
Habib Bank Limited Loan 11 Under LTFF scheme	6.1, 6.6	16 half yearly August-2011	562	10.00% p.a. payable quarterly	**6,747**	7,871
Habib Bank Limited Loan 12 Under LTFF scheme	6.1, 6.6	16 half yearly October-2011	710	10.00% p.a. payable quarterly	**8,514**	9,932
Habib Bank Limited Loan 13 Under LTFF scheme	6.1, 6.6	16 half yearly March-2012	277	10.00% p.a. payable quarterly	**3,599**	4,153
Habib Bank Limited Loan 14 Under LTFF scheme	6.1, 6.6	16 half yearly August-2012	3,536	10.25% p.a. payable quarterly	**49,542**	56,614
HSBC Bank Middle East Limited Loan 1 a) Under LTF-EOP scheme	6.2, 6.5	12 half yearly October-2010	2,883	7.00% p.a. payable quarterly	**17,300**	23,066
b) Under LTF-EOP scheme		12 half yearly November-2010	1,038	7.00% p.a. payable quarterly	**6,225**	8,301
HSBC Bank Middle East Limited Loan 2 Under LTF-EOP scheme	6.2, 6.5	12 half yearly December-2010	1,838	7.00% p.a. payable quarterly	**11,030**	14,707
HSBC Bank Middle East Limited Loan 3 Under LTF-EOP scheme	6.2, 6.5	12 half yearly February-2010	875	7.00% p.a. payable quarterly	**4,373**	6,123
HSBC Bank Middle East Limited Loan 4 Under LTF-EOP scheme	6.2, 6.5	12 half yearly March-2010	844	7.00% p.a. payable quarterly	**4,220**	5,909
Meezan Bank Limited Diminishing Musharaka 1	6.3	6 half yearly February-2011	15,266	Average six months KIBOR Ask rate + 1.00% payable half yearly	**15,266**	45,797
Meezan Bank Limited Diminishing Musharaka 2	6.3	6 half yearly June-2011	1,449	Average six months KIBOR Ask rate + 1.50% payable half yearly	**1,449**	4,348
Meezan Bank Limited Diminishing Musharaka 3	6.3	6 half yearly July-2011	5,253	Average six months KIBOR Ask rate + 1.50% payable half yearly	**10,505**	21,011
National Bank of Pakistan Loan 3	6.3	25 quarterly September-2009	4,000	Average three months KIBOR Ask rate + 1.00% payable quarterly	**36,000**	52,000
National Bank of Pakistan Loan 4 Under LTFF scheme	6.2, 6.3, 6.6	16 quarterly September-2011	2,351	10.40% p.a. payable quarterly	**21,159**	30,563

	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up Rate per annum	2013 Rs. 000s	2012 Rs. 000s
NIB Bank Limited Loan 1 Under LTFF scheme	6.3, 6.6	16 quarterly June-2010	2,839	9.00% p.a. payable quarterly	**8,510**	19,866
NIB Bank Limited Loan 2 Under LTFF scheme	6.3, 6.6	16 quarterly September-2010	1,883	9.00% p.a. payable quarterly	**7,529**	15,061
NIB Bank Limited Loan 3 Under LTFF scheme	6.3, 6.6	16 quarterly June-2014	2,827	10.90% p.a. payable quarterly	**45,234**	-
NIB Bank Limited Loan 4 Under LTFF scheme	6.3, 6.6	16 quarterly March-2014	829	10.90% p.a. payable quarterly	**13,265**	-
NIB Bank Limited Loan 5 Under LTFF scheme	6.3, 6.6	16 quarterly August-2014	498	10.90% p.a. payable quarterly	**7,960**	-
NIB Bank Limited Loan 6	6.3, 6.6	16 quarterly March-2014	829	Average three months KIBOR Ask rate + 1.50% payable quarterly	**13,265**	-
NIB Bank Limited Loan 7	6.3, 6.6	16 quarterly June-2014	2,827	Average three months KIBOR Ask rate + 1.50% payable quarterly	**45,235**	-
NIB Bank Limited Loan 8 Under LTFF scheme	6.3, 6.6	16 quarterly September-2014	1,289	10.90% p.a. payable quarterly	**20,640**	-
Standard Chartered Bank Loan 1 Under LTFF scheme	6.3, 6.6	8 Half Yearly October-2012	2,995	11.10% p.a. payable quarterly	**17,970**	23,960
Standard Chartered Bank Loan 2 Under LTFF scheme	6.3, 6.6	8 Half Yearly November-2012	21,886	11.10% p.a. payable quarterly	**131,329**	175,100
United Bank Limited Loan 2	6.3	10 half yearly March-2009	50,000	Average three months KIBOR Ask rate + 1.00% payable half yearly	**50,000**	150,000
United Bank Limited Loan 3 Under LTF-EOP scheme	6.3, 6.5	12 half yearly April-2010	931	7.00% p.a. payable quarterly	**4,655**	6,517
United Bank Limited Loan 4	6.3	6 half yearly August-2010	48,199	Average six months KIBOR Ask rate + 1.00% payable half yearly	**-**	96,397
United Bank Limited Loan 5 Under LTFF scheme	6.3, 6.6	16 half yearly November-2010	363	10.00% p.a. payable quarterly	**3,628**	4,354
United Bank Limited Loan 6	6.3	6 half yearly March-2011	25,000	Average six months KIBOR Ask rate + 1.25% payable half yearly	**25,000**	75,000
United Bank Limited Loan 7 Under LTFF scheme	6.3, 6.6	10 half yearly December-2012	1,319	10.50% p.a. payable quarterly	**10,553**	13,190
United Bank Limited Loan 8 Under LTFF scheme	6.3, 6.6	12 half yearly December-2011	557	10.50% p.a. payable quarterly	**4,462**	5,576

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2013

	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up Rate per annum	2013 Rs. 000s	2012 Rs. 000s
United Bank Limited Loan 9 Under LTFF scheme	6.3, 6.6	12 half yearly January-2012	128	10.50% p.a. payable quarterly	**1,156**	1,412
United Bank Limited Loan 10 Under LTFF scheme	6.3, 6.6	12 half yearly February-2012	741	10.50% p.a. payable quarterly	**6,672**	8,154
United Bank Limited Loan 11 Under LTFF scheme	6.3, 6.6	12 half yearly April-2012	3,686	11.20% p.a. payable quarterly	**33,172**	40,542
United Bank Limited Loan 12 Under LTFF scheme	6.2, 6.6	19 half yearly November-2011	7,441	11.20% p.a. payable quarterly	**111,621**	126,503
United Bank Limited Loan 13 Under LTFF scheme	6.2, 6.6	19 half yearly December-2011	5,916	11.20% p.a. payable quarterly	**88,737**	100,568
United Bank Limited Loan 14	6.3	12 half yearly September-2013	269	Average six months KIBOR Ask rate + 1.00% payable half yearly	**3,225**	3,225
United Bank Limited Loan 15	6.3	12 half yearly October-2013	1,235	Average six months KIBOR Ask rate + 1.00% payable half yearly	**14,823**	14,823
United Bank Limited Loan 16	6.3	12 half yearly December-2013	5,450	Average six months KIBOR Ask rate + 1.00% payable half yearly	**70,700**	70,700
United Bank Limited Loan 17 Under LTFF scheme	6.3, 6.6	12 half yearly January-2014	259	12.70% p.a. payable quarterly	**3,115**	-
United Bank Limited Loan 18 Under LTFF scheme	6.3, 6.6	12 half yearly March-2014	1,525	11.20% p.a. payable quarterly	**18,302**	-
United Bank Limited Loan 19	6.3	12 half yearly January-2014	11,913	Average six months KIBOR Ask rate + 1.00% payable half yearly	**142,950**	-
		Total from other banks			**2,070,834**	2,214,676
Total long term financing from banking companies					**2,716,937**	2,761,068
Current portion shown under current liabilities					**(561,938)**	(664,636)
					2,154,999	2,096,432

6.1 These loans are secured by first pari passu charge over present and future property, plant and equipment of the Company and equitable mortgage over land and building.

6.2 These loans are secured by charge over specified machinery.

6.3 These loans are secured by way of joint pari passu charge over the property, plant and equipment of the Company.

6.4 Habib Metropolitan Bank Limited is an associate company.

6.5 Grace period of one year in payment of principal outstanding under LTF-EOP facilities was allowed by the banks as per State Bank of Pakistan SMEFD circular No. 01 dated January 22, 2009.

6.6 The financing availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of two years from the availment date. However, where financing facilities have been provided for a period of upto five years maximum grace period shall not exceed one year as per State Bank of Pakistan MFD Circular No. 07 dated December 31, 2007.

	Note	2013	2012
		Rs. 000s	
7 DEFERRED TAXATION - NET			
Taxable temporary differences in respect of			
Accelerated tax depreciation allowance		**349,378**	300,147
Provision for income of subsidiaries		**10,498**	10,498
		359,876	310,645
Deductible temporary differences in respect of			
Provision for gratuity		**(4,604)**	(3,323)
Provision for doubtful debts		**(18,832)**	(14,867)
Provision for slow moving items		**(9,914)**	(7,988)
		(33,350)	(26,178)
		326,526	284,467

8 STAFF RETIREMENT BENEFITS

8.1 Principal actuarial assumptions

		2013	2012
Following principal actuarial assumptions were used for the valuation:			
Estimated rate of increase in salary of the employees		**9.5 % p.a**	11 % p.a
Discount rate		**10.5 % p.a**	12 % p.a
Average expected remaining working life time of employees		**10 years**	10 years

8.2 Movement in liability

	Note	2013	2012
Opening balance		**27,952**	17,717
Charge for the year	8.3	**27,561**	17,651
Payments during the year		**(15,210)**	(7,416)
Closing balance		**40,303**	27,952

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2013

	Note	2013	2012
		Rs. 000s	
8.3 Reconciliation of the present value of defined benefit obligation			
Opening balance		**27,952**	17,717
Charge for the year			
Current service cost		**14,285**	14,648
Interest cost		**2,867**	3,003
Actuarial loss		**10,409**	-
		27,561	17,651
Benefits paid during the year		**(15,210)**	(7,416)
Closing balance		**40,303**	27,952

9 TRADE AND OTHER PAYABLES

	Note	2013	2012
Creditors		**2,857,827**	1,735,691
Due to related parties		**73,829**	12,614
Murabaha		**507,569**	280,426
Accrued expenses	9.1	**573,227**	525,854
Advance from customers - others	9.2	**101,131**	109,533
Payable to employees' provident fund		**7,712**	2,746
Workers' profit participation fund		**45,224**	8,884
Workers' welfare fund	9.3	**40,289**	23,104
Unclaimed dividend	9.4	**512**	512
Others		**40,693**	18,779
		4,248,013	2,718,143

9.1 Murabaha is secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables. Un-availed murabaha facility at the year end was Rs. Nil (2012: Rs. Nil). Murabaha facilities mature within 12 months. It includes accrued profit of Rs. 7.569 million (2012: Rs. 14.283 million). The effective rate of profit ranges from 8.95% to 13.05%.

9.2 Accrued expenses includes Infrastructure Cess amounting to Rs. 34.962 million (2012: Rs. 10.229 million). The ultimate Parent Company alongwith other Petitioners have challenged the imposition of Infrastructure Cess by the relevant Excise and Taxation Officer, Karachi. However, in view of the uncertainties in such matters, full provision has been made in the financial statements.

	2013	2012
	Rs. 000s	

9.3 Workers' profit participation fund

	2013	2012
Opening balance	8,884	85,424
Provision for the year	45,224	-
Interest for the year	-	8,884
	54,108	94,308
Payments made during the year	(8,884)	(85,424)
Closing balance	45,224	8,884

9.4 The ultimate Parent Company alongwith other petitioners have challenged the constitutionality of the amendments brought into Workers' Welfare Fund Ordinance, 1971 through Finance Acts of 2006 and 2008. The Sindh High Court has given the decision in favour of the Government. The ultimate Parent Company has filed an appeal in the Supreme Court of Pakistan against the above decision. However, in view of the uncertainties in such matters, full provision has been made in the Financial Statements.

	Note	2013	2012
		Rs. 000s	
10 ACCRUED MARK-UP			
Mark-up on long term financing		64,145	43,940
Mark-up on short term borrowings		127,647	127,672
		191,792	171,612
11 SHORT TERM BORROWINGS - SECURED			
Short term bank borrowings	11.1	8,009,477	6,227,564
Short term running finance		280,939	1,121,961
		8,290,416	7,349,525

11.1 It includes short term istisna amounting to Rs. 1,125 million (2012: Rs. 990 million).

11.2 Short term borrowings are secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables. Unavailed facility at the year end was Rs. 3,560 million (2012: Rs. 5,335 million). The facility for short term borrowings mature within twelve months. Short term borrowings include Rs. 592 million (2012: Rs. 599 million) from related party.

11.3 Mark-up rates range from 0.80% to 14.98% (2012: 1.56% to 16.56%) per annum.

12 CONTINGENCIES AND COMMITMENTS

12.1 The ultimate Parent Company owns and possesses a plot of land measuring 44 acres in Deh Khanto, which is appearing in the books at a cost of Rs. 64 million. The ultimate Parent Company holds title deeds of the land which are duly registered in its name. Ownership of the land has been challenged in the Sindh High Court by some claimants who claim to be the owners, as this land was previously sold to them and subsequently resold to the ultimate Parent Company. The claim of the alleged owners is fictitious. The ultimate Parent Company is confident that its title to the land is secure and accordingly no provision in this behalf has been made in these financial statements.

12.2 The ultimate Parent Company has filed a suit in the Sindh High Court for recovery of Rs. 33.409 million (2012: Rs. 33.409 million) included in other receivables in note 20.1. The Group's management and its legal counsel are of the opinion that the case will be decided in the Group's favour and as such no provision has been made there against.

12.3 The ultimate Parent Company has filed a petition in the Sindh High Court against order passed by the Board of Trustees, Employees Old-Age Benefits Institution (EOBI) for upholding the unjustified additional demand of payment raised by EOBI for accounting years 2000-01 and 2001-02 amounting to Rs. 50.827 million (2012: Rs. 50.827 million). This demand has been raised after lapse of more than two years although the records and books of the ultimate Parent Company were verified by the EOBI to their entire satisfaction and finalization of all matters by EOBI. The Honorable Sindh High Court has already restrained EOBI from taking any action or proceedings against the ultimate Parent Company. No provision has been made there against in these financial statements as the ultimate Parent Company is confident of the favourable outcome of the petition.

12.4 The ultimate Parent Company has filed a Constitution Petition in the Sindh High Court against the City District Government of Karachi for striking down the unjustified demand of payment of Ground Rent of Rs. 10 million. The Honorable Sindh High Court has already restrained the City District Government of Karachi from taking any coercive action against the ultimate Parent Company. No provision has been made there against in these financial statements as the ultimate Parent Company is confident of the favorable outcome of the Petition. Also refer note 19.1.

12.5 The Government of Pakistan increased the Gas Infrastructure Development Cess (GIDC) from July-2012 from Rs. 13/- to Rs. 100/- per MMBTU. This was subsequently reduced by the Government to Rs. 50/- per MMBTU from September-2012. The ultimate Parent Company alongwith several other companies has filed a suit in the Sindh High Court challenging the increase in GIDC. The Sindh High Court has been pleased to stay recovery of the enhanced GIDC and hence the ultimate Parent Company has not paid the enhanced GIDC. The ultimate Parent Company has not provided for increase in GIDC in these financial statements which upto June-2013 works out Rs. 145 million as the ultimate Parent Company is confident that the case will be decided in its favour. Similar petitions filed in the Peshawar and Islamabad High Courts have been decided in favour of the companies. In the case of Islamabad High Court the matter is now with its division bench and decision of the Peshawar High Court has been challenged by the Government in the Supreme Court of Pakistan.

12.6 Guarantees

(a) Rs. 332 million (2012: Rs. 260 million) against guarantees issued by banks which are secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables. These guarantees includes guarantees issued by related party amounting to Rs. 269 million (2012: Rs. 203 million).

(b) Post dated cheques Rs. 182 million (2012: Rs. 153 million) issued to various Government Agencies.

(c) Bills discounted Rs. 2,216 million (2012: Rs. 1,731 million).

(d) Corporate guarantee of Rs. 102.260 million (2012: Rs. 96.420 million) has been issued to a bank in favour of subsidiary.

Commitments

12.7 The Group is committed for capital expenditure as at June 30, 2013 of Rs. 410 million (2012: Rs. 197 million).

12.8 The Group is committed for non-capital expenditure items under letters of credit as at June 30, 2013 of Rs. 579 million (2012: Rs. 374 million).

12.9 The Group is committed for minimum rental payments for each of following period as follows:

	Note	2013	2012
		Rs. 000s	
Not more than one year		**262,090**	216,826
More than one year but not more than five years		**994,498**	901,170
More than five years		**600,930**	707,749
		1,857,518	1,825,745

13 PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
Operating assets	13.1	**6,918,925**	6,613,267
Capital work in progress	13.2	**225,313**	226,169
		7,144,238	6,839,436

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2013

13.1 Operating Assets

	Note	Leasehold land	Buildings and structures on leasehold land	Plant and machinery	Furniture and fixtures	Office equipment	Vehicles	Total
		Rs. 000s						
Net carrying value basis year ended June 30, 2013								
Opening net book value (NBV)		234,107	1,017,567	4,918,425	63,443	155,703	224,022	6,613,267
Direct additions (at cost)		-	24,804	142,949	4,993	26,437	79,642	278,825
Transfer from CWIP		-	76,283	779,316	559	11,462	-	867,620
Disposal at NBV	13.1.2 & 13.1.3	-	-	(51,279)	(2,906)	(3,808)	(6,817)	(64,810)
Depreciation charge	13.1.1	-	(121,069)	(546,449)	(7,522)	(48,183)	(52,754)	(775,977)
Closing net book value		234,107	997,585	5,242,962	58,567	141,611	244,093	6,918,925
Gross carrying value basis as at June 30, 2013								
Cost		234,107	2,121,528	10,568,505	105,408	379,392	491,880	13,900,820
Accumulated depreciation		-	(1,123,943)	(5,325,543)	(46,841)	(237,781)	(247,787)	(6,981,895)
Net book value		234,107	997,585	5,242,962	58,567	141,611	244,093	6,918,925
Net carrying value basis year ended June 30, 2012								
Opening net book value (NBV)		234,107	1,040,644	4,913,018	65,133	142,210	194,757	6,589,869
Direct additions (at cost)		-	16,259	11,908	2,752	18,409	102,605	151,933
Transfer from CWIP		-	82,617	519,881	3,738	33,284	-	639,520
Disposal at NBV		-	-	(4,200)	-	(2,440)	(16,276)	(22,916)
Depreciation charge		-	(121,953)	(522,182)	(8,180)	(35,760)	(57,064)	(745,139)
Closing net book value		234,107	1,017,567	4,918,425	63,443	155,703	224,022	6,613,267
Gross carrying value basis as at June 30, 2012								
Cost		234,107	2,020,441	9,782,850	108,256	359,928	432,132	12,937,714
Accumulated depreciation		-	(1,002,874)	(4,864,425)	(44,813)	(204,225)	(208,110)	(6,324,447)
Net book value		234,107	1,017,567	4,918,425	63,443	155,703	224,022	6,613,267
Depreciation rate % per annum		-	10	10	10 to 12	15 to 30	20 to 25	

13.1.1 Depreciation charge for the year has been allocated as follows:

	Note	2013	2012
		Rs. 000s	
Cost of goods manufactured	24.1	623,544	607,578
Distribution cost	25	65,990	59,387
Administrative expenses	26	86,443	78,174
		775,977	745,139

13.1.2 Details of operating assets sold (by negotiation except where stated)

Particulars	Cost	Written down value	Sale proceeds	Particulars of buyers
	Rs. 000s			
Plant and machinery				
Various models of Carding and autocone machines	75,331	14,009	15,049	International Textile Machinery Enterprise Suit No. 1001, 10th Floor, Business Plaza, I.I.Chundrigar Road, Karachi.
Recycling Plant Complete with Allied Accessories	28,324	17,964	15,500	Texstyle Corporation 16th Floor, Gul Tower, I.I Chundrigar Road, Karachi.
Dyeing and Bleaching machine	26,466	16,496	29,600	Insurance Claim
Furniture and fixtures				
Various wooden furniture	268	96	88	Excellence Furniture Liaquatabad Furniture Market, Karachi.
Vehicles				
Honda Civic - AFB-656	1,427	163	751	Mr. Gul Dad House No. HK-579, KPT Building, New Qadri House, Karachi.
Toyota Corolla Altis - APK-166	1,370	449	1,151	Mr. Gul Dad House No. HK-579, KPT Building, New Qadri House, Karachi.
Toyota Mark - AFB-011	3,005	343	875	Mr. Aamir House No. F-107/B, Block-F, North Nazimabad, Karachi.
Suzuki Cultus - AMJ-854	610	160	243	Mr. Hakim Azizuddin - Employee Flat No. 101, D.H.A Building, Phase No. 5, D.H.A., Karachi.
Suzuki Cultus - ARJ-248	766	314	622	Mr. Muhammad Ali Akber Khan House No. A-171, Block No. 12, F.B. Area, Karachi.
Honda City - APE-064	866	284	345	Mr. Muhammad Ali 572/3, Kutyana Mohalla, F.B. Area, Karachi.
Daihatsu Coure - APX-576	515	169	195	Mr. Muhammad Irfan - Employee House No. A-57, UK Apartment, Block-14,Gulshan-e-Iqbal, Karachi.
Toyota Corolla - ARY-745	1,302	534	900	Mr. Muhammad Musharaf Baig - Employee Flat No. E-3, Phase 11, North City Apartment, Karachi.
Honda City - ANN-490	900	236	360	Mr. Muhammad Salman House No. B-33, Dhoraji Colony, Karachi.

Particulars	Cost	Written down value	Sale proceeds	Particulars of buyers
	Rs. 000s			
Suzuki Cultus - AGE-738	590	84	236	Mr. Sabir Ali Landhi Bin Qasim Town, Mohalla Shafi Goth, Karachi.
Suzuki Alto - APK-441	516	169	212	Mr. Shamshad Khan House No. 7/16, Survey 89, Mohalla Golden Town, Rafa-e-Aam, Karachi.
Suzuki Alto - AFS-264	496	71	315	Mr. Sultan Hassan Khan House No. A-908/12, F.B. Area, Karachi.
Honda Civic - AQS-634	1,563	512	916	Mr. Syed Hassan Riaz Bukhari - Employee House No. 27-D, Model Town, Lahore.
Suzuki Alto - AKW-798	512	107	282	Mr. Tahir Hassan House No. R-1119, Sector 15/B, Buffer Zone, North Karachi, Karachi.
Honda City - AQF-526	907	297	878	Insurance Claim
Honda City - AYE-536	1,657	1,657	1,648	Insurance Claim
Suzuki Alto - AWR-745	779	623	776	Insurance Claim
Suzuki Bolan - CR-2517	412	108	420	Insurance Claim
Suzuki Cultus - ASU-138	819	419	805	Insurance Claim
Written down value below Rs. 50,000 each				
- Vehicle	881	119	402	Various
- Others	11,354	3,938	3,832	Various
2013	**161,636**	**59,321**	**76,401**	
2012	95,491	22,307	35,646	

13.1.3 Disposals include assets scrapped during the year amounting to Rs. 5.489 million (2012: Rs. 0.609 million)

13.2 Capital work in progress

	2013				2012			
	Machinery and store Items held for capitalisation	Civil Work	Other assets	Total	Machinery and store Items held for capitalisation	Civil Work	Other assets	Total
	Rs. 000s							
Cost as at July 1	**199,596**	**23,733**	**2,840**	**226,169**	23,462	37,673	10,508	71,643
Capital expenditure incurred during the year	**754,842**	**98,106**	**17,331**	**870,279**	696,015	68,677	29,354	794,046
Transferred to property, plant and equipment	**(779,316)**	**(76,283)**	**(12,021)**	**(867,620)**	(519,881)	(82,617)	(37,022)	(639,520)
Transferred to intangible assets	**-**	**-**	**(3,515)**	**(3,515)**	-	-	-	-
Cost as at June 30	**175,122**	**45,556**	**4,635**	**225,313**	199,596	23,733	2,840	226,169

14 INTANGIBLE ASSETS

	2013			2012
	Rs. 000s			
	Computer Software	Trade Marks	Total	
Net carrying value basis				
Opening net book value	26,535	2,930	**29,465**	42,322
Additions (at cost)	5,289	2,739	**8,028**	1,811
Transfer from capital work in process	3,515	-	**3,515**	-
Amortisation charge	(12,209)	(1,557)	**(13,766)**	(14,668)
Closing net book value	23,130	4,112	**27,242**	29,465
Gross carrying value basis				
Cost	157,003	12,966	**169,969**	158,426
Accumulated amortisation	(133,873)	(8,854)	**(142,727)**	(128,961)
Net book value	23,130	4,112	**27,242**	29,465

14.1 The cost is being amortised over a period of five years and the amortisation charge has been allocated as follows:

	Note	2013	2012
		Rs. 000s	
Distribution cost	25	**1,384**	**1,614**
Administrative expenses	26	**12,382**	**13,054**
		13,766	**14,668**

14.2 Remaining useful life range from one to four years.

15 LONG TERM LOANS AND ADVANCES

	Note	2013	2012
Considered good - Secured			
- Due from executives (other than CEO and Directors)	15.2	**2,075**	5,183
- Due from non-executive employees		**1,340**	1,111
		3,415	6,294
Current portion being receivable within twelve months following the balance sheet date			
- Due from executives		**(1,163)**	(2,892)
- Due from non-executive employees		**(191)**	(502)
	19	**(1,354)**	(3,394)
		2,061	2,900

15.1 Loans and advances have been given for the purchase of cars, scooters and household equipment and housing assistance in accordance with the terms of employment and are repayable in different monthly installments. These loans are secured against cars, outstanding balance of provident fund, retirement benefits and/or upon guarantees of two employees.

Included in these are loans Rs. 0.367 million (2012: Rs. 1.161 million) to executives and Rs. 0.595 million (2012: Rs. 0.204 million) to non-executives which carry no interest. The balance amount carries interest ranging from 12.00% to 14.00% (2012: 10.50% to 15.00%)

The maximum aggregate amount due from executives at the end of any month during the year was Rs. 4.852 million (2012: Rs. 8.843 million).

	Note	2013	2012
		Rs. 000s	
15.2 Reconciliation of carrying amount of loans to executives			
Opening balance		5,183	5,845
Disbursement during the year		-	5,134
Transfer from non-executive to executive employees		-	907
Recoveries during the year		(3,108)	(6,703)
Closing balance		2,075	5,183

16 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2013	2012
Stores		432,227	451,097
Spare parts		360,497	342,876
Loose tools		3,153	3,444
		795,877	797,417
Provision for slow moving/obsolete items	16.1	(72,442)	(57,431)
		723,435	739,986
16.1 Movement in provision for slow moving/obsolete items			
Opening balance		57,431	45,144
Charge for the year		15,011	12,287
Closing balance		72,442	57,431

17 STOCK-IN-TRADE

	Note	2013	2012
Raw materials		2,457,304	2,236,375
Work-in-process		265,327	233,153
Finished goods	17.1	6,951,190	5,012,306
		9,673,821	7,481,834

17.1 Finished goods include stock of waste valuing Rs. 76.868 million (2012: Rs. 56.887 million) determined at net realizable value.

	Note	2013	2012
		Rs. 000s	
18 TRADE DEBTS			
Export debtors - secured		**751,649**	752,129
Local debtors - unsecured			
- Considered good	18.1	**1,950,724**	1,520,136
- Considered doubtful		**137,610**	107,785
		2,088,334	1,627,921
Provision for doubtful trade debts	18.3	**(137,610)**	(107,785)
		1,950,724	1,520,136
		2,702,373	2,272,265

18.1 Includes amounts due from related parties as under:

	2013	2012
Swisstex Chemicals (Private) Limited - Associate company	**-**	759
	-	759

18.2 The maximum aggregate month end balance due from related parties during the year was Rs. 0.337 million (2012: Rs. Nil).

18.2.1 Ageing analysis of the amounts due from related parties is as follows

	Upto 1 months	1-6 months	More than 6 months	**As at June 2012**
	Rs. 000s			
Swisstex Chemicals (Private) Limited	**65**	**694**	**-**	**759**

	Note	2013	2012
		Rs. 000s	
18.3 Movement in provision for doubtful trade debts			
Opening balance		**107,785**	77,064
Charge for the year		**29,825**	30,721
Closing Balance		**137,610**	107,785

	Note	2013	2012
19 LOANS AND ADVANCES			
Considered good			
Current portion being receivable within twelve months following the balance sheet date			
- Executives		**1,163**	2,892
- Other employees		**191**	502
	15	**1,354**	3,394
Advances to suppliers	19.1	**277,841**	138,383
Letters of credit		**72,863**	33,834
		352,058	175,611

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2013

19.1 Includes amount of Rs. 2.57 million (2012: Rs. 2.57 million) paid to Nazir Sindh High Court, Karachi in compliance with the Order of the Sindh High Court in respect of ground rent suit as mentioned in Note 12.4.

19.2 Advances to suppliers include Rs. 1.534 million(2012: Rs 2.364 million) with related party - Arwen Tech (Private) Limited.

		Note	2013	2012
20	**OTHER RECEIVABLES**		Rs. 000s	
	Research and development claim		-	632
	Duty drawback local taxes and levies		-	6,942
	Duty drawback		104,158	116,271
	Mark-up rate subsidy receivable		6,918	10,398
	Others	20.1	66,516	48,456
			177,592	182,699
20.1	**Others**			
	Receivable against sale of property	12.2	33,409	33,409
	Others		33,107	15,047
			66,516	48,456
21	**TAX REFUNDS DUE FROM GOVERNMENT**			
	Sales tax		170,299	9,287
	Income tax		60,719	16,616
			231,018	25,903
22	**CASH AND BANK BALANCES**			
	Cash in hand		8,557	7,356
	Balances with banks in current accounts			
	- Local currency		84,638	109,540
	- Foreign currency		16,162	22,827
		22.1	100,800	132,367
			109,357	139,723

22.1 Bank balances include amount of Rs. 35 million (2012: Rs. 45 million) kept with a related party - Habib Metropolitan Bank.

		Note	2013	2012
23	**SALES**		Rs. 000s	
	Local	23.1	13,182,713	10,187,793
	Export			
	Direct export		16,534,304	14,099,491
	Indirect export		794,987	900,157
			17,329,291	14,999,648
	Duty drawback		143,011	142,248
			30,655,015	25,329,689
	Brokerage and commission		(62,254)	(50,733)
			30,592,761	25,278,956

23.1 Sales are exclusive of sales tax amounting to Rs. 280.518 million (2012: Rs. 255.258 million).

		Note	2013	2012
			Rs. 000s	
24	**COST OF SALES**			
	Opening stock of finished goods		**5,012,307**	6,312,736
	Cost of goods manufactured		**21,775,262**	18,103,189
	Purchases and processing charges	20.1	**5,852,965**	2,216,647
			32,640,534	26,632,572
	Closing stock of finished goods		**(6,951,190)**	(5,012,306)
			25,689,344	21,620,266
24.1	**Cost of goods manufactured**			
	Raw materials consumed		**12,897,675**	10,225,755
	Stores consumed		**2,976,434**	2,615,106
	Staff Cost	26.1	**2,876,294**	2,257,235
	Fuel, power and water		**1,739,168**	1,687,956
	Insurance		**97,779**	82,231
	Repairs and maintenance - net of insurance claim		**590,417**	558,694
	Depreciation	13.1.1	**623,544**	607,578
	Other manufacturing expenses		**104,584**	77,213
	Cost of samples shown under distribution cost		**(98,459)**	(85,586)
			21,807,436	18,026,182
	Work-in-process			
	Opening		**233,153**	310,160
	Closing	17	**(265,327)**	(233,153)
			(32,174)	77,007
			21,775,262	18,103,189
24.2	**Raw material consumed**			
	Opening stock		**2,236,375**	3,807,318
	Purchases during the year - net of insurance claim		**13,118,604**	8,654,812
	Closing stock		**(2,457,304)**	(2,236,375)
			12,897,675	10,225,755
25	**DISTRIBUTION COST**			
	Freight and shipment expenses		**211,224**	164,782
	Staff Cost	26.1	**365,181**	357,762
	Insurance		**13,019**	6,519
	Advertisement and publicity		**398,081**	311,314
	Participation in exhibition		**13,453**	38,036
	Cost of samples transferred from cost of goods manufactured		**98,459**	85,586
	Rent, rates and taxes		**280,425**	239,888
	Depreciation	13.1.1	**65,990**	59,387
	Amortisation	14.1	**1,384**	1,614
	Export development surcharge		**41,326**	35,466
	Other expenses		**47,483**	37,404
			1,536,025	1,337,758

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2013

26 ADMINISTRATIVE EXPENSES

	Note	2013	2012
		Rs. 000s	
Staff Cost	26.1	**409,824**	374,160
Rent, rates and taxes		**94,717**	49,867
Repairs and maintenance		**38,058**	30,361
Vehicle up keep and maintenance		**112,253**	90,737
Utiliites		**75,634**	63,559
Conveyance and traveling		**138,651**	103,701
Printing and stationery		**31,466**	21,838
I.T expenses		**27,531**	25,361
Postage and telecommunication		**61,188**	53,484
Legal and consultancy fees		**44,601**	38,145
Depreciation	13.1.1	**86,443**	78,174
Amortisation	14.1	**12,382**	13,054
Auditors' remuneration	26.2	**3,197**	3,210
Donations	26.3	**2,139**	4,346
Insurance		**17,754**	14,553
Provision for doubtful trade debts		**29,825**	30,721
Provision for slow moving/obsolete items		**15,011**	12,287
Other expenses		**52,116**	50,557
		1,252,790	1,058,115

26.1 Staff Cost

	Cost of sales		Distribution cost		Administrative expenses		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	Rs. 000s							
- Salaries, wages & benefits	**2,784,996**	2,181,671	**354,431**	347,311	**392,820**	358,728	**3,532,247**	2,887,710
Retirement benefits								
- Gratuity	**24,953**	17,204	**-**	-	**-**	447	**24,953**	17,651
- Contribution to provident fund	**32,132**	27,213	**10,035**	9,920	**14,768**	13,054	**56,935**	50,187
	57,085	44,417	**10,035**	9,920	**14,768**	13,501	**81,888**	67,838
- Staff compensated absences	**34,213**	31,147	**715**	531	**2,236**	1,931	**37,164**	33,609
	2,876,294	2,257,235	**365,181**	357,762	**409,824**	374,160	**3,651,299**	2,989,157

26.2 Auditor's Remuneration

	Note	2013	2012
		Rs. 000s	
Audit fee		**2,750**	2,625
Review fee of half yearly accounts		**30**	30
Fee for consolidation of holding and subsidiaries		**150**	150
Review fee of statement of compliance with code of corporate governance		**50**	50
Other certification fees		**32**	130
Out of pocket expenses		**185**	225
		3,197	3,210

26.3 Donation of Rs. 1.920 million (2012: Rs. 1.720 million) paid to Fellowship Fund for Pakistan. Mr. Mohomed Bashir, Chairman and Chief Executive of the Group is a Trustee of the Fund.

	Note	2013	2012
		Rs. 000s	

27 OTHER OPERATING EXPENSES

		2013	2012
Workers' profit participation fund		45,224	-
Workers' welfare fund		18,124	-
Loss on sale of property, plant and equipment		3,519	44
Property, plant and equipment scrapped		5,489	609
		72,356	653

28 OTHER INCOME

		2013	2012
Income from financial assets			
Interest income from loans and advances		1,151	967
Exchange gain on realisation of export receivables		9,605	145,444
		10,756	146,411
Income from non-financial assets			
Profit on sale of property, plant and equipment		20,599	13,383
Scrap sales		7,203	7,172
Others		475	166
		39,033	167,132

29 FINANCE COST

		2013	2012
Mark-up on long term financing		291,354	292,778
Mark-up on short term borrowings		791,069	930,727
Profit on murabaha		40,340	-
Interest on workers' profit participation fund		-	10,716
Bank charges		54,091	55,819
Exchange loss		65,902	111,943
		1,242,756	1,401,983

29.1 Mark-up on long term financing/short term borrowings include Rs. 116 million (2012: Rs. 119 million) in respect of long term financing/short term borrowings from related party.

	Note	2013	2012
		Rs. 000s	

30 PROVISION FOR TAXATION

	Note	2013	2012
Current			
- for the year		151,701	252,493
- prior		(54,041)	(1,310)
		97,660	251,183
Deferred		42,059	(8,285)
	30.1	139,719	242,898

30.1 Reconciliation between accounting profit and tax expense

	2013
Net Profit for the year before taxation	838,523
Tax rate	35%
Tax on accounting profit	293,483
Tax effect of	
Tax credit	(92,976)
Prior year	(54,041)
Final Tax on exports	4,461
Admissible/inadmissible	(9,554)
Others	(1,654)
	(153,764)
	139,719

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30.2 Provision for taxation for the year ended June 30,2012 had been made on the basis of minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001. Accordingly, reconciliation of tax expense with the accounting profit for the year ended June 30, 2012 had not been prepared being impracticable.

30.3 Income tax assessments of the Group have been finalised upto fiscal year 2011-12 (Tax year 2012).

	2013	2012
	Rs. 000s	
31 EARNINGS/(LOSS) PER SHARE - basic and diluted		Re-stated
Profit/(loss) for the year	**698,804**	(215,585)
Weighted average number of shares	**145,051,752**	138,637,149
Earnings/(loss) per share (Rs.)	**4.82**	(1.56)

31.1 Weighted average number of shares in issue during last year have been restated for the effect of right shares issued during current year.

31.2 There is no dilutive effect on the (loss)/earnings per share of the Group.

32 SEGMENT INFORMATION

The Group has the following two reportable business segments:

a) Spinning :Production of different qualities of yarn using both natural and artificial fibers.
b) Processing :Production of greige fabric, its processing into various types of fabrics for sale as well as manufacture and sale of madeups and home textile products.
c) Overseas Subidiaries :These subsidiaries are also in the textile business reselling product to the ultimate customers, imported from parent Company.

Transactions among the business segments are recorded at cost.

32.1 Segment Profitability

	Spinning		Processing		Gul Ahmed International Limited (FZC)-UAE		GTM (Europe) Limited UK		GTM USA Corp.		Elimination Of Inter Segment Transactions		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Sales	**10,697,890**	10,148,346	**21,745,641**	18,395,510	**529,670**	427,124	**589,848**	1,232,254	**27,718**	2,003	**(2,998,006)**	(4,926,281)	**30,592,761**	25,278,956
Cost of sales	**9,615,708**	9,974,763	**18,128,570**	15,083,359	**419,813**	337,219	**527,877**	1,171,024	**-**	-	**(3,002,624)**	(4,946,099)	**25,689,344**	21,620,266
Gross profit	**1,082,182**	173,583	**3,617,071**	3,312,151	**109,857**	89,905	**61,971**	61,230	**27,718**	2,003	**4,618**	19,818	**4,903,417**	3,658,690
Distribution & Administrative expenses	**257,126**	186,267	**2,339,681**	2,091,385	**101,118**	62,685	**64,480**	53,759	**26,410**	1,777	**-**	-	**2,788,815**	2,395,873
Profit/(loss) before tax and before charging following	**825,056**	(12,684)	**1,277,390**	1,220,766	**8,739**	27,220	**(2,509)**	7,471	**1,308**	226	**4,618**	19,818	**2,114,602**	1,262,817
Financial charges													**(1,242,756)**	(1,401,983)
Other operating expenses													**(72,356)**	(653)
Other income													**39,033**	167,132
Taxation													**(139,719)**	(242,898)
													(1,415,798)	(1,478,402)
Profit/(loss) after taxation													**698,804**	(215,585)

32.2 Segment assets and liabilities

	Spinning		Processing		Gul Ahmed International Limited (FZC)-UAE		GTM (Europe) Limited UK		GTM USA Corp.		Elimination Of Inter Segment Transactions		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Assets	**5,574,661**	5,214,791	**13,572,109**	10,811,953	**298,233**	208,829	**31,394**	236,046	**8,254**	9,588	**1,946,170**	1,495,903	**21,430,821**	17,977,110
Liabilities	**817,448**	1,181,037	**4,618,003**	3,409,313	**80,422**	15,056	**38,908**	80,173	**2,032**	2,625	**10,257,174**	8,635,856	**15,813,987**	13,324,060

32.3 Unallocated items represent those assets and liabilities which are common to all segments and investment in subsidiary.

32.4 Information about major customers

Revenue from major customer whose revenue exceeds 10% of gross sales is Rs. 5,490 million (2012: Rs. 4,305 million).

	Revenue 2013	Revenue 2012	Non-current assets 2013	Non-current assets 2012
	Rs. 000s			
32.5 Information by geographical area				
Pakistan	**13,120,459**	10,154,090	**7,208,615**	6,906,156
Germany	**3,141,496**	2,523,681	**-**	-
United Kingdom	**2,959,899**	2,267,300	**3,895**	3,621
China	**2,098,851**	1,972,600	**-**	-
United States	**2,065,066**	1,828,492	**3,161**	3,782
Netherland	**1,021,286**	888,344	**-**	-
France	**1,326,246**	1,018,564	**-**	-
Brazil	**503,155**	656,801	**-**	-
United Arab Emirates	**242,358**	627,729	**9,182**	6,043
Other Countries	**4,113,945**	3,341,355	**-**	-
Total	**30,592,761**	25,278,956	**7,224,853**	6,919,602

33 CASH AND CASH EQUIVALENTS

	Note	2013	2012
		Rs. 000s	
Cash and bank balances	22	**109,357**	139,723
Short term borrowings	11	**(8,290,416)**	(7,349,525)
		(8,181,059)	(7,209,802)

34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2013 Chief Executive	2013 Directors	2013 Executives	2013 Total	2012 Chief Executive	2012 Directors	2012 Executives	2012 Total
	Rs. 000s							
Managerial remuneration	**4,800**	**10,400**	**298,589**	**313,789**	4,800	10,400	246,918	262,118
House rent allowance	**1,920**	**4,160**	**119,435**	**125,515**	1,920	4,160	98,767	104,847
Other allowances	**730**	**1,482**	**48,913**	**51,125**	480	1,040	32,608	34,128
Contribution to provident fund	**400**	**866**	**18,815**	**20,081**	400	866	16,162	17,428
	7,850	**16,908**	**485,752**	**510,510**	7,600	16,466	394,455	418,521
Number of persons	**1**	**3**	**255**	**259**	1	3	222	226

34.1 The Chief Executive, Directors and certain Executives are provided with free use of Group cars and are also covered under Group's Health Insurance Plan along with their dependents.

34.2 The Chief Executive and two Directors are also provided with free residential telephones.

34.3 Aggregate amount charged in the accounts for the year for meeting fee to five Non Executive Directors was Rs. 450,000 (2012: five Non Executive Directors Rs.405,000).

34.4 Executive means an employee other than the Chief Executive and Director, whose basic salary exceeds five hundred thousand rupees in a financial year of holding Company and Senior Executive Staff of subsidiaries.

35 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise subsidiaries, associated companies, companies where directors also hold directorship, directors of the Group and key management personnel. The Group in the normal course of business carried out transactions with various related parties.

Relationship with the Company	Nature of Transactions	2013	2012
		Rs. 000s	
Associated companies and others related parties	Purchase of goods	79,208	60,598
	Sale of goods	5,029	5,579
	Rent paid	7,200	5,820
	Fees paid	1,250	1,000
	Reimbursement of expenses to related party	-	525
	Commission/Rebate	4,863	4,562
	Bills discounted	1,801,027	705,530
	Commission/Bank charges paid	32,624	23,781
	Mark-up/interest charged	116,260	118,984
	Provident fund contribution	56,934	50,186
Outstanding Balances	**Nature of Balances**		
Associated companies and others related parties	Deposit with bank	35,341	44,498
	Borrowing from Bank	1,238,406	1,144,905
	Bank guarantee	268,628	203,472
	Trade & other payable	11,389	12,615
	Accrued mark-up	17,942	26,430
	Advances to suppliers	1,534	759
	Loans to key management personnel	2,074	5,183

There are no transactions with directors of the Group and key management personnel other than under the terms of employment. Loans and remuneration of the key management personnel are disclosed in notes 15 and 35 respectively.

Related parties status of outstanding receivables and payables as at June 30, 2013 are included in respective notes to the financial statements.

36 CAPACITY AND PRODUCTION

	Unit	2013 Capacity	2013 Production	2013 Working	2012 Capacity	2012 Production	2012 Working
		000s	000s		000s	000s	
Cloth	Sq. meters (50 Picks converted)	136,745	83,819	3 shifts	124,136	81,096	3 shifts
Yarn	Kgs. (20 Counts converted)	49,055	37,501	3 shifts	48,227	36,525	3 shifts

Production is lower due to variation in production mix and various technical factors.

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37 FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabiliites of the Group as at June 30, 2013 are as follows:

	2013						
	Interest/mark-up/profit bearing			Non interest/mark-up/profit bearing			Total
	Maturity upto one Year	Maturity after one Year	Sub total	Maturity upto one Year	Maturity after one Year	Sub total	
	Rs. 000s						
Financial assets							
Loans and receivables							
Long term deposits	-	-	-	-	51,312	51,312	**51,312**
Trade debts	-	-	-	2,681,603	20,770	2,702,373	**2,702,373**
Loans and advances	1,093	1,360	2,453	260	702	962	**3,415**
Other receivables	-	-	-	177,592	-	177,592	**177,592**
Cash and bank balances	-	-	-	109,357	-	109,357	**109,357**
	1,093	1,360	2,453	2,968,812	72,784	3,041,596	**3,044,049**
Financial liabilities							
At amortised cost							
Long term loans	561,938	2,154,999	2,716,937	-	-	-	**2,716,937**
Short term borrowings	8,290,416	-	8,290,416	-	-	-	**8,290,416**
Trade and other payables	552,793	-	552,793	3,553,747	-	3,553,747	**4,106,540**
Accrued interest	-	-	-	191,792	-	191,792	**191,792**
	9,405,147	2,154,999	11,560,146	3,745,539	-	3,745,539	**15,305,685**
Off-balance sheet items							
Guarantees	-	-	-	332,117	-	332,117	**332,117**
Bills discounted	-	-	-	2,215,854	-	2,215,854	**2,215,854**
Commitments	-	-	-	988,779	-	988,779	**988,779**
	-	-	-	3,536,750	-	3,536,750	**3,536,750**

Financial assets and liabiliites of the Group as at June 30, 2012 are as follows:

	2012						
	Interest/mark-up/profit bearing			Non interest/mark-up/profit bearing			Total
	Maturity upto one Year	Maturity after one Year	Sub total	Maturity upto one Year	Maturity after one Year	Sub total	
	Rs. 000s						
Financial assets							
Loans and receivables							
Long term deposits	-	-	-	-	47,801	47,801	**47,801**
Trade debts	-	-	-	2,244,854	27,411	2,272,265	**2,272,265**
Loans and advances	2,711	2,217	4,928	683	683	1,366	**6,294**
Other receivables	-	-	-	182,699	-	182,699	**182,699**
Cash and bank balances	-	-	-	139,723	-	139,723	**139,723**
	2,711	2,217	4,928	2,567,959	75,895	2,643,854	**2,648,782**
Financial liabilities							
At amortised cost							
Long term loans	664,636	2,096,432	2,761,068	-	-	-	**2,761,068**
Short term borrowings	7,349,525	-	7,349,525	-	-	-	**7,349,525**
Trade and other payables	275,027	-	275,027	2,296,152	-	2,296,152	**2,571,179**
Accrued interest	-	-	-	185,895	-	185,895	**185,895**
	8,289,188	2,096,432	10,385,620	2,482,047	-	2,482,047	**12,867,667**
Off-balance sheet items							
Guarantees	-	-	-	260,061	-	260,061	**260,061**
Bills discounted	-	-	-	1,730,690	-	1,730,690	**1,730,690**
Commitments	-	-	-	570,604	-	570,604	**570,604**
	-	-	-	2,561,355	-	2,561,355	**2,561,355**

38 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management objectives

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

Risk Management is carried out under policies and principles approved by the management. All treasury related transactions are carried out within the parameters of these policies and principles.

The information about the Group's exposure to each of the above risk, the Group's objectives, policies and procedures for measuring and managing risk and the Group's management of capital, is as follows;

38.1 Market risks

Market risk is the risk that the fair value or future cash flows of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk. The Group is exposed to currency risk and interest rate risk only.

a Currency risk

Foreign currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly from future economic transactions or receivables and payables that exist due to transactions in foreign exchange.

Exposure to foreign currency risk

The Group is exposed to foreign currency risk arising from foreign exchange fluctuations due to the following:

	2013	2012
	USD 000s	
Trade debts	**7,624**	7,810
Cash and bank	**167**	247
Borrowings from financial institutions	**(32,578)**	(25,771)
Trade and other payables	**(6,538)**	(5,965)
Net exposure	**(31,325)**	(23,679)

The Group manages foreign currency risk through obtaining forward covers and due monitoring of the exchange rates and net exposure to mitigate the currency risk.

	2013	2012
	Rs. 000s	
Foreign currency commitments outstanding at year end are as follows:		
USD	**740,137**	347,912
EURO	**173,081**	210,780
JPY	**3,310**	3,926
	916,528	562,618
The following significant exchange rates were applied during the year:	Rupees	
Rupee per USD		
Average rate	**98.49**	89.25
Reporting date rate	**98.94/98.74**	93.70/93.90

Foreign currency sensitivity analysis

A 10 percent strengthening/weakening of the PKR against the USD at June 30, 2013 would have increased/decreased the equity and profit/loss after tax by Rs. 201.155 million (2012: Rs. 146.862 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2012.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the Group.

b Interest/mark-up rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in the interest/mark-up rates. The Group has long term finance and short term borrowings at fixed and variable rates.

The Group is exposed to interest/mark-up rate risk on long and short term financing and these are covered by holding "Prepayment Option" and "Rollover Option". Interest rate risk on short term borrowings is covered by holding "Prepayment Option" which can be exercised upon any adverse movement in the underlying interest rates.

Financial assets include balances of Rs. 2.4 million (2012: Rs. 4.9 million) which are subject to interest rate risk. Financial liabilities include balances of Rs. 11.560 million (2012: Rs. 10.325 million) which are subject to interest rate risk. Applicable interest rates for financial assets and liabilities are given in respective notes.

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2013, if interest rates on long term financing would have been 1% higher/lower with all other variables held constant, post tax profit for the year would have been Rs 3.9 million (2012: Rs 4.55 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At June 30, 2013, if interest rates on short term borrowings would have been 1% higher/lower with all other variables held constant, post tax profit for the year would have been Rs. 64.35 million (2012: Rs. 63.05 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Fair value sensitivity analysis for fixed rate instruments

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

c Other price risk

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

38.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group manages credit risk interalia by setting out credit limits in relation to individual customers and/or by obtaining advance against sales and/or through letter of credits and/or by providing for doubtful debts.

The Group is exposed to credit risk from its operating and certain investing activities and the Group's credit risk exposures are categorised under the following headings:

Exposure to credit risk

The Group's operating activities exposes it to credit risks arising mainly in respect of loans and advances, trade debts, deposits and other receivables and cash at bank. The maximum exposure to credit risk at the reporting date is as follows:

	2013	2012
	Rs. 000s	
Long term loans and advances	**2,061**	2,900
Long term deposit	**51,312**	47,801
Trade debts	**2,702,373**	2,272,265
Loans and advances	**1,354**	3,394
Other receivables	**66,516**	48,456
Bank balances	**100,800**	132,367
	2,924,416	2,507,183

Loans and advances

These loans are secured against vehicles, outstanding balance of provident fund and retirement dues of the relevant employee. In addition, the Group obtains guarantees by two employees against each disbursement made on account of loans and these can be assessed by reference to note 16. The carrying amount of guarantees are up to the extent of loans outstanding as at the date of default. Further, the guarantor will pay the outstanding amount if the counter party will not meet their obligation.

The Group is actively pursuing for loans and advances recovery of these and the Group does not expect that employees will fail to meet their obligations. The Group believes that no impairment allowance is necessary in respect of loans.

Trade debts

Trade debts are essentially due from local and foreign companies and the Group does not expect that these companies will fail to meet their obligations.

The Group established an allowance for the doubtful trade debts that represent its estimate of incurred losses in respect of trade debts. This allowance is based on the management assessment of a specific loss component that relates to individually significant exposures. The movement in allowance for impairment in respect of trade debts during the year can be assessed by reference to note 19.

	2013	2012
	Rs. 000s	
1 to 6 months	**2,632,575**	2,236,995
6 months to 1 year	**49,028**	7,859
1 year to 2 years	**20,770**	27,411
	2,702,373	2,272,265

The Group believes that no impairment allowance is necessary in respect of trade debts past due other than the amount provided. The Group is actively pursuing for the recovery of the trade debt and the Group does not expect these companies will fail to meet their obligations.

Export debts are secured under irrevocable letter of credit, document acceptance, cash against documents and other acceptable banking instruments.

Other receivables

The Group believes that no impairment allowance is necessary in respect of receivables that are past due. The Group is actively pursuing for the recovery and the Group does not expect that the recovery will be made soon and can be assessed by reference to note 21.

Bank balances

The Group limits its exposure to credit risk by maintaining bank accounts only with counter-parties that have stable credit rating.

The bank balances along with credit ratings are tabulated below:

	2013	2012
	Rs. 000s	
A1+	**79,347**	92,367
A1	**20,397**	39,949
A2	**1,056**	51
	100,800	132,367

Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

Financial assests that are either past due or impaired

The credit quality of financial assets that are either past due or impaired can be assessed by reference to historical information and external ratings or to historical information about counter party default rates.

The management believed that there are no finanacial assets that are impaired except against which provision has been made as a matter of prudence.

38.3 Liquidity risk

Liquidity risk represent the risk where the Group will encounter difficulty in meeting obligations associated with financial liabilities when they fall due.

The Group manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2013, the Group has Rs. 12,350 million (2012: Rs. 12,949 million) available borrowing limit from financial institutions. Unutilized borrowing facilities of Rs. 3,560 million (2012: Rs. 5,335 million) and also has Rs. 94 million (2012: Rs. 132 million) being balances at banks. Based on the above, management believes the liquidity risk is insignificant.

38.4 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values except those which are described in respective notes.

38.5 Capital risk management

The primary objectives of the Group when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

During 2013 the Group's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2013 and 2012 were as follows:

	2013	2012
	Rs. 000s	
Total borrowings	**11,007,353**	10,110,593
Cash and bank	**(109,357)**	(139,723)
Net debt	**10,897,996**	9,970,870
Total equity	**5,616,834**	4,653,050
Total equity and debt	**16,514,830**	14,623,920
Gearing ratio (%)	**66**	68

The Group finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix amongst various sources of finance to minimize the risk.

39 PROVIDENT FUND RELATED DISCLOSURES

The following information based on latest financial statements of the fund:

		2013	2012
		Un-audited	Audited
Size of the fund - Total assets	(Rs. 000s)	**500,775**	391,446
Cost of investments made	(Rs. 000s)	**428,624**	340,139
Percentage of investments made		**85.59%**	86.89%
Fair value of investments	(Rs. 000s)	**461,740**	366,355

39.1 The break-up of fair value of investment is:

	2013		2012	
	Un-audited		Audited	
	Rs. 000s	%	Rs. 000s	%
Shares in listed companies	**26,314**	**5.70%**	7,772	2.12%
Government securities	**202,513**	**43.86%**	225,797	61.63%
Debt securities	**133,971**	**29.01%**	65,763	17.95%
Mutual funds	**98,942**	**21.43%**	67,023	18.30%
	461,740	**100.00%**	366,355	100.00%

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

40 NUMBER OF PERSONS

Number of persons employed as on year end were 12,466 (2012: 10,317) and average number of employees during the year were 12,397 (2012: 10,063).

41 EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Parent Company in their meeting held on September 18, 2013 have decided to issue 20% bonus shares on the existing paid-up capital of the Parent Company in the ratio of one share for every five shares held. In addition, the Board of Directors have approved an amount of Rs. 304.70 million transfer to reserves for the issue of bonus shares and Rs. 400 million to be transferred to general reserve from accumulated profit (2012: transfer to accumulated loss from revenue reserve of Rs. 250 million).

42 DETAIL OF SUBSIDIARIES

	Accounting year end	Percentage of holding	Country of incorporation
Gul Ahmed International Limited (FZC)	June 30, 2013	100%	U.A.E.
GTM (Europe) Limited	June 30, 2013	100%	U.K.
GTM USA Corp.	June 30, 2013	100%	U.S.A.

43 DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 18, 2013 by the Board of Directors of the Parent Company.

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2013

44 CORRESPONDING FIGURES

For better presentation, re-classification made in the financial statements are as follows:

Reclassification from component	Reclassification to component	Amount Rs.000
Cost of Sales Staff Cost	**Distribution Cost** Staff Cost	23,917
Cost of Sales Fuel, power and water	**Administrative Expenses** Utilities	63,559
Sales Direct export	**Other Income** Exchange gain on realisation of export receivables	145,444
Accrued mark-up Mark-up on short term borrowings	**Trade and other payables** Murabaha	14,283

MOHOMED BASHIR
Chairman and Chief Executive

ZAIN BASHIR
Director