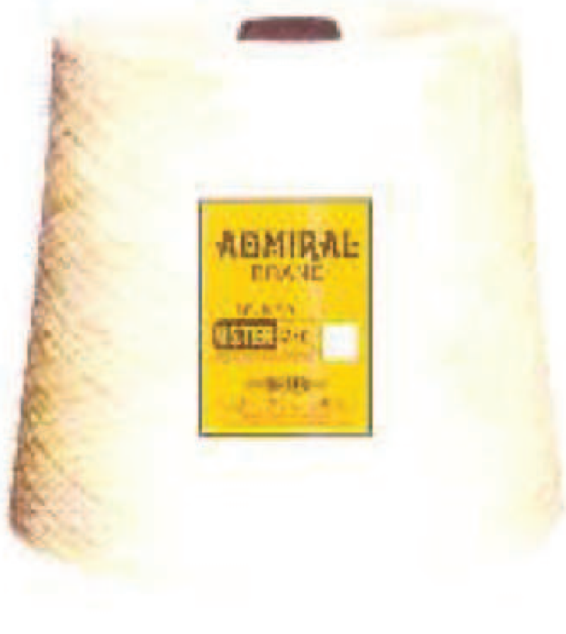
IDREES
TEXTILE MILLS LIMITED

Annual Report 2013



MISSION / VISION STATEMENT

- To concentrate on the changing Yarn/Fabric requirements with higher profitability, both in local as well as in the international market.
- Maximization of profit regardless of the turnover quantum, reducing the cost at all levels.
- Customer satisfaction is our priority and good return to the shareholders is our aim, while maintaining friendly and congenial environment for our employee.

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. S.M. Idrees Allawala - Chairman
Mr. S.M. Mansoor Allawala - CEO
Mr. Kamran Idrees Allawala - Director
Mr. Naeem Idrees Allawala - Director
Mr. Rizwan Idress Allawala - Director
Mr. Omair Idress Allawala - Director
Mr. Muhammad Israil - Director

AUDIT COMMITTEE

Mr. S.M. Mansoor Allawala - Chairman
Mr. Kamran Idrees Allawala - Member
Mr. Muhammad Israil - Member
Syed Shahid Sultan - Secretary

CHIEF FINANCIAL OFFICER

Mr. Muhammad Jawaid

COMPANY SECRETARY

Syed Shahid Sultan

AUDITORS

M/s. M. Yousuf Adil Saleem & Co.
Chartered Accountants

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Kamran Idress Allawala - Chairman
Mr. S.M. Mansoor Allawala - Member
Mr. Muhammad Israil - Member

BANKERS

National Bank of Pakistan
Bank Alfalah Limited
Habib Metropolitan Bank Ltd.
Soneri Bank Limited
Silkbank Bank Ltd.
Meezan Bank Ltd.
United Bank Ltd. (UBL Ameen)
Bank of Punjab Ltd.
Bank Islami Pakistan Ltd.

REGISTERED OFFICE

6-C, Ismail Centre, 1st Floor,
Central Commercial Area,
Bahadurabad,
Karachi - 74800.

REGISTRAR

M/s. NI Associates (Pvt.) Ltd.
53, Kokan Society
Alamgir Road, Karachi

MILLS

Kot Shah Mohammad,
Tehsil Nankana,
District Nankana,
Punjab.

Notice is hereby given that the 24th Annual General Meeting of the Shareholders of Idrees Textile Mills Ltd. will be held on Thursday, October 31, 2013 at 02.00 p.m at Sadabahar, 53 Kokan Society, Alamgir Road/Hyder Ali Road, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the last Annual General Meeting held on October 30, 2012.
2. To receive, consider and adopt Reports of Directors and Auditors together with Audited financial statements of the company for the year ended June 30, 2013.
3. To appoint Auditors for the year ending June 30, 2014 and fix their remuneration. The retiring auditor M/s M.Yousuf Adil Saleem & Company, Chartered Accountants, being eligible, offer themselves for reappointment.
4. To approve cash dividend @10% (i.e. Re. 1.00 per share), as recommended by the Board of Directors.

SPECIAL BUSINESS:

5. To consider and pass the following Special Resolution, with or without modification to amend the object clause of the Memorandum of Association of the Company in accordance with Section 21 of the Companies Ordinance, 1984.

SPECIAL RESOLUTION

"RESOLVED THAT, the object clause III (1) of the Memorandum of Association of the Company be altered by inserting the words 'and all kinds of yarn' after the word synthetic appearing in line No. 18 thereof".

6. To transact any other business that may be placed before the meeting with the permission of the Chairman.

A statement U/S 160(1)(b) of the Companies Ordinance 1984 pertaining to the Special Resolution is being sent to the Shareholders with this notice.

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By order of the Board

Karachi
Dated : October 02, 2013

SYED SHAHID SULTAN
Company Secretary

Notes:

(i) Shareholders are advised to promptly notify any change in their addresses.

(ii) Share Transfer Books of the Company will remain closed from October 26, 2013 to November 04, 2013 (both days inclusive).

(iii) A member eligible to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend, and vote for him/her.

(iv) Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting must bring his/her Original CNIC or Passport to prove his/her identity and in case of Proxy must enclose additionally an attested copy of his / her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.

(v) An instrument of proxy under which it is signed, in order to be valid, must be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the Meeting.

(vi) Members who have not yet submitted photocopies of their CNIC to the Company's Registrar, are requested to send the same at the earliest

STATEMENT U/S 160(1) (B) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the special business to be transacted at the twenty fourth Annual General Meeting of the Company to be held on October 31, 2013.

Item No. 5 of the Agenda

In order to diversify the business operations, it is proposed to amend the multipurpose object clause of the Memorandum of Association of the company.

The alteration made in the object clause of the Memorandum of Association of the Company will not affect any one's interest unfavorably in the Company.

The Directors of your Company have pleasure in presenting before you the 24th Annual Report of the Company together with the audited financial statements for the year ended June 30, 2013.

FINANCIAL AND OPERATIONAL RESULTS

During the year under review, despite the ongoing energy crises, your Company achieved sales volume of Rs. 2.242 billion as compared to Rs. 1.169 billion during the last year. The increased sales volume is attributable to BMR of the back process and producing coarser counts of yarn .The gross profit for the year amounted to Rs. 244.540 million compared to Rs. 165.958 million during the previous year while the net profit after tax for the year amounted to Rs. 61.548 million compared to Rs. 33.736 million for the corresponding period of last year. The increase in net profit is mainly due to increase in sales and production witnessed during the current year. The Company has also been able to reduce its finance cost to 4.06% of net sales (June 2012: 7.00%). Further, your company's management remained focused on growth in sales volume, seeking export opportunities and strengthening marketing function.

EARNING PER SHARE

The earnings per share for the year under review worked out to Rs.3.41 as compared to Rs.1.87 for the corresponding period.

DIVIDEND

The Directors of the Company are pleased to recommend cash dividend @10% (2012: 10%) i.e. Re.1.00 (Rupee: One only) for each share of Rs.10/-.

FUTURE OUTLOOK

The recent sharp decline in the value of Pak Rupee against the US Dollar will increase the cost of raw material and other associated inputs which are going to further enhance the already high cost of doing business. In addition, the recent increase in electricity and gas tariff, increase in minimum wages and severe shortage of electricity and gas for power generation remains a drag on the growth of textile sector.

In spite of the aforementioned circumstances, which are beyond our control, the management of your Company would continue its best efforts and is keeping a close eye on fluctuating demand and supply of yarn in the market and taking proactive measures to mitigate the impact of emerging challenges. As part of our future strategy, we are continuously focusing on BMR of the mill and exploring new avenues and making our best and untiring efforts to maintain efficiency, quality and cost control to cope with the adversities.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

(b) Proper books of account of the Company have been maintained.

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

(d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

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

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

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

(h) The book value of investments made by the Employees' Provident Fund, being operated for head office employees only, is Rs.9,456,384/- (2011: Rs.5,800,271) as per audited financial statements of the Fund as on June 30, 2012.

Mills employees are entitled to gratuity as per law and appropriate provision has been made in the financial statements.

(i) Key operating and financial data of last six years in a summarized form is annexed.

(j) During the year under review, ten Board of Directors, six Audit Committee and four Human Resource & Remuneration Committee (HR & RC) meetings were held and attended as follows:

Name of Director	Board of Directors	Audit Committee	HR & RC
Mr. S. M. Idrees Allawala	10	N/A	N/A
Mr. Imran Idrees Allawala***	09	N/A	N/A
Mr. S.M.Mansoor Allawala****	09	06	04
Mr. Kamran Idrees Allawala	10	06	04
Mr. Naeem Idrees Allawala	09	N/A	N/A
Mr. Rizwan Idrees Allawala**	07	N/A	N/A
Mr. Omair Idrees Allawala****	-	N/A	N/A
Mr. Muhammad Israil	10	06	04
Mrs. Saba Kamran*	02	N/A	N/A

* Mrs. Saba Kamran resigned on 16th October 2012.

** Mr. Rizwan Idrees Allawala was appointed in her place.

*** Mr. Imran Idrees Allawala resigned from Directorship and CEO on 15th May 2013.

**** Mr. S.M.Mansoor Allawala was appointed as CEO and Mr.Omair Idrees Allawala appointed as Director in his place.

(k) During the year under review, Mr. Rizwan Idrees Allawala has completed the directors' training program and became a certified director from ICMAP. In addition, Mr. S.M. Idrees Allawala, Mr. S. M. Mansoor Allawala, Mr. Naeem Idrees Allawala, Mr. Kamran Idrees Allawala and Mr. Muhammad Israil met the criteria of exemption under clause (xi) of the Code of Corporate Governance and were accordingly exempted from directors training program.

(l)The statement of pattern of shareholding of the Company as at June 30, 2013 is annexed. This statement is prepared in accordance with the Code of Corporate Governance.

(m) During the year under review trading in shares of the Company by the CEO, Directors and their spouses are as follows:

Name	No. of shares traded
Mr. S. M. Mansoor Allawala	525,780
Mr. Kamran Idrees Allawala	720,358
Mr. Naeem Idrees Allawala	1,677,914
Mr. Imran Idrees Allawala	(1,078,500)
Mrs. Aisha Imran	(405,000)

VARIATION IN TERMS OF APPOINTMENT OF THE CHAIRMAN, CEO AND EXECTIVE DIRECTORS

During the year under review the Board approved variation in terms of appointment of Mr. S. M. Idrees Allawala Chairman, Mr. S. M. Mansoor Allawala CEO, Mr. Naeem Idrees Allawala, Mr. Rizwan Idrees Allawala and Mr. Omair Idrees Allawala Executive Directors. In Compliance of the Companies Ordinance, 1984 an abstract u/s. 218 is being circulated to all members of the Company.

AUDITORS

The retiring Auditors M/s M. Yousuf Adil Saleem & Co., Chartered Accountants have offered themselves for re-appointment for the ensuing year 2013-2014. The audit committee in its meeting held on September 30, 2013 has recommended appointment of the retiring auditors.

ACKNOWLEDGEMENT

The directors wish to thank the bankers, vendors and customers of the Company for their support and also wish to place on record their appreciation for sincere efforts, hard work and dedicated services rendered by the employees of the Company.

By order of the Board

S. M. IDREES ALLAWALA
Chairman/Director

Karachi.
October 02, 2013

	2008	2009	2010	2011	2012	2013
Sales	864,805,318	751,715,779	1,237,401,725	1,203,111,500	1,169,019,495	2,242,355,182
Cost of goods sold	(710,127,712)	(635,400,434)	(1,056,854,634)	(1,042,952,530)	(1,003,060,782)	(1,997,815,097)
Gross Profit	154,677,606	116,315,345	180,547,091	160,158,970	165,958,713	244,540,085
Other operating Income/loss	6,778,107	36,769,830	16,979,930	83,003,886	(2,373,975)	3,156,568
	161,455,713	153,085,175	197,527,021	243,162,856	163,584,738	247,696,653
Distribution Cost	(3,251,543)	(1,352,706)	(1,080,785)	(3,063,407)	(871,811)	(8,206,345)
Administration expenses	(36,443,279)	(22,831,004)	(25,621,021)	(32,468,721)	(34,409,770)	(46,294,576)
Other operating expenses	(4,725,240)	(496,282)	(6,349,267)	(20,242,315)	(3,888,380)	(22,832,524)
Finance cost	(90,925,540)	(142,607,962)	(112,397,324)	(95,932,992)	(81,873,201)	(91,103,014)
	(135,345,602)	(167,287,954)	(145,448,397)	(151,707,435)	(121,043,162)	(168,436,459)
Profit/(Loss) before taxation	26,110,111	(14,202,779)	52,078,624	91,455,421	42,541,576	79,260,194
Taxation	(19,442,721)	8,251,873	(20,486,651)	(39,396,035)	(8,850,417)	(17,712,110)
Profit/(Loss) after taxation	6,667,390	(5,950,906)	31,591,973	52,059,386	33,691,159	61,548,084
Other Comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	6,667,390	(5,950,906)	31,591,973	52,059,386	33,691,159	61,548,084
Earning/(Loss) per shares	0.37	(0.33)	1.75	2.88	1.87	3.41

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

The Company has applied the principles contained in the Code in the following manner:-

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

Category	Names
Executive Directors	Mr. S.M. Mansoor Allawala
	Mr. Naeem Idrees Allawala
	Mr. Rizwan Idrees Allawala
	Mr. Omair Idrees Allawala
Non Executive Directors	Mr. S.M. Idrees Allawala
	Mr. Kamran Idrees Allawala
	Mr. Muhammad Israil
Independent Director	-

The condition of clause 1(b) of the Code in relation to independent director will be applicable after election of next meeting Board of Directors of the Company in October 2014.

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 Development Financial Institution or a Non-banking Financial Institution. None of them are members of any Stock Exchange.

4. Casual vacancies of Directors arising during the year due to resignation of Mr. Imran Idrees Allawala and Mrs. Saba Kamran, were filled by appointment of Mr. Rizwan Idrees Allawala and Mr. Omair Idrees Allawala on the Board.

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

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

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

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter during the year. 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 Board members are aware of their responsibilities, rules and regulations on laws affecting the Company as they are on the Board since many years. They have been kept aware of the changes in the corporate laws particularly in the Code of Corporate Governance. Further, one executive director namely Mr. Rizwan

Idrees Allawala attended the Directors Training Program conducted by The Institute of Cost and Management Accountant duly approved by Securities and Exchange Commission of Pakistan.

10. The existing Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit were appointed in the previous years with the approval of board of directors and there is no change to date.

11. The directors report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

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

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

15. The Board has formed an Audit Committee. It comprises of three members of whom two are non-executive directors. Chairman of the audit committee is an 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 Code. The terms of reference of the committee have been determined and approved by the Board of Directors and advised to the committee for compliance.

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

18. The Board has set up an effective internal audit function. The head of Internal Audit function and the staff are 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 program of the 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 stock exchanges.

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

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

For and on behalf of the Board of Directors

Karachi
Dated: October 02, 2013

S.M. MANSOOR ALLAWALA
Chief Executive Officer

We have reviewed the Statement of Compliance (the statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2013 prepared by the Board of Directors of **IDREES TEXTILE MILLS LIMITED** ("the Company") to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges where the Company is listed.

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

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

Further, Listing Regulations of the Stock Exchanges where the Company is listed, 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 under taken at arm's length price or not.

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

Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Karachi
Dated: October 02, 2013

Member of
Deloitte Touche Tohmatsu Limited

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

It is the responsibility of the 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, 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, its cash flows and changes in equity for the year then ended; and

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

Chartered Accountants

Engagement Patner:
Mushtaq Ali Hirani
M. Yousuf Adil Saleem & Co.
A member firm of
Deloitte Touche Tohmatsu

Karachi
Date: October 2nd, 2013

	Note	2013 Rupees	2012 Rupees
SHARE CAPITAL AND RESERVES			
Share capital	3	180,480,000	180,480,000
Unappropriated profit		345,683,616	278,424,564
		526,163,616	458,904,564
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	4	556,089,638	341,784,416
NON-CURRENT LIABILITIES			
Long-term finance			
From banking companies	5	9,428,523	22,000,000
From related parties	6	100,330,001	100,330,001
		109,758,524	122,330,001
Liabilities against assets subject to finance lease	7	69,847,896	58,179,225
Deferred liabilities	8	387,043,532	281,229,596
CURRENT LIABILITIES			
Trade and other payables	9	86,488,903	78,787,058
Interest / mark-up accrued	10	16,614,118	16,408,919
Short term borrowings	11	650,885,939	374,135,024
Current portion of			
long-term finance	5	44,000,000	34,037,500
liabilities against assets subject to finance lease	7	41,134,951	22,707,213
Provision for taxation		17,415,743	12,630,339
		856,539,654	538,706,053
CONTINGENCIES AND COMMITMENTS	12		
		2,505,442,860	1,801,133,855

CHIEF EXECUTIVE OFFICER

	Note	2013 Rupees	2012 Rupees
NON - CURRENT ASSETS			
Property, plant and equipment	13	1,401,538,431	1,032,681,965
Long-term deposits	14	25,408,822	16,553,984
		1,426,947,253	1,049,235,949
CURRENT ASSETS			
Stores, spares and loose tools	15	50,093,996	24,637,638
Stock-in-trade	16	536,221,869	348,333,277
Trade debts	17	400,983,572	303,445,867
Loans and advances	18	28,461,246	18,041,439
Deposits and short term prepayments	19	1,853,434	580,673
Other receivables	20	18,047,727	9,845,766
Cash and bank balances	21	42,833,763	47,013,246
		1,078,495,607	751,897,906
		2,505,442,860	1,801,133,855

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

DIRECTOR

	Note	2013 Rupees	2012 Rupees
Sales	22	2,242,355,182	1,169,019,495
Cost of goods sold	23	(1,997,815,097)	(1,003,060,782)
Gross profit		244,540,085	165,958,713
Distribution cost	24	8,206,345	871,811
Administrative expenses	25	46,294,576	34,409,770
Other operating expenses	26	22,832,524	3,888,380
Finance cost	27	91,103,014	81,873,201
Other (income) / loss	28	(3,156,568)	2,373,975
		165,279,891	123,417,137
Profit before taxation		79,260,194	42,541,576
Taxation	29	(17,712,110)	(8,805,417)
Profit after taxation		61,548,084	33,736,159
Other comprehensive income for the year		-	-
Total comprehensive income for the year		61,548,084	33,736,159
Earnings per share - basic and diluted	30	3.41	1.87

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CASH FLOW STATEMENT
For the Year ended June 30, 2013

	2013 Rupees	2012 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	79,260,194	42,541,576
Adjustments for :		
Depreciation	79,391,236	73,284,044
Provision for slow moving store items	-	620,340
Provision for staff retirement gratuity	8,942,881	7,390,317
Provision for other receivables	-	1,631,174
Liabilities written back	(565,979)	-
Finance cost	91,103,014	81,873,201
Loss on sale of property, plant and equipment	1,068,888	1,367,649
Impairment of property, plant and equipment	527,537	-
	259,727,771	208,708,301
(Increase) / decrease in current assets		
Stores, spares and loose tools	(25,456,358)	5,484,954
Stock-in-trade	(187,888,592)	(148,532,264)
Trade debts	(96,971,726)	51,540,646
Loans and advances	1,247,385	19,010,677
Deposits and short-term prepayments	(1,272,761)	5,668,291
Other receivables	(8,201,961)	(742,694)
Increase in current liabilities		
Trade and other payables	7,328,550	15,484,987
	(311,215,463)	(52,085,403)
Cash (used in) / generated from operations	(51,487,692)	156,622,898
Finance cost paid	(90,897,815)	(83,700,794)
Staff retirement gratuity paid	(5,625,677)	(4,529,150)
Income tax paid	(22,415,508)	(15,120,258)
Net cash (used in) / generated from operating activities	(170,426,692)	53,272,696
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(128,550,337)	(112,895,524)
Proceed from disposal of property, plant and equipment	500,000	3,455,882
Insurance claim received	4,003,466	-
Long-term deposits	(8,854,838)	(13,419,956)
Net cash used in investing activities	(132,901,709)	(122,859,598)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance (repaid) / obtained - net	(2,608,977)	13,500,000
Export refinance obtained	48,609,750	-
Finance against Imported Marchandise (FIM) obtained	197,273,558	-
Finance lease obtained - net	30,096,411	64,444,018
Morabaha finance obtained	17,735,369	1,420,000
Dividend paid	(5,089,431)	(5,459,762)
Net cash from / (used in) financing activities	286,016,680	73,904,256
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(17,311,721)	4,317,354
Cash and cash equivalents at beginning of the year	(325,701,778)	(330,019,132)
Cash and cash equivalents at end of the year	(343,013,499)	(325,701,778)
Cash and cash equivalents include:		
Cash and bank balances	42,833,763	47,013,246
Running finance	(211,249,565)	(233,969,293)
Cash finance	(174,597,697)	(138,745,731)
	(343,013,499)	(325,701,778)

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

	Issued, subscribed and paid-up Capital	Unappropriated profit	Total
	……..…………….... *Rupees*	………………...	
Balance at July 01, 2011	180,480,000	237,738,616	418,218,616
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	11,925,937	11,925,937
Transactions with owners			
Final cash dividend for the year ended June 30, 2011 @ Re 1/- per share to minority shareholders	-	(4,976,148)	(4,976,148)
Comprehensive Income			
Profit for the year ended June 30, 2012	-	33,736,159	33,736,159
Other comprehensive income - net of tax	-	-	-
	-	33,736,159	33,736,159
Balance at June 30, 2012	180,480,000	278,424,564	458,904,564
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	11,173,694	11,173,694
Transactions with owners			
Final cash dividend for the year ended June 30, 2012 @ Re 1/- per share to minority shareholders	-	(5,462,726)	(5,462,726)
Comprehensive Income			
Profit for the year ended June 30, 2013	-	61,548,084	61,548,084
Other comprehensive income - net of tax	-	-	-
	-	61,548,084	61,548,084
Balance at June 30, 2013	180,480,000	345,683,616	526,163,616

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

1. GENERAL INFORMATION

1.1 Idrees Textile Mills Limited (the Company) was incorporated in Pakistan as an unquoted public limited company on June 05, 1990 under the Companies Ordinance, 1984 and was listed on Karachi and Lahore Stock Exchanges on April 28, 1992. The registered office of the Company is situated at 6-C, Ismail Centre, 1st floor, Central Commercial Area, Bahadurabad, Karachi, in the Province of Sindh. The principal activity of the Company is manufacturing and sale of yarn. The Company's manufacturing facility is located at Kot Shah Muhammad, District Nankana in the Province of Punjab.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and directives issued by the Securities and Exchange Commission of Pakistan, and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or the directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.2 Adoption of New Standards, and Amendments and Interpretations to the published approved accounting standards:

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have material impact on the financial statements of the Company:

Standards/Amendments/Interpretations	Effective for periods beginning on or after
IAS 1 - Presentation of Financial Statements (Amendment)	January 01, 2012

2.3 Standards, interpretations and amendments to the published approved accounting standards not yet effective:

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

Standard or Interpretation	Effective for periods beginning on or after
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information (Amendment)	January 1, 2013
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment Recovery of Underlying Assets (Amendment)	January 1, 2013
IAS 19 - Employee Benefits (Amendment)	January 1, 2013

The amendments eliminate the corridor approach and therefore require an entity to recognize in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. However, management has not performed detailed analysis of the impact of the amendments and hence not yet quantified the extent of the impact.

Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction of a Surface Mine (Amendment)	January 01, 2014
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities of a Surface Mine (Amendment)	January 01, 2013
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities of a Surface Mine (Amendment)	January 01, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities of a Surface Mine (Amendment)	January 01, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine of a Surface Mine (Amendment)	January 01, 2013

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

IFRS 1 – First Time Adoption of International Financial Reporting Standards
IFRS 9 – Financial Instruments
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 27 - Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11 (Revised)
IAS 28 - Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11 (Revised)

2.4 *Basis of preparation*

These financial statements have been prepared under historical cost convention except that certain categories of property, plant and equipment are stated at revalued amounts and certain employee retirement benefits are stated at present value.

2.5 *Staff retirement benefits*

Defined benefit plan

The Company operates an unfunded gratuity scheme covering all its factory workers who have completed the minimum qualifying period of service as defined under the scheme. The Company recognizes the expense and liability on the basis of actuarial recommendation in accordance with IAS-19 "Employee Benefits". The most recent actuarial valuation was carried out at June 30, 2013 using "Projected Unit Credit Method".

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceed 10% of the present value of the Company's obligation are amortised over the average expected remaining working lives of the employees.

Defined contribution plan

The Company operates an approved funded contributory provident fund scheme for all head office staff. Equal monthly contributions are made both by the Company and the employees at the rate of 8.33% of basic salary per annum.

2.6 Taxation

Current

The charge for current taxation is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred

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

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

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

2.7 Property, plant and equipment

Owned

Property, plant and equipment except office equipment, furniture and fixtures, vehicles and capital work-in-progress are stated at revalued amounts less accumulated depreciation and impairment, if any. Office equipment, furniture and fixtures and vehicles are stated at cost less accumulated depreciation and capital work-in-progress is stated at cost less impairment, if any. Depreciation is charged to income applying the straight line method over its estimated useful life at the rates specified in note13.

In respect of additions and disposals of assets during the year, depreciation is charged from the month the asset is available for use and upto the month preceding the disposal respectively.

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

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to unappropriated profit.

All expenditures connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

Assets subject to finance lease

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

2.8 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

Deferred income on sale and lease back

Deferred income represents the excess of sales proceed over the carrying amount of property, plant and equipment sold under sale and leaseback arrangement that resulted in finance lease. The excess is being amortized over the lease term of the assets.

2.9 Stores, spares and loose tools

These are valued at moving average cost less allowance for obsolete and slow moving items (if any), except for items-in-transit. Items-in-transit are stated at invoice values plus other charges incurred thereon upto the balance sheet date.

2.10 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value.

Cost signifies in relation to:

Raw material	At weighted average cost
Stock-in-transit	At cost incurred upto balance sheet date
Work-in-process and finished goods	At average manufacturing cost
Waste stock	At net realizable value.

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

Net realizable value (NRV) represents the estimated selling price at which the inventories can be realized in the normal course of business after allowing for the cost of conversion from their existing state to finished condition and for the estimated cost necessary to make the sale.

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

2.11 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

2.12 Trade and other payables

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

2.13 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Other particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

2.14 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the financial statements if, and only if, there is a legally enforceable right to set-off the recognised amounts and there is an intention either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

2.15 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 indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial assets

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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.16 Borrowing cost

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

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

2.17 Foreign currency translations

Transactions in currencies other than Pakistani Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies, are retranslated at the rates prevailing on the balance sheet date.

Gains and losses arising on retranslation are included in profit and loss account.

2.18 Provisions

Provisions are recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, 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 to the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.19 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable in the normal course of business. The following specific recognition criteria must also be met before revenue is r ecognised:

Sales of goods

Revenue from the sale of goods, net off returns and trade discounts is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are declared and approved.

2.21 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and balances with banks in current and term deposit accounts, net of short term running finance under markup arrangements.

2.22 Critical judgments and accounting estimates in applying the accounting policies

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of policies are as follows:

- Assumptions used for calculation of gratuity
- Useful lives of property, plant and equipment
- Impairment in property, plant and equipment
- Provision for tax and deferred tax

3. *SHARE CAPITAL*

2013	*2012*		*2013*	*2012*
Number of shares			*Rupees*	*Rupees*
		Authorized		
22,000,000	22,000,000	Ordinary shares of Rs. 10/- each	220,000,000	220,000,000
		Issued, subscribed and paid up		
		Ordinary shares of Rs. 10/- each fully paid		
18,048,000	18,048,000	in cash	180,480,000	180,480,000

- There were no movements in share capital during the reporting year.
- The company has one class of ordinary shares which carry equal voting rights but no right to fixed income.
- The Company has no reserved shares for issuance under options and sales contracts.

3.1 Shares were held by the following associates of the Company at balance sheet date:

	2013	*2012*
	Number of ordinary shares of Rs. 10 each	
Shama Enterprises (Private) Limited	**374,000**	374,000
Bilal Omair Textile Mills (Private) Limited	**300,000**	300,000
	674,000	674,000

4. *SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax*

This represents surplus over book values resulting from the revaluation of property, plant and equipment. Revaluation has been carried out on 1996 and June 30, 2006 by M/s Iqbal A. Nanjee & Co., June 30, 2010 by M/s Consultancy Support and Services and June 30, 2013 by M/s Al-Noor Consultants & Evaluators on the basis of market value or depreciated replacement values as applicable, adjusted by surplus realized on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation.

	Note	*2013* Rupees	*2012* Rupees
Surplus on revaluation of property, plant and equipment at July 01,		**502,867,622**	521,041,142
Increase arising on revaluation of property, plant and equipment		**325,797,258**	-
Transferred to unappropriated profit on account of :			

	Note	2013 Rupees	2012 Rupees
- incremental depreciation - net of deferred tax		(10,892,466)	(11,207,107)
- related deferred tax liability		(5,741,571)	(5,871,013)
- disposals - net of deferred tax		(281,228)	(718,830)
- related deferred tax liability		(148,239)	(376,570)
		(17,063,504)	(18,173,520)
Surplus on revaluation of property, plant and equipment at June 30,		811,601,376	502,867,622
Related deferred tax liability:			
Revaluation at beginning of the year		161,083,206	166,068,153
Surplus arising on revaluation of Property, plant and equipment		99,664,193	
Adjustment due to income subject to final tax regime		654,149	1,262,636
Transferred to unappropriated profit on account of:			
- incremental depreciation - net of deferred tax		(5,741,571)	(5,871,013)
- disposal - net of deferred tax		(148,239)	(376,570)
		255,511,738	161,083,206
		556,089,638	341,784,416

5. *LONG-TERM FINANCE - From Banking Companies*

	Note	2013 Rupees	2012 Rupees
Secured			
Term finance - I		-	12,037,500
Term finance - II	5.1	20,000,000	44,000,000
Term finance - III	5.2	33,428,523	-
		53,428,523	56,037,500
Current Portion			
Term finance - II		(20,000,000)	(12,037,500)
Term finance - III		(24,000,000)	(22,000,000)
		(44,000,000)	(34,037,500)
		9,428,523	22,000,000

5.1 The term finance is subject to markup at the rate of 3 months KIBOR plus 2%(2012: 3 months KIBOR plus 2%) per annum payable quarterly. The facility is repayable in 2 years and is secured against legal and equitable mortgage over property of the spouse of the director. The effective interest rate for the term finance facility is 11.52% to 13.99% (2012: 13.95%) per annum.

5.2 The term finance is subject to markup at the rate of 3 months KIBOR plus 2.5% per annum payable quarterly. The facility is repayable in 2 years and is secured against legal and equitable mortgage over property of the spouse of the director. The effective interest rate for the term finance facility is 14.5% to 11.86% per annum.

6. *LONG-TERM FINANCE - From Related Parties*

	Note	2013 Rupees	2012 Rupees
Unsecured - Interest free	6.1	100,330,001	100,330,001

6.1 These represent loans obtained from directors and an associated undertaking and are not repayable within next twelve months.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent plant and machinery and vehicles acquired under finance leases from leasing companies and financial institutions. Future minimum lease payments under lease together with the present value of the net minimum lease payments are as follows:-

	2013		2012	
	Minimum lease payments	Present Value	Minimum lease payments	Present Value
	..........Rupees..........			
Within one year	51,060,317	41,134,951	31,573,711	22,707,213
After one year but not more than five years	73,661,118	69,847,896	64,567,544	58,179,225
Total minimum lease payments	124,721,435	110,982,847	96,141,255	80,886,438
Less: Amount representing finance charges	(13,738,588)	-	(15,254,817)	-
Present value of minimum lease payments	110,982,847	110,982,847	80,886,438	80,886,438
Less: Current portion	(41,134,951)	(41,134,951)	(22,707,213)	(22,707,213)
	69,847,896	69,847,896	58,179,225	58,179,225

The rates of markup rang from 12.33% to 19%(2012: 15.42% to 19%) per annum and are used as discounting factor. The lease terms are 3 years. The Company intends to exercise its option to purchase the leased assets upon completion of the lease period. Liabilities are secured against demand promissory notes and security deposits.

The carrying value of assets held under finance lease approximates its fair value as the rate used for discounting is the rate implicit in the lease.

	Note	2013 Rupees	2012 Rupees
8. DEFERRED LIABILITIES			
Deferred taxation	8.1	366,375,172	263,878,440
Staff retirement gratuity	8.2	20,668,360	17,351,156
		387,043,532	281,229,596

8.1 Deferred taxation

	2013 Rupees	2012 Rupees
Opening balance	263,878,440	266,310,024
Charged / (Reversal) to profit and loss account	2,178,390	(3,694,220)
Adjustment to the related deferred tax liability on revaluation surplus	654,149	1,262,636
Surplus arising on revaluation of Property, plant and equipment	99,664,193	-
Closing balance	366,375,172	263,878,440

This comprises of the following:

	2013	2012
Deferred tax liability on taxable temporary differences arising in respect of:		
- depreciation on property, plant and equipment	122,416,694	113,948,586
- surplus on revaluation of property, plant and equipment	252,915,467	161,083,206
	375,332,161	275,031,792

	Note	2013 Rupees	2012 Rupees
Deferred tax asset on deductible temporary difference arising in respect of provision against:			
- trade debts		754,918	751,864
- stores and spares		268,169	267,085
- other receivables		799,803	1,658,700
- staff retirement gratuity		7,134,099	5,964,876
Minimum turnover tax		-	2,510,827
		(8,956,989)	(11,153,352)
		366,375,172	263,878,440

8.2 Staff retirement gratuity

	Note	2013 Rupees	2012 Rupees
Mills	8.2.1	20,415,988	16,998,507
Head Office	8.2.2	252,372	352,649
		20,668,360	17,351,156

8.2.1 Mills - Defined benefit plan

(a) Charge for the year

	2013 Rupees	2012 Rupees
Current service cost	7,057,655	5,845,712
Interest cost	1,962,973	1,544,605
Actuarial gain	(77,747)	-
	8,942,881	7,390,317

(b) Movement in liability

	2013 Rupees	2012 Rupees
Balance at July 01,	16,998,507	14,137,340
Charge for the year	8,942,881	7,390,317
Paid during the year	(5,525,400)	(4,529,150)
Balance as at June 30,	20,415,988	16,998,507

(c) The principal assumptions used are as follows:

	2013	2012
Discount rate (% per annum)	10.5	13
Expected rate of salary increase (% per annum)	9.5	12

(d) Amounts for the current and previous four periods are as follows:

	2013	2012	2011	2010	2009
	...Rupees...				
Actuarial net liability	20,415,988	16,998,507	14,137,340	11,053,500	9,873,875

8.2.2 Staff retirement gratuity - Head office

	Notes	2013 Rupees	2012 Rupees
Balance at July 01,		352,649	352,649
Paid during the year		(100,277)	-
Balance at June 30,	8.2.2.1	252,372	352,649

8.2.2.1 This amount relates to the unfunded gratuity scheme for the head office staff which has been freezed in 2007 as per the Company policy.

9. TRADE AND OTHER PAYABLES

	Notes	2013 Rupees	2012 Rupees
Creditors		17,585,840	15,196,824
Accrued liabilities		36,929,339	29,744,948
Advance from customers		5,251,870	15,355,177
Workers' profit participation fund	9.2	4,731,221	3,459,190
Workers' welfare fund		7,597,333	5,744,403
Infrastructure cess	9.3	10,400,442	7,501,394
Unclaimed dividend		1,816,420	1,443,125
Provident fund		214,669	195,488
Others		1,961,769	146,509
		86,488,903	78,787,058

9.1 Trade payables are non-interest bearing and are normally settled on 90-days term.

9.2 Workers' participation fund

	2013 Rupees	2012 Rupees
Balance at July 01,	3,459,190	5,970,689
Allocation during the year	4,731,221	2,375,674
Interest on fund utilized in Company's business	221,637	1,083,516
	8,412,048	9,429,879
Paid during the year	(3,680,827)	(5,970,689)
Balance at June 30,	4,731,221	3,459,190

9.3 The Government of Sindh through Sindh Finance Act, 1994 provided for imposition of an infrastructure fee for development and maintenance of infrastructure on goods entering or leaving the Province through air or sea at prescribed rates. The levy was challenged by the Company along with other companies in the High Court of Sindh through civil suits which were dismissed by the single judge of the High Court of Sindh through its decision in October 2003. On appeal filed there against, the High Court of Sindh has held through an order passed in September 2008 that the levy as imposed through the Sindh Finance Act, 1994 and amended time to time was not valid till December 28, 2006, however, thereafter on account of an amendment in the Sindh Finance (Amendment) Ordinance, 2006, it had become valid and is payable by the Appellants. The Company, along with other companies, filed an appeal in the Supreme Court of Pakistan against the aforementioned order of High Court of Sindh. The Supreme Court granted stay by passing an interim order on January 22,

2009. The order passed by the High Court of Sindh was set aside by the Supreme Court vide its order dated May 20, 2011. Consequently, a new petition has been filed in the High Court of Sindh. Through the interim order passed on May 31, 2011 the High Court has ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure fee should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed.

The management of the Company is confident for a favorable outcome. However, as a matter of prudence, the Company has made provision as follows:

	Notes	2013 Rupees	2012 Rupees
Balance at July 01,		**7,501,394**	12,517,167
Provision during the year		**5,798,096**	1,242,827
		13,299,490	13,759,994
Payments made during the year		**(2,899,048)**	(6,258,600)
Balance at June 30,		**10,400,442**	7,501,394

10. INTEREST / MARK-UP ACCCRUED

		2013 Rupees	2012 Rupees
Long-term finance		**1,645,325**	1,682,560
Short-term borrowings		**14,968,793**	14,726,359
		16,614,118	16,408,919

11. SHORT-TERM BORROWINGS

	Notes	2013 Rupees	2012 Rupees
From banking companies-secured	11.1		
Running finances	11.2	**211,249,565**	233,969,293
Cash finances	11.3	**174,597,697**	138,745,731
Finance Against Imported Merchandise (FIM)	11.4	**197,273,558**	-
FE-25 finance	11.5	**48,609,750**	-
Murabaha Finances	11.6	**19,155,369**	1,420,000
		650,885,939	374,135,024

11.1 The aggregate unavailed short-term borrowing facilities amounted to Rs. 531.03 million (2012: Rs. 317.86) million.

11.2 These are secured against various assets including first pari passu hypothecation charge over present and future stock-in-trade, first hypothecation charge over present and future book debts, ranking charge on the stocks and receivables of the Company, equitable mortgage on various properties and personal guarantees of all directors of the Company. These running finance are subject to mark up at the rates ranging from KIBOR plus 2% to 2.75% (2012: KIBOR plus 2% to 4.25%) per annum payable quarterly. The effective interest rate for running finance facilities was 11.31% to 14.7 % (2012: 13.91% to 17.79%) per annum.

11.3 These are secured against pledge of cotton, viscose fiber, first hypothecation charge on stock-in-trade and second charge on book debts, equitable mortgage of properties of directors and personal guarantee of directors. These are subject to markup at the rates ranging from KIBOR plus 2% to 2.75% (2012: KIBOR plus 2%) per annum payable quarterly. The effective interest rate for cash finance facilities was 11.28% to 14% (2012: 13.85% to 15.80%) per annum.

11.4 Thes are secured against pledge of cotton and yarn and personal guarantee of directors of the Company. These are subject to markup at the rates ranging from KIBOR plus 2% to 2.75% per annum. The effective profit rate for murabaha finance was 11.25% to 14.7% per annum.

11.5 Export refinance obtained from banking companies and are subject to markup ranging from 2.27% to 3.31% (2012: Nil) per annum. These are secured against export letters of credit held under lien and personal guarantee of directors.

11.6 These are secured against pledge of cotton and yarn and personal guarantee of directors of the Company. These are subject to markup at the rates ranging from KIBOR plus 1.75% (2012: KIBOR plus 1.75%) per annum. The effective profit rate for murabaha finance was 11.14 % to 12.17% (2012: 13.55 % to 13.70%) per annum.

	2013 Rupees	2012 Rupees
12. CONTINGENCIES AND COMMITMENTS		
12.1 Contingencies		
Letters of guarantee issued by banks on behalf of the Company to:		
- Lahore Electric Supply Company Limited	**15,310,568**	15,310,568
- Sui Northern Gas Pipelines Limited	**24,314,000**	24,314,000
- Excise and Taxation Office	**10,758,600**	7,958,600

12.2 In view of the amendments in the second schedule of Gas Infrastructural Development Cess (GIDC) Act, 2011 through Finance Act, 2012, the rates of cess revised from Rs. 13 per MMBTU to Rs. 100 per MMBTU for industrial consumers, the Company along with a group of 19 other plaintiffs has filed a suit in the Sindh High Court against Ministry of Petroleum, Sui Northern Gas Pipelines Limited (SNGPL) and Oil and Gas Regulatory Authority (OGRA) on the grounds that it is unconstitutional for the Federal Legislature to impose cess as per fourth schedule of the Constitution of Pakistan.

During the year court announced interim orders dated August 28, 2012 according to which SNGPL will not charge to the Company Rs. 13 per MMBTU till the court announces the final verdict. The management of the Company is following the court decisions and paying the respective amount in timely manner.

The Federal Government through SRO dated on September 7, 2012 again revised the rates in the second schedule of Gas Infrastructural Development Cess (GIDC) Act, 2011 by reducing it to Rs. 50 per MMBTU for industrial consumers. The SRO superceded all previous notifications and came into force with immediate effect.

On January 31, 2013 the single bench of Justice in Islamabad High Court declared the GIDC Act, 2011 illegal, unconstitutional and in violation of fundamental rights in its short order and asked the distribution companies to return the amount they had collected from the industrial and commercial consumers. Subsequently, on March 12, 2013 a two member division bench of Islamabad High Court suspended the short order of single bench till it issues detailed judgment after hearing 300 petitioners who initially filed the case with Islamabad High Court. As the final verdict of the Court has not been received till June 30, 2013, the Company expects that final verdict of the petition of the similar case in the Sindh High Court on the subject matter will also support the contention of Islamabad High Court short order.

However if the revision in rates declared valid by the court could result in increased Power and fuel expense of the Company by Rs. 7.77 million for the year ended June 30, 2013.

	2013 Rupees	2012 Rupees
12.3 Commitments		
Letters of credit opened and outstanding for import of		
- raw material	**63,730,645**	23,721,078
- stores and spares	**1,134,701**	8,698,022
- plant and machinery	**69,571,888**	53,866,413

13. PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost/revaluation at July 01, 2012	Additions/ (disposal)	Transfer **	Revaluation for the year	Cost/revaluation at June 30, 2013	Accumulated Depreciation at July 01, 2012	Depreciation/ (adjustment) for the year	Transfer **	Accumulated depreciation at June 30, 2013	Carrying value at June 30, 2013	Dep. rate %
	-Rupees-										
Owned assets											
Land - freehold	43,067,188	-	-	37,057,812	80,125,000	-	-	-	-	**80,125,000**	-
Mills building on		-	-				-	-			
freehold land	261,151,503	-	-	73,621,086	334,772,589	105,046,621	10,449,219	-	115,495,840	**219,276,749**	5
Labour colony on		-	-				-	-			
freehold land	28,751,275	-	-	14,217,535	42,968,810	12,572,295	1,079,015	-	13,651,310	**29,317,500**	5
Plant and machinery	1,232,023,317	65,954,017	-	179,106,173	1,469,767,739	561,212,705	54,652,108	-	614,648,936	**855,118,803**	5
		(7,315,768)	-				(1,215,877)	-			
Electric installations	68,156,779	853,000	-	12,124,624	81,134,403	30,704,516	3,319,137	-	34,023,653	**47,110,750**	5
Mills equipment	19,113,906	-	-	2,148,309	21,262,215	8,273,031	685,976	-	8,959,007	**12,303,208**	5
Office equipment	9,011,814	747,438	-		9,759,252	7,952,692	220,515	-	8,173,207	**1,586,045**	10
Furniture and fixtures	3,594,062	-	-		3,594,062	3,585,268	1,956	-	3,587,224	**6,838**	10
Vehicles	28,850,595	818,456	549,000		30,218,051	28,456,333	214,069	366,000	29,036,402	**1,181,649**	20
	1,693,720,439	68,372,911	549,000	318,275,539	2,073,602,121	757,803,461	70,621,995	366,000	827,575,579	**1,246,026,542**	
		(7,315,768)					(1,215,877)				
Leased assets											
Plant and machinery	92,916,055	43,840,426	-	7,521,719	144,278,200	1,539,568	5,982,151	-	7,521,719	**136,756,481**	5
Vehicles	8,574,500	16,337,000	(549,000)	-	24,362,500	3,186,000	2,787,092	(366,000)	5,607,092	**18,755,408**	20
		-	-				-				
	101,490,555	60,177,426	(549,000)	7,521,719	168,640,700	4,725,568	8,769,243	(366,000)	13,128,811	**155,511,889**	
		-					-				
	1,795,210,994	128,550,337	-	325,797,258	2,242,242,821	762,529,029	79,391,238	-	840,704,390	**1,401,538,431**	
		(7,315,768)					(1,215,877)				

* All operating assets were revalued at June 30, 2013 except office equipment, furniture and fixtures and vehicles.

** Represents transfer from leased assets to owned assets on maturity of leasing arrangements.

13.1.1 Assets which are fully depreciated having a cost of Rs. 38,517,245 (2012: Rs. 38,141,986/-)

13.2 For comparative period

Particulars	Cost/revaluation at July 01, 2011 (Restated)	Additions/ (disposal)	Transfer **	Cost/revaluation at June 30, 2012	Accumulated Depreciation at July 01, 2011 (Restated)	Depreciation/ (adjustment) for the year	Transfer **	Accumulated depreciation at June 30, 2012	Carrying value at June 30, 2012	Dep. rate %
					Rupees					
Owned assets										
Land - freehold	43,067,188	-	-	43,067,188	-	-	-	-	**43,067,188**	-
Mills building on freehold land	254,446,908	6,704,595	-	261,151,503	94,597,399	10,449,222	-	105,046,621	**156,104,882**	5
Labour colony on freehold land	28,751,275	-	-	28,751,275	11,493,285	1,079,010	-	12,572,295	**16,178,980**	5
Plant and machinery	1,186,737,304	16,094,041 (6,808,028)	36,000,000	1,232,023,317	506,065,784	52,655,051 (2,500,364)	4,992,234	561,212,705	**670,810,612**	5
Electric installations	68,156,779	-	-	68,156,779	27,403,148	3,301,368	-	30,704,516	**37,452,263**	5
Mills equipment	18,063,906	1,050,000	-	19,113,906	7,573,930	699,101	-	8,273,031	**10,840,875**	5
Office equipment	8,433,386	578,428	-	9,011,814	7,869,005	83,687	-	7,952,692	**1,059,122**	10
Furniture and fixtures	3,594,062	-	-	3,594,062	3,274,214	311,054	-	3,585,268	**8,794**	10
Vehicles	27,574,559	261,036	1,015,000	28,850,595	26,787,890	788,776	879,667	28,456,333	**394,262**	20
	1,638,825,367	24,688,100 (6,808,028)	37,015,000	1,693,720,439	685,064,655	69,367,269 (2,500,364)	5,871,901	757,803,461	**935,916,978**	
Leased assets										
Plant and machinery	36,000,000	92,916,055	(36,000,000)	92,916,055	4,392,234	2,139,568	(4,992,234)	1,539,568	**91,376,487**	5
Vehicles	10,173,500	- (584,000)	(1,015,000)	8,574,500	2,356,593	1,777,207 (68,133)	(879,667)	3,186,000	**5,388,500**	20
	46,173,500	92,916,055 (584,000)	(37,015,000)	101,490,555	6,748,827	3,916,775 (68,133)	(5,871,901)	4,725,568	**96,764,987**	
	1,684,998,867	117,604,155 (7,392,028)	-	1,795,210,994	691,813,482	73,284,044 (2,568,497)	-	762,529,029	**1,032,681,965**	

** Represents transfer from leased assets to owned assets on maturity of leasing arrangements.

	Note	2013 Rupees	2012 Rupees
13.2 *Depreciation for the year has been allocated as under:*			
Cost of goods sold	23	76,167,605	70,323,320
Administrative expenses	25	3,223,633	2,960,724
		79,391,238	73,284,044

13.3 *The following asset was disposed off during the year:*

Description	Cost/ Revaluation	Accumulated Depreciation/Impairment	Carrying value	Sale proceed	Mode of disposal	Particulars
---Rupees---						
Plant and machinery - owned	2,784,765	1,215,877	1,568,888	500,000	Negotiation	Hassan Limited 2nd Floor,House of Hassan, P-13/A Bilal Road, Civil Line Faisalabad
Plant and machinery - owned	4,531,003	-	4,531,003	4,003,466	Insurance claim	EFU General Insurance Limited, EFU House, M.A. Jinnah Road Karachi
2013	7,315,768	1,215,877	6,099,891	4,503,466		
2012	7,392,028	2,568,497	4,823,531	3,455,882		

13.4 Had there been no revaluation, the related figures of operating assets as at June 30, 2013 would have been as follows:

	2013 Cost	2013 Accumulated Depreciation	2013 Carrying Value	2012 Cost	2012 Accumulated Depreciation	2012 Carrying Value
	---Rupees---					
Land-freehold	8,772,600	-	8,772,600	8,772,600	-	8,772,600
Mills building on freehold land	140,359,650	(81,854,432)	58,505,218	140,359,650	(74,836,450)	65,523,200
Labour colony on freehold land	15,134,513	(14,606,318)	528,195	15,134,513	(13,849,592)	1,284,921
Plant and machinery	1,032,130,637	(561,435,924)	470,694,713	929,039,119	(513,218,212)	415,820,907
Electric installations	45,352,062	(18,820,514)	26,531,548	44,499,062	(16,577,790)	27,921,272
Mills equipment	7,035,977	(3,661,136)	3,374,841	7,035,977	(3,395,212)	3,640,765
	1,248,785,439	(680,378,324)	568,407,115	1,144,840,921	(621,877,256)	522,963,665

14. *LONG-TERM DEPOSITS*

	Note	2013 Rupees	2012 Rupees
Deposits			
- lease		22,957,149	14,526,481
- others		3,431,648	2,082,403
		26,388,797	16,608,884
Less: Current portion	19	(979,975)	(54,900)
		25,408,822	16,553,984

	Note	2013 Rupees	2012 Rupees
15. STORES, SPARES AND LOOSE TOOLS			
Stores		13,737,277	11,145,016
Spares		34,362,378	14,204,957
Stores and spares in transit		2,702,377	-
Loose tools		68,884	64,585
		50,870,916	25,414,558
Less: Provision for slow-moving items	15.1	(776,920)	(776,920)
		50,093,996	24,637,638

15.1 Movement in provision for slow-moving items

	2013 Rupees	2012 Rupees
Balance at July 01,	776,920	156,580
Provision made during the year	-	620,340
Balance at June 30,	776,920	776,920

16. STOCK-IN-TRADE

	2013 Rupees	2012 Rupees
Raw material - in hand	400,874,061	136,747,911
- in transit	-	65,169,899
Work in process	25,583,030	21,622,605
Finished goods	100,038,536	121,738,741
Waste	9,726,242	3,054,121
	536,221,869	348,333,277

17. TRADE DEBTS

	Note	2013 Rupees	2012 Rupees
Considered good	17.1	400,983,572	303,445,867
Considered doubtful		2,187,089	2,187,089
		403,170,661	305,632,956
Less: Provision for doubtful debts		(2,187,089)	(2,187,089)
		400,983,572	303,445,867

17.1 Trade debts are non-interest bearing and are generally on 60 to 90 days terms.

17.2 Trade debts include debtors with a carrying amount of Rs. 119.71 million (2012: Rs. 89 million) which are past due at the reporting date for which the Company has not made any provision for doubtful recovery as there has not been a significant change in credit quality and the amounts are still considered recoverable.

17.3 Ageing of due over 90 days of date of invoice but not impaired	2013 Rupees	2012 Rupees
91-180 days	66,551,961	44,557,955
181-365 days	52,769,634	44,444,867
Above 365 days	387,722	
	119,709,317	89,002,822

	Note	2013 Rupees	2012 Rupees
18. LOANS AND ADVANCES			
Considered good			
Loan to employees - unsecured		651,305	647,251
Advances - unsecured			
to suppliers		2,829,689	3,991,947
for expenses		884,582	973,763
		3,714,271	4,965,710
Advance income tax		24,095,670	12,428,478
		28,461,246	18,041,439
19. DEPOSITS AND SHORT-TERM PREPAYMENTS			
Current portion of long-term deposits	14	979,975	54,900
Prepayments		873,459	525,773
		1,853,434	580,673
20. OTHER RECEIVABLES			
Sales tax			
- Considered good		12,557,160	7,198,577
- Considered doubtful		2,507,844	2,507,844
Export rebate - considered doubtful		2,194,344	2,194,344
Margin against letters of guarantee		-	500,000
Margin against murabaha financing		1,915,537	142,000
Cotton quality and weight claims			
- Considered good		1,899,839	-
- Considered doubtful		122,785	122,785
Profit on deposits		1,536,644	1,856,925
Mark-up subsidy		138,547	148,264
		22,872,700	14,670,739
Less: Provision for doubtful receivables	20.1	(4,824,973)	(4,824,973)
		18,047,727	9,845,766
20.1 Movement in provision for doubtful receivables			
Balance at July 1,		4,824,973	3,193,799
Provision made during the year		-	1,631,174
Balance at June 30,		4,824,973	4,824,973
21. CASH AND BANK BALANCES			
Cash in hand		457,458	727,101
Cash at banks			
- in current accounts		9,153,886	2,767,001
- in term deposit accounts	21.1	33,170,670	43,457,053
- in saving account	21.2	51,749	62,091
		42,833,763	47,013,246

21.1 This represents term deposit receipts with various banks for a period ranging from six months to two years carrying mark-up at the rate ranging from 6% to 11% (2012: 5.8% to 12.0%) per annum. The banks have lien on these term deposit receipts on account of guarantees provided by such banks.

21.2 Effective mark-up rate is 5% to 6%(2012: 5% to 6%) per annum.

	Note	2013 Rupees	2012 Rupees
22. SALES - NET			
Yarn			
Local		2,096,972,987	1,147,109,164
Export		64,143,975	-
		2,161,116,962	1,147,109,164
Waste		112,069,367	24,815,517
		2,273,186,329	1,171,924,681
Less:			
Sales tax @ 2% on local sales [from March 01, 2013 to June 30, 2013]		15,511,085	-
Brokerage & commission		15,320,062	2,905,186
		(30,831,147)	(2,905,186)
		2,242,355,182	1,169,019,495
23. COST OF GOODS SOLD			
Raw material	23.1	1,430,505,933	601,374,991
Salaries, wages and benefits	23.2	146,542,094	101,728,386
Fuel and power		216,614,188	169,479,940
Depreciation	13.2	76,167,605	70,323,320
Stores and spares		62,169,081	38,170,380
Packing material		33,518,868	22,341,303
Insurance		5,687,972	5,149,913
Repairs and maintenance		4,698,962	3,682,600
Vehicle running and maintenance		3,376,288	2,668,838
Provision for slow moving store items		-	620,340
Other manufacturing overheads		2,882,447	1,996,035
		551,657,505	416,161,055
		1,982,163,438	1,017,536,046
Work-in-process			
Opening stock		21,622,605	25,536,166
Closing stock		(25,583,030)	(21,622,605)
		(3,960,425)	3,913,561
Cost of goods manufactured		1,978,203,013	1,021,449,607
Finished goods			
Opening stock		124,792,862	106,404,037
Yarn purchased		4,584,000	-
Closing stock		(109,764,778)	(124,792,862)
		19,612,084	(18,388,825)
		1,997,815,097	1,003,060,782

23.1 Raw material consumed

	2013 Rupees	2012 Rupees
Opening stock	201,917,810	67,860,810
Purchases and purchase expenses	1,629,462,184	735,431,991
	1,831,379,994	803,292,801
Closing stock	(400,874,061)	(201,917,810)
	1,430,505,933	601,374,991

23.2 Salaries, wages and benefits include Rs. 8.95 million (2012: Rs. 7.39 million) in respect of staff retirement benefits.

	Note	2013 Rupees	2012 Rupees
24. DISTRIBUTION COST			
Freight and octroi		**7,480,951**	198,500
Commission and other charges		**293,844**	631,661
Clearing and forwarding		**431,550**	41,650
		8,206,345	871,811

	Note	2013 Rupees	2012 Rupees
25. ADMINISTRATIVE EXPENSES			
Salaries and benefits	25.1	**26,489,450**	16,780,997
Fees, subscription and periodicals		**1,032,516**	1,010,481
Entertainment		**4,876,914**	3,861,491
Traveling and conveyance		**1,849,124**	1,112,742
Postage and telephone		**1,620,538**	1,638,922
Electricity, gas and water		**1,711,550**	1,371,339
Vehicles running and maintenance		**1,735,880**	331,153
Depreciation	13.2	**3,223,631**	2,960,724
Legal and professional		**648,668**	527,271
Auditors' remuneration	25.2	**840,000**	806,000
Printing and stationery		**405,321**	349,075
Computer		**152,044**	541,285
Rest house		**243,134**	245,241
Advertisement		**189,084**	65,107
Provision for doubtful other receivables		**-**	1,631,174
Donation	25.3	**1,075,000**	771,900
Others		**201,722**	404,868
		46,294,576	34,409,770

25.1 Salaries and benefits include Rs.0.92 million (2012: Rs. 0.85 million) in respect of staff retirement benefits.

25.2 Auditors' remuneration	2013 Rupees	2012 Rupees
Audit fee	**600,000**	600,000
Half year review fee	**120,000**	120,000
Other services	**45,000**	45,000
Out of pocket expenses	**75,000**	41,000
	840,000	806,000

25.3 No director or their spouse had any interest in the donees' fund.

26. OTHER OPERATING EXPENSES	Note	2013 Rupees	2012 Rupees
Workers' participation fund		**4,731,221**	2,375,674
Workers' welfare fund		**1,852,930**	1,512,706
Infrastructure cess	9.3	**2,899,048**	-
Demurrage charges		**5,881,023**	-
Sales Tax *		**7,468,302**	-
		22,832,524	3,888,380

* under SRO 179 (1) / 2013 dated March 7, 2013

	Note	2013 Rupees	2012 Rupees
27. FINANCE COST			
Mark-up / interest on:			
Long-term finance		4,629,672	4,946,179
Short term borrowings		64,337,670	65,576,501
Finance lease arrangements		11,604,252	4,303,048
Morabaha finance		2,075,964	2,014,532
Workers' participation fund		221,637	1,083,516
Markup charges on letters of credit		3,818,300	-
Bank charges, guarantee commission and other related charges		4,415,519	3,949,425
		91,103,014	81,873,201
28. OTHER INCOME / (LOSS)			
Income from financial assets			
Profit on deposits		2,799,520	2,744,787
Exchange gain - net		142,265	-
Income from assets other than financial assets			
Operating income / (loss) on trading of raw material	28.1	970,939	(3,751,113)
Sale of scrap		274,290	-
Old liabilities written back		565,979	-
Loss on disposal of property, plant and equipment		(1,068,888)	(1,367,649)
Impairment of property, plant and equipment	28.2	(527,537)	-
		3,156,568	(2,373,975)

28.1 Operating income / (loss) on trading of raw material

	2013 Rupees	2012 Rupees
Local sales	52,623,329	94,014,374
Less: Cost of sales	(51,652,390)	(97,765,487)
	970,939	(3,751,113)

28.2 Impairment of property, plant and equipment

	2013 Rupees	2012 Rupees
Written down value of asset	4,531,003	-
Insurance claim received	(4,003,466)	-
	527,537	-

29. TAXATION

	2013 Rupees	2012 Rupees
Current	17,415,743	12,630,339
Prior years	(1,882,023)	(130,702)
Deferred	2,178,390	(3,694,220)
	17,712,110	8,805,417

29.1 The tax liability of the Company comprises of taxable income under normal tax regime and final tax regime on exports. Normal tax is calculated on taxable income at current rate of taxation after taking into account applicable tax credits, rebates and exemption available. Tax on income covered under final tax regime is calculated at the rates 1% on export sales under section 154 of Income Tax Ordinance, 2001.

	2013 Rupees	2012 Rupees
29.2 Relationship between tax expense and accounting profit		
Accounting profit - before tax	79,260,194	42,541,576
Tax @ 35%	27,741,068	14,889,552
Effect of:		
Expenses that are deductible in determining taxable profit	3,424,554	10,221,878
Not taxable at normal rate under income tax Ordinance	-	(25,111,430)
Income subject to final tax regime / minimum tax	(977,898)	-
Minimum tax chargeable under section - 113	-	12,630,339
Income chargeable to tax at reduced rates		
- Export sales	641,440	-
- Tax rebates (under section 65B)	(10,526,344)	-
Adjustment of income tax for prior years in respect of:		
- Current tax	(1,882,023)	(130,702)
Deferred tax	2,178,390	(3,694,220)
Rebate on donation	(376,250)	-
Minimum tax credit absorbed during the year	(2,510,827)	-
Tax charge for the year	17,712,110	8,805,417

30. *EARNINGS PER SHARE - BASIC AND DILUTED*

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

		2013	2012
Profit for the year	*Rupees*	61,548,084	33,736,159
Weighted average number of ordinary shares outstanding during the year		18,048,000	18,048,000
Earnings per share	*Rupees*	3.41	1.87

31. *NON-CASH TRANSACTIONS*

Additions to property, plant and equipment during the year amounting to Rs. 60.18 million (2012: Rs. 92.92 million) were arranged through new finance leases.

32. *TRANSACTIONS WITH RELATED PARTIES*

The related parties comprise associated undertakings, key management personnel and post employment contribution plan. Long term loans obtained from directors and associated undertaking and remuneration of Chief Executive Officer , directors and executives are disclosed in note 6 and note 33 respectively. Other significant transaction with the related party is as follows:

	Note	2013 Rupees	2012 Rupees
Contribution to employees' provident fund	25.1	919,705	848,728

33. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2013			2012		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Director	Executives
	<-------------------------			Rupees		------------------------->
Remuneration	370,000	757,984	1,669,593	400,000	1,200,000	3,148,327
House rent allowance	222,000	454,790	1,001,753	120,000	360,000	944,498
Utilities	74,000	151,597	333,919	40,000	120,000	314,833
Medical	74,000	151,597	333,919	40,000	120,000	294,341
Retirement benefits	32,768	98,304	128,789	33,320	99,960	165,401
	772,768	1,614,272	3,467,973	633,320	1,899,960	4,867,400
Number of persons	1	5	3	1	3	5

The Chief Executive Officer, directors and some executives are provided with free use of Company mai ntained car.

34. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer of the Company has been identified as the chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments.

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

35. PLANT CAPACITY AND ACTUAL PRODUCTION

	2013	2012
Installed production capacity 20/s count - yarn in kgs.	14,795,745	14,795,745
Actual production during the year at 20/s count - yarn in Kgs.	7,088,041	6,156,446

It is difficult to describe precisely the production capacity and compare it with actual production in the textile industry since it fluctuates widely depending upon various factors such as count of yarn spun, spindles speeds, twist per inch, raw material used, etc. Further, electricity and gas loadshedding / curtailment also effect the production adversely.

36. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2013 and 2012 respectively are as follows:

	2013	2012
Average number of employees during the year	1012	894
Number of employees as at June 30	1041	894

37. *PROVIDENT FUND RELATED DISCLOSURE*

The financial information of the Fund is as follows :

	2013 Rupees	2012 Rupees
a) Size of the fund - Total assets	13,249,456	11,442,706
Cost of investments made	11,089,084	9,456,384
Fair value of investments	11,349,396	8,920,141
Percentage of investments made (%)	84	83

b) The break-up of fair value of investments is:

	2013 Rupees	%	2012 Rupees	%
Bank balances	835,933	7	1,067,673	12
Government securities	1,707,635	15	1,080,631	12
Mutual funds	8,805,828	78	6,771,837	76
	11,349,396	100	8,920,141	100

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

38. *FINANCIAL INSTRUMENTS BY CATEGORY*

The company finance its operation through equity, borrowings and management of working capital with a view to maintaining an approximate mix between various sources of finance to minimise risk. Taken as a whole, the company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments

	2013 Rupees	*2012 Rupees*
Financial assets as per balance sheet		
Loans and receivables at amortised cost		
Security deposits	26,388,797	16,608,884
Trade debts	400,983,572	303,445,867
Loans and advances	651,305	647,251
Other receivables	5,474,805	2,621,710
Cash and bank balances	42,833,763	47,013,246
	476,332,242	370,336,958
Financial liabilities as per balance sheet		
Long-term financing		
- from banking companies	53,428,523	56,037,500
- from related parties	100,330,001	100,330,001
Liabilities against assets subject to finance lease	110,982,847	80,886,438
Trade and other payables	81,237,033	63,431,881
Interest / markup accrued	16,614,118	16,408,919
Short-term borrowings	650,885,939	374,135,024
	1,013,478,461	691,229,763

39. FINANCIAL RISK MANAGEMENT

The Company s principal financial instruments comprise long-term financing, liabilities against assets subject to finance lease, short-term borrowings, interest / markup accrued, trade and other payables, trade debts, loans and advances, other receivables, deposits and cash and bank balances that arrive directly from operations.

The Company s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk).

The Company s board of directors oversees the management of these risks. Financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company policies and risk appetite. It is the Company s policy that no trading in derivatives for speculativ e purposes shall be undertaken.

39.1 Credit risk and concentration of credit risk

Credit risk represent the accounting loss that would be recognised at the reporting date if the counter party to the financial instrument fail to perform as contracted. Out of total financial assets of Rs. 476,332,958 (2012: Rs. 370,336,958/-), the financial assets which are subject to credit risk amounted to Rs. 475,874,784 (2012: Rs. 369,609,857/-)

The maximum exposure to credit risk as at June 30, 2013, along with comparative is tabulated below:

Financial assets	2013 Rupees	2012 Rupees
Security deposits	**26,388,797**	16,608,884
Trade debts	**400,983,572**	303,445,867
Loans and advances	**651,305**	647,251
Other receivables	**5,474,805**	2,621,710
Cash and bank balances	**42,376,305**	46,286,145
	475,874,784	369,609,857

39.1.1 Credit risk related to receivables

Customer credit risk is managed by the Company s established policy, procedures and control relating to customer credit risk management. Company has a policy of dealing with creditworthy counter parties. Outstanding customer receivables are regularly monitored and advance from customers are obtained in certain cases.

39.1.2 Concentration of credit risk related to receivables

The Company have significant credit risk exposure to counterparty or any group of counterparties having similar characteristics as approximately 59.71% (2012: 75.19%) of the trade receivable is attributable to 15 customers as at June 30, 2013. The Company defines counterparties as having similar characteristics if they are related entities. Credit parties belong to the different parts of the country. The credit quality of counterparties is good and the amounts are still considered recoverable.

39.1.3 Credit risk related to financial instruments and cash deposits

The bank names along with credit rating are tabulated below:

Name of banks	Short term rating	Long term rating	Rating Agency
National Bank of Pakistan	A-1+	AAA	JCR-VIS
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
Bank Alfalah Limited	A1+	AA	PACRA
Soneri Bank Limited	A1+	AA-	PACRA

Name of banks	*Short term rating*	*Long term rating*	*Rating Agency*
Bank Islami Pakistan	A1	A	PACRA
Meezan Bank Limited	A-1+	AA-	JCR-VIS
The Bank of Punjab Ltd.	A1+	AA-	PACRA
United Bank (UBL Ameen)	A-1+	AA+	JCR-VIS
Albaraka Bank (Pakistan) Limited	A1	A	PACRA
Silk Bank Limited	A-2	A-	JCR-VIS

The total credit risk related to financial instrument and cash deposit which the Company is exposed to amounting to Rs. 42,653,191 (2012 : Rs. 46,286,145/-)

39.2 Liquidity risk management

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

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity requirements. Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Unavailed facilities that the Company has at its disposal to further reduce liquidity risk are disclosed in Note 11.

39.2.1 Liquidity and interest risk table

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Weighted average effective rate of Interest	*Within six months*	*six months - one year*	*More than one year*	*Total*
		--------------------	*Rupees*	------------------	
2013					
Long-term financing					
- from banking companies	12.88%	24,000,000	20,000,000	9,428,523	53,428,523
- from related parties	-	-	-	100,330,001	100,330,001
Liabilities against assets subject to finance lease	15.67%	20,168,973	20,965,978	69,847,896	110,982,847
Trade and other payables	-	81,237,033	-	-	81,237,033
Interest / markup accrued	-	16,614,118	-	-	16,614,118
Short-term borrowings	12.88%	650,885,939	-	-	650,885,939
		792,906,063	40,965,978	179,606,420	1,013,478,461

	Weighted average effective rate of Interest	Within six months	six months - one year	More than one year	Total
		------------------- Rupees -----------------			
2012					
Long-term financing					
- from banking companies	14.66%	24,037,500	10,000,000	22,000,000	56,037,500
- from related parties	-	-		100,330,001	100,330,001
Liabilities against assets subject to finance lease	17.21%	7,588,647	15,118,566	58,179,225	80,886,438
Trade and other payables	-	63,431,881	-	-	63,431,881
Interest / markup accrued	-	16,408,919	-	-	16,408,919
Short-term borrowings	14.79%	374,135,024	-	-	374,135,024
		485,601,971	25,118,566	180,509,226	691,229,763

39.3 Market risk management

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

39.3.1 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term debt obligations with floating interest rates.

Interest rate sensitivity

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended June 30, 2013 would decrease/increase by Rs.2.77 million. This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

39.3.2 Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency).

Foreign currency sensitivity analysis

At June 30, 2013, Company has no foreign currency risk because the Company does not have foreign currency denominated receivable or payable balances.

39.4 Determination of fair values

Fair value of financial instruments

(a) Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

(b) Fair value estimation.

Financial instruments at fair value are measured at three level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).The Company has no items to report in this level.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The company does not have any investment in any of the category.

39.5 Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to price risk.

40. CAPITAL DISCLOSURE

Company's objectives, policies and processes for managing capital are as follows:

Company is not subject to any externally imposed capital requirements.

Company’s objectives when managing capital are to safeguard the company’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Company sets the amount of capital in proportion to the risk and manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the balance sheet plus net debt.

The gearing ratios at June 30, 2013 and 2012 were as follows:

	2013 Rupees	2012 Rupees
Total borrowings	915,627,310	611,388,963
Less: cash and bank balances (note 21)	(42,833,763)	(47,013,246)
Net debt	872,793,547	564,375,717
Total equity	526,163,616	458,904,564
Total capital	1,398,957,163	1,023,280,281
Gearing ratio	62%	55%

41. RECLASSIFICATION

The opening balances of operating fixed assets and accumulated depreciation thereon of buildings, plant and machinery, electric installations and mill equipments have been restated to reflect a more appropriate value for the basis of presentation only. This restatement has no impact on the depreciation charge or carrying amount of property, plant and equipment and hence, balance sheet is not prepared with two prior years comparatives in accordance with the requirement of IAS - 1 "Presentation of of financial statements".

42. NON - ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors have proposed a final cash dividend of Re. 1/- (2012: Re.1/-) per share for the year ended June 30, 2013, amounting to Rs. 18,048,000/- (2012: Rs.5,462,726/-) in their meeting held on October 02, 2013, for approval by the members of the Company in the Annual General Meeting. In 2012, the sponsors and directors had voluntarily waived their right to receive dividend.

43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on October 02, 2013.

44. GENERAL

All figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

NO. OF SHAREHOLDERS	SHARE-HOLDING FROM	TO	TOTAL SHARES HELD
414	1	100	34,709
915	101	500	418,874
141	501	1000	137,100
122	1001	5000	335,721
17	5001	10000	141,100
13	10001	15000	166,894
18	15001	20000	351,400
8	20001	25000	192,600
6	25001	30000	176,643
4	30001	35000	130,588
3	35001	40000	115,085
1	45001	50000	47,970
1	50001	55000	54,500
4	55001	60000	235,400
1	60001	65000	65,000
1	65001	70000	68,150
1	70001	75000	75,000
4	75001	80000	316,200
1	80001	85000	81,500
2	95001	100000	199,500
1	100001	105000	102,400
1	115001	120000	118,500
1	125001	130000	125,900
1	135001	140000	140,000
1	160001	165001	165,000
1	170001	175000	173,900
1	215001	220000	219,600
1	240001	245000	240,800
2	295001	300000	600,000
1	310001	315000	314,500
1	370001	375000	374,000
1	375001	380000	375,588
1	445001	450000	450,000
1	465001	470000	468,000
1	470001	475000	472,206
1	610001	615000	611,700
1	805001	810000	807,186
1	965001	970000	968,692
1	995001	1000000	1,000,000
1	1840001	1845000	1,844,770
1	1910001	1915000	1,910,966
1	3220001	3225000	3,220,358
1700			18,048,000

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
Associated Companies, Undertaking, and Related Parties	4	1,690,500	9.36
Directors, CFO & their Spouse & Minor Children	10	9,445,574	52.34
Joint Stock Companies	9	676,300	3.75
Bank, Development Finance Institutions			-
Insurance Companies, Modarabas			-
and Mutual Fund	5	181,400	1.01
Individuals	1672	6,054,226	33.54
	1700	18,048,000	100.00

Categories of Shareholders	No. of Shareholders	Shares held	Percentage
Associated Companies, Undertaking			
<u>and Related Paraties</u>	4		
Shama Enterprises (Pvt. Ltd.)		374,000	2.07
Bilal Omair Textile Mills (Pvt) Ltd.		300,000	1.66
Mr. Imran Idrees Allawala		16,500	0.09
Mr. Umar Idrees Allawala		1,000,000	5.54
Directors, CFO & their Spouse and			
<u>Minor Children</u>	10		
Mr. S. M. Idrees Allawala		468,000	2.59
Mr. S. M. Mansoor Allawala		1,910,966	10.59
Mr. Kamran Idrees Allawala		1,844,770	10.22
Mr. Naeem Idrees Allawala		3,220,358	17.84
Mr. Rizwan Idrees Allawala		472,206	2.62
Mr. Omair Idrees Allawala		472,206	2.62
Mr. Muhammad Israil		2,000	0.01
Mrs. Saba Kamran W/o Kamran Idrees Allawala		375,588	2.08
Mrs. Naseema Bagum W/o S. M. Idrees Allawala		314,500	1.74
Mrs. Ambreen Mansoor W/o Mansoor Idrees Allawala		364,980	2.02
Executive	-	-	-
Joint Stock Companies	8	676,300	3.75
NIT & ICP	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance <u>Companies, Modarabas & Mutual Funds</u>	5	181,400	1.01
Shareholders holding 5% or more voting interest			
Mr. S. M. Mansoor Allawala		1,910,966	10.59
Mr. Kamran Idrees Allawala		1,844,770	10.22
Mr. Naeem Idrees Allawala		3,220,358	17.84
Mr. Umar Idrees Allawala		1,000,000	5.54

FORM OF PROXY

The Secretary
IDREES TEXTILE MILLS LTD.
Ismail Centre, 1st Floor,
6-C, Central Commercial Area,
Bahadurabad, Karachi - 74800

I/We ____

of ____

being a member of Idrees Textile Mills Ltd. hereby appoint ____________________

of ____

or failing ____

of ____

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

As witness my hand this ______________________________ of 2013

Signed by the said ______________________________ in the presence of

1. Witness:

Signature ____________________

Name: ____________________

Address ____________________

Signature on
Five Rupees
Revenue Stamp

____
Signature of Member

2. Witness:

Signature ____________________ Shareholder's Folio No. ____________________

Name: ____________________ CDC Participants I.D./Sub A/C # ____________________

Address ____________________ CNIC No. | | | | | | | | | | | | | | | |

(Important: This form of Proxy, duly completed and signed across a Rs. 5/-revenue stamp, must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting).