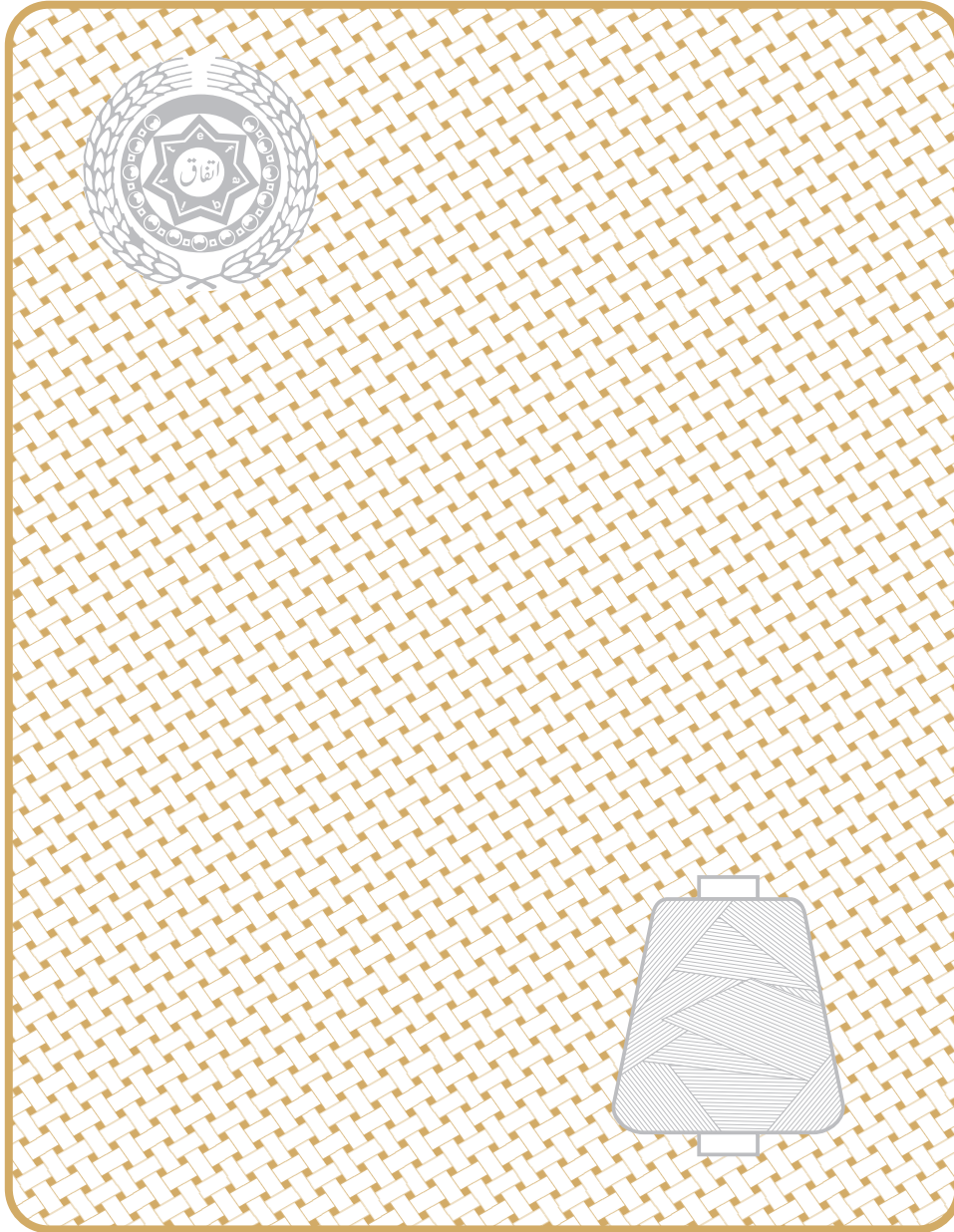


**26th  
Annual Report  
2013**



**Khalid Siraj Textile Mills Ltd.**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

# **KHALID SIRAJ TEXTILE MILLS LIMITED**

## **26TH ANNUAL**

## **REPORT 2013**

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## COMPANY INFORMATION

CHIEF EXECUTIVE	-	MIAN TAYYAB IQBAL
DIRECTORS	-	MIAN TAHIR IQBAL
	-	MISS RABIA IQBAL
	-	MRS. TAYYABA WASEEM
	-	MRS. RUKHSANA ARIF
	-	KH. IFTIKHAR-UD-DIN
	-	MR. MUHAMMAD ASIF (NIT NOMINEE)
AUDIT COMMITTEE		
- CHAIRMAN	-	MISS RABIA IQBAL
- MEMBERS	-	MRS. TAYYABA WASEEM
	-	MRS. RUKHSANA ARIF
HR COMMITTEE		
- CHAIRMAN	-	MIAN TAHIR IQBAL
- MEMBERS	-	MISS RABIA IQBAL
	-	MRS. TAYYABA WASEEM
COMPANY SECRETARY	-	HAJI TARIQ SAMAD
BANKERS	-	NATIONAL BANK OF PAKISTAN
	-	HABIB BANK LIMITED
	-	FAYSAL BANK LTD
	-	DUBAI ISLAMIC BANK
	-	HABIB METROPOLITAN BANK LTD
AUDITORS	-	KAMRAN & CO. CHARTERED ACCOUNTANTS A/2, INGOLA APPARTMENTS, 24-JAIL ROAD, LAHORE
INTERNAL AUDITOR	-	MR. MUHAMMAD NAEEM WAZIR
LEGAL ADVISOR	-	MR. MAJID ALI RANA (ADVOCATE)
REGISTERED OFFICE	-	467-M BLOCK, MODEL TOWN EXTENSION, LAHORE.
MILLS	-	48 - KM, LAHORE - MULTAN ROAD, PHOOL NAGAR (BHAJ PHERU), TEHSIL PATTOKI, DISTT. KASUR.

# V i s i o n

To accomplish, build up and sustain a good reputation of the project in textile sector locally and globally by manufacturing and marketing high quality of yarn through team work by means of honesty, integrity and commitment.

# M i s s i o n

To provide maximum satisfaction to customers by supplying fine quality yarn for knitting and Weaving for well known textile Brands through effective utilization of men, material and machines by encouraging, supporting and rewarding the employees and sharing profits with our shareholders. We do have social responsibility towards our community in which we operate and we are committed to safety, health and environment in all our operations.



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 26th Annual General Meeting of the shareholders of Khalid Siraj Textile Mills Ltd. will be held at 467-M Block, Model Town Extension, Lahore, on Thursday, October 31, 2013 at 10:30 a.m. to transact the following business:

### Ordinary Business:

1. To confirm the minutes of the Extra Ordinary General Meeting of the shareholders held on July 06, 2013.
2. To receive, consider and adopt the Audited Balance Sheet and Profit and Loss Account of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2013.
3. To appoint Auditors for the year ending June 30, 2014 and fix their remuneration. The retiring Auditors are eligible for re-appointment.
4. To transact any other business with the permission of the Chair.

By order of the Board  
Khalid Siraj Textile Mills Ltd.

Lahore  
October 10, 2013

Haji Tariq Samad  
Company Secretary

### Notes:

1. The Share Transfer Books of the Company will remain closed from October 26, 2013 to November 02, 2013 (both days inclusive)
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote instead of him/her.
3. The instrument appointing a proxy must be received at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instrument of proxy is deposited by a member with the Company, all such instruments of proxy shall rendered invalid.
4. An individual beneficial owner of CDC entitled to attend and vote at this meeting, must bring his/her CNIC or Passport in original to prove his/her identity and in case of a proxy, must enclose an attested copy of his/her CNIC or Passport along with CDC A/C No. Representatives of corporate members should bring the usual documents required for such purpose.
5. Shareholders are requested to promptly notify the change in their addresses, if any, to the Company Registrar i.e. M/S Corplink (Pvt) Ltd., Wings Arcade, 1-K, Commercial, Model Town, Lahore. Fax: 042-35869037.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

### DEAR SHAREHOLDERS:

The Directors of your company welcome you at the 26<sup>th</sup> Annual General Meeting and are pleased to present the audited accounts and auditors' report thereon for the year ended June 30, 2013.

The company sold 4.392 million kilograms of yarn valuing Rs. 1,069.039 million during the year under review as compared to 3.749 million kilograms of yarn valuing Rs. 780.70 million in the previous year. There would have been a gross profit during the year under review, but charging of depreciation on revalued fixed assets amounting to Rs. 22.732 million turned the gross profit into a gross loss of Rs. 3.688 million as compared to the gross loss of Rs. 8.717 million in the previous year. During the year, the company suffered a pre tax loss of Rs. 38.525 million as compared to pre tax loss of Rs. 38.624 million in the previous year.

### APPROPRIATIONS

	2013	2012
	Rupees	
Loss before taxation	(38,525,415)	(38,624,207)
Taxation	7,633,568	4,694,331
Loss for the year	(30,891,847)	(43,318,538)
Loss per share (basic and anti-dilutive)	(2.89)	(4.05)

## **CORPORATE AND FINANCIAL REPORTING FRAME WORK**

The Board of Directors state that:

- a) The financial statements prepared by the management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- b) Proper books of accounts have been maintained by the company;
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements based on reasonable and prudent judgement;
- d) International Financial Reporting Standards (IFRS), 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 is no significant doubt the company's ability to continue as a going concern;
- g) The main reason for non declaration of dividend is after tax loss of Rs. 30.892 million;
- h) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;

## **PATTERN OF SHAREHOLDINGS**

A statement reflecting the pattern of shareholdings is attached to the Annual Report on page 10-11.

## **KEY OPERATING AND FINANCIAL DATA**

A statement summarising the key operating and financial data of last seven years alongwith current year is attached to the Annual Report on page 12.

## **STATUTORY PAYMENTS**

As on the closing date, no government taxes, duties, levies and charges were outstanding/overdue except the routine payments of various levies.

## **TRADE IN THE SHARES OF THE COMPANY**

There was no trading in the shares of the Company by the Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children during the year under review.

**BOARD MEETINGS**

During the period under consideration, six (6) meetings were held and the attendance by the respective Directors was as follows:

**DIRECTORS** **NUMBER OF MEETINGS ATTENDED**

Mian Tayyab Iqbal	6
Mian Tahir Iqbal	6
Miss Rabia Iqbal	4
Mrs. Tayyaba Waseem	4
Mrs. Rukhsana Arif	4
Kh. Iftikhar-ud-Din	6
Mr. Muhammad Asif (NIT Nominee)	5

Leave of absence was granted by the board to the non attending directors.

**FUTURE PROSPECTS**

Management of the company is trying their best to promote its financial health and taking steps to reduce the cost of production on converting loss into profit. We will be able to procure cotton on suitable market rates along with good quality. Your directors intend to continue their efforts in the field of cotton procurement, prudent marketing and financial management to achieve maximum possible better results.

**AUDITORS**

The Auditors M/s. Kamran & Co., Chartered Accountants, are retiring at the conclusion of the Annual General Meeting, scheduled to be held on 31-10-2013. The retiring auditors have offered their services for re-appointment.

**MANAGEMENT / EMPLOYEES RELATIONS**

The labour management relations remained cordial throughout the year. The Directors take the opportunity to express their appreciation of the spirit of understanding and good will reciprocated by the workers of the company. We trust that this spirit of harmony and mutual understanding will prevail in the times to come, Insha Allah.

Your Directors also place on record their appreciation for the loyalty and devotion to duty of the officers and members of the staff of the company.

**APPRECIATION**

The Directors place on record their appreciation for the support and co-operation extended by its bankers and other financial institutions to the company.

For and on behalf of the Board of Directors



**Statement of Compliance with the Code of Corporate Governance**  
**KHALID SIRAJ TEXTILE MILLS LIMITED**  
**For the year ended 30 June 2013**

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi 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 CCG in the following manner:

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

Category	Names
Independent Director	None
Executive Directors	Mian Tayyab Iqbal Mian Tahir Iqbal Kh. Iftikhar-ud-Din
Non - Executive Directors	Miss Rabia Iqbal Mrs. Tayyaba Waseem Mrs. Rukhsana Arif Mr. Muhammad Asif (NIT Nominee)

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
- All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- No casual vacancy occurred on the board during the year.
- 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.
- 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.
- All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the board.
- The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- The Company arranged orientation course for all its seven Directors, who are fully aware of their duties and responsibilities. However, another fresh course for the Directors will be arranged very shortly and no training program has been arranged during the year.
- The board has approved appointment of CFO including his remuneration and terms and conditions of employment.
- The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
- The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
- The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
- The company has complied with all the corporate and financial reporting requirements of the CCG.
- The board has formed an Audit Committee. It comprises of three members, of whom two are non-executive directors and one is executive director. The Chairman of the committee is not an independent director.
- The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
- The Board has formed an HR and Remuneration (HR&R) Committee as required under CCG. However, it comprises three members, of whom two are non-executive directors and the chairman of the committee is an executive director.
- The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
- 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.
- 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.
- 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.
- Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
- We confirm that all other material principles enshrined in the CCG have been complied with except for the matters stated in paragraphs 1 and 9 toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

For and on behalf of the Board

**MIAN TAYYAB IQBAL**  
CHIEF EXECUTIVE  
CNIC # 35202-7317351-7

## ***REVIEW REPORT TO THE MEMBERS'***

### *ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE*

We have reviewed the Statement of Compliance with the best practices ('the Statement') contained in the Code of Corporate Governance ('the Code') for the year ended 30 June 2013 prepared by the Board of Directors of **KHALID SIRAJ TEXTILE MILLS LIMITED** ('the Company') to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges in Pakistan 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 on internal controls 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 Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, we draw attention to the following paragraphs of the Statement viz para 1 (independent directors) and para 9 (training program for directors), except for these matters nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2013.



## PATTERN OF SHAREHOLDING

1. Incorporation Number      **0017345**
2. Name of the Company      **KHALID SIRAJ TEXTILE MILLS LIMITED**
3. Pattern of holding of the shares held by the shareholders as at **30/06/2013**

4. No. of Shareholders	From	----Shareholding----	To	Total Shares Held
483	1		100	21,079
267	101		500	79,150
260	501		1,000	168,988
209	1,001		5,000	426,779
27	5,001		10,000	187,947
5	10,001		15,000	64,204
3	15,001		20,000	54,469
1	20,001		25,000	25,000
1	25,001		30,000	28,000
1	30,001		35,000	31,000
5	35,001		40,000	184,400
1	55,001		60,000	56,129
2	60,001		65,000	126,413
2	70,001		75,000	149,400
1	85,001		90,000	86,567
1	95,001		100,000	100,000
1	100,001		105,000	102,800
3	105,001		110,000	324,712
10	110,001		115,000	1,130,987
2	145,001		150,000	298,530
2	150,001		155,000	305,318
1	155,001		160,000	159,160
1	160,001		165,000	162,500
1	205,001		210,000	209,972
1	225,001		230,000	227,000
1	240,001		245,000	240,750
1	295,001		300,000	299,600
1	305,001		310,000	306,062
1	365,001		370,000	369,973
1	370,001		375,000	373,002
1	380,001		385,000	382,232
1	395,001		400,000	399,431
1	420,001		425,000	420,304
1	545,001		550,000	546,682
1	550,001		555,000	553,840
2	695,001		700,000	1,397,122
1	700,001		705,000	700,498
1304				10,700,000

5. Categories of shareholders	Shares held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	217,929	2.036720%
5.2 Associated Companies, undertakings and related parties. (Parent Company)	0	0.000000%
5.3 NIT and ICP	708,398	6.620542%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	104,899	0.980364%
5.5 Insurance Companies	420,304	3.928075%
5.6 Modarabas and Mutual Funds	11,235	0.105000%
5.7 Share holders holding 10%	0	0.000000%
5.8 General Public	9,155,086	85.561551%
a. Local		
b. Foreign		
5.9 Others (to be specified)		
1- Joint Stock Companies	15,615	0.145935%
2- Pension Funds	64,042	0.598523%
3- Others Companies	2,492	0.023290%

**CATAGORIES OF SHAREHOLDING REQUIRED UNDER CODE OF COPRRORATE GOVERNANCE (CCG)  
AS ON JUNE 30, 2013**

Sr. No.	Name	No. of Shares Held	Percentage
---------	------	--------------------	------------

**Associated Companies, Undertakings and Related Parties (Name Wise Detail):** - -

**Mutual Funds (Name Wise Detail)** - -

**Directors and their Spouse and Minor Children (Name Wise Detail):**

1	MIAN TAYYAB IQBAL	130,929	1.2236%
2	MRS. TAYYABA WASEEM	74,600	0.6972%
3	MIAN TAHIR IQBAL	10,000	0.0935%
4	MISS RABIA IQBAL	1,400	0.0131%
5	MRS. RUKHSANA ARIF	500	0.0047%
6	KHAWAJA IFTIKHAR-UD-DIN	500	0.0047%
7	MR. MUHAMMAD ASIF (NIT NOMINEE)	-	0.0000%

**Executives:** 1,607,764 15.0258%

**Public Sector Companies & Corporations:** - 0.0000%

**Banks, Development Finance Institutions, Non Banking Finance** 600,480 5.6120%

**Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:**

**Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)**

S. No.	NAME	Holding	%Age
1	MIAN HASSAN BARKAT	927,230	8.6657%
2	MIAN HUSSAIN BARKAT	907,864	8.4847%
3	NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND (CDC)	700,498	6.5467%
4	MIAN IQBAL BARKAT	699,900	6.5411%
5	MIAN FAROOQ BARKAT	616,211	5.7590%

**All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:**

S. No.	NAME	SALE	PURCHASE
1	MIAN TAYYAB IQBAL (CDC)	1,500	0



## FINANCIAL HIGHLIGHTS

### Seven Years at a Glance

(All amounts in thousand)

Particulars	2013	2012	2011	2010	2009	2008	2007
Turnover (Net) (Rupees)	1,084,470	796,442	1,110,715	724,343	431,304	655,468	492,753
Profit/Loss before taxation (Rupees)	(38,525)	(38,624)	(51,568)	(25,146)	(94,104)	(77,229)	(46,002)
Profit/Loss after taxation (Rupees)	(30,892)	(43,319)	(50,796)	(6,421)	(95,904)	(57,741)	(36,394)
Paid up capital (Rupees)	107,000	107,000	107,000	107,000	107,000	107,000	107,000
Number of Shares (Ordinary Shares)	10,700,000	10,700,000	10,700,000	10,700,000	10,700,000	10,700,000	10,700,000
Owner's equity (Ordinary Shareholders) (Rupees)	(97,743)	(81,627)	(54,699)	18,262	(15,322)	35,660	69,863
Break up value of Share of Rs. 10 each (Rupees)	(9.13)	(7.62)	(5.11)	1.71	(1.43)	3.33	6.53
Earning per share-basic (Rupees)	(2.89)	(4.05)	(4.75)	(0.60)	(8.96)	(5.40)	(3.40)
Total assets (Rupees)	511,660	515,368	528,185	580,858	545,760	682,004	491,048

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KHALID SIRAJ TEXTILE MILLS LIMITED** ('the Company') as at 30th June 2013 and the related profit and loss account / statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose 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 / statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account / statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30th June 2013 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

In forming our opinion on the financial statements, which is not qualified, we draw attention of the members towards -

- i) we have considered the adequacy of the disclosure made in note 3.3 to the financial statements which indicate that the Company incurred a net loss of Rs. 30.892 million (2012: Rs. 43.319 million) resulting in accumulated losses of Rs. 204.743 million (2012: Rs. 188.627 million - as restated) at the close of the year ended 30 June 2013. The Company's current liabilities exceed its current assets by Rs. 62.627 million (2012: Rs. 37.176 million). These conditions along with other matters as set forth in note 3.3 to the financial statements indicate the existence of uncertainty which may cast a significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.
- ii) We could not witness the year end closings carried out by the Company's staff regarding inventory, cash in hand and the cut off procedures, since our appointment was made in the month of September 2013. However, alternate audit test have been applied by us, wherever required, for our verification purposes thereof.

The financial statements of the Company as of 30 June 2012 were audited by Qadeer & Co. Chartered Accountants, whose report dated 05 October 2012, expressed a modified opinion (emphasis of matter paragraph regarding going concern assumption) on those statements.



## BALANCE SHEET AS AT 30 JUNE 2013

	Note	30 / June / 2013 Rupees	(restated) 30 / June / 2012 Rupees	(restated) 30 / June / 2011 Rupees
<b>EQUITY AND LIABILITIES</b>				
<b>Share capital and reserves</b>				
Share capital	5	107,000,000	107,000,000	107,000,000
Accumulated loss		(204,743,080)	(188,626,925)	(161,698,898)
		<u>(97,743,080)</u>	<u>(81,626,925)</u>	<u>(54,698,898)</u>
Surplus on revaluation of property, plant and equipment	6	163,869,982	178,645,674	195,036,185
<b>Non-current liabilities</b>				
Long-term finances	7	193,787,980	200,923,592	212,460,342
Deferred liabilities	8	21,436,083	32,392,607	34,352,508
		<u>215,224,063</u>	<u>233,316,199</u>	<u>246,812,850</u>
<b>Current liabilities</b>				
Trade and other payables	9	146,959,216	86,311,622	67,631,143
Mark-up accrued on borrowings	10	7,461,811	3,542,234	5,024,011
Short-term borrowings	11	71,286,334	95,179,352	68,379,275
Current portion of long-term finances	12	4,602,122	-	-
		<u>230,309,483</u>	<u>185,033,208</u>	<u>141,034,429</u>
Contingencies and commitments	13	-	-	-
		<u>511,660,448</u>	<u>515,368,156</u>	<u>528,184,566</u>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	14	326,386,507	349,924,018	388,862,098
Long-term deposits	15	1,941,000	1,936,000	1,979,700
Long-term advances	16	15,650,727	15,650,727	15,650,727
		<u>343,978,234</u>	<u>367,510,745</u>	<u>406,492,525</u>
<b>Current assets</b>				
Stores, spare parts and loose tools	17	36,159,325	37,649,062	38,824,540
Stock in trade	18	69,964,550	59,052,936	24,991,842
Trade debts	19	9,324,768	8,519,036	8,435,220
Loans and advances	20	667,993	922,591	174,409
Trade deposits and short-term prepayments	21	882,815	915,245	2,228,952
Balances due from government	22	44,633,050	36,953,186	41,344,573
Cash and bank balances	23	6,049,713	3,845,355	5,692,505
		<u>167,682,214</u>	<u>147,857,411</u>	<u>121,692,041</u>
		<u>511,660,448</u>	<u>515,368,156</u>	<u>528,184,566</u>

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



## PROFIT AND LOSS ACCOUNT / STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	30 / June / 2013 Rupees	30 / June / 2012 Rupees
Sales (net)	24	1,084,470,360	796,441,685
Cost of sales	25	1,088,158,855	805,159,595
Gross loss		<u>(3,688,495)</u>	<u>(8,717,910)</u>
Other operating income	26	3,447	-
		<u>(3,685,048)</u>	<u>(8,717,910)</u>
Distribution and marketing cost	27	1,988,055	1,962,209
Administrative and general expenses	28	14,346,285	12,475,626
Other operating expenses	29	1,211,000	650,320
Finance cost	30	17,295,027	14,818,142
		34,840,367	29,906,297
Loss before taxation		(38,525,415)	(38,624,207)
Taxation	31	7,633,568	(4,694,331)
Loss after taxation		<u>(30,891,847)</u>	<u>(43,318,538)</u>
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		<u><u>(30,891,847)</u></u>	<u><u>(43,318,538)</u></u>
Loss per share (basic and anti-dilutive)	32	<u><u>(2.89)</u></u>	<u><u>(4.05)</u></u>

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



## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	30 / June / 2013 Rupees	30 / June / 2012 Rupees
<b>A Cash flow from operating activities</b>			
Loss before taxation		(38,525,415)	(38,624,207)
Add / (Less): Adjustment for non-cash items:			
Depreciation on property, plant and equipment	14.3	31,626,932	34,864,258
Provision for employee retirement benefits	8.1	4,798,106	4,184,784
Impairment / loss on disposal of operating assets	29	1,211,000	650,320
Finance cost	30	17,295,027	14,818,142
		54,931,065	54,517,504
Operating profit before working capital changes		16,405,650	15,893,297
Working capital changes			
(Increase) / Decrease in current assets			
Stores, spare parts and loose tools		1,489,737	1,175,478
Stock in trade		(10,911,614)	(34,061,094)
Trade debts		(805,732)	(83,816)
Loans and advances		254,598	(748,182)
Trade deposits and short-term prepayments		32,430	1,313,707
Balances due from government		(409,098)	(1,077,333)
Increase / (Decrease) in trade and other payables		60,647,594	18,680,479
		50,297,915	(14,800,761)
Net cash generated from operations		66,703,565	1,092,536
Income taxes paid	22.1	(12,752,877)	(2,505,445)
Employee retirement benefits paid	8.1	(2,638,950)	(2,864,851)
Finance cost paid		(13,375,450)	(16,299,917)
<b>Net cash generated from / (used in) operating activities</b>		<b>37,936,288</b>	<b>(20,577,677)</b>
<b>B Cash flow from investing activities</b>			
Fixed capital expenditure	14.1	(10,065,422)	(326,500)
Proceeds from impairment / disposal of operating assets	14.5	765,000	3,750,000
(Increase) / Decrease in long-term deposits	15.1	(5,000)	43,700
<b>Net cash out flow in investing activities</b>		<b>(9,305,422)</b>	<b>3,467,200</b>
<b>C Cash flow from financing activities</b>			
Repayment (net) of long-term finances		(2,533,490)	(11,536,750)
(Repayment) / Proceeds (net) of short-term borrowings		(23,893,018)	26,800,077
<b>Net cash out flow in financing activities</b>		<b>(26,426,508)</b>	<b>15,263,327</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>		<b>2,204,358</b>	<b>(1,847,150)</b>
Cash and cash equivalents at beginning of the year	23	3,845,355	5,692,505
Cash and cash equivalents at end of the year	23	6,049,713	3,845,355

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



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

	Share Capital	Accumulated Loss ----- Rupees -----	Total Equity
As at 30 June 2011 - previously reported	107,000,000	(147,700,267)	(40,700,267)
Cumulative effects of retrospective restatement of prior period error referred in note 33	-	(13,998,631)	(13,998,631)
<b>As at 30 June 2011 - restated</b>	<b>107,000,000</b>	<b>(161,698,898)</b>	<b>(54,698,898)</b>
Total comprehensive loss for the year	-	(43,318,538)	(43,318,538)
Incremental depreciation on revaluation of property, plant and equipment for the year (net of deferred taxation)	-	16,390,511	16,390,511
<b>As at 30 June 2012 - restated</b>	<b>107,000,000</b>	<b>(188,626,925)</b>	<b>(81,626,925)</b>
Total comprehensive loss for the year	-	(30,891,847)	(30,891,847)
Incremental depreciation on revaluation of property, plant and equipment for the year (net of deferred taxation)	-	14,775,692	14,775,692
<b>As at 30 June 2013</b>	<b><u>107,000,000</u></b>	<b><u>(204,743,080)</u></b>	<b><u>(97,743,080)</u></b>

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



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2013

### 1 STATUS AND ACTIVITIES

"Khalid Siraj Textile Mills Limited (the "Company") was incorporated in Pakistan as a public limited company on 17 January 1988 under the Companies Ordinance, 1984 and is quoted on Karachi and Lahore Stock Exchanges in Pakistan. Registered office of the Company is situated at 467 M, Model Town Extension, Lahore. The project of the Company is located at 48 KM, Lahore Multan Road, Phool Nagar (Bhai Pheru), Tehsil Pattoki, District Kasur. The principle business of the Company is manufacturing and sale of yarn and the other related / allied operations."

### 2 STATEMENT OF COMPLIANCE

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

2.2 International Financial Reporting Standards (IFRSs), interpretations and amendments to approved accounting standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements:

a) Initial application of International Financial Reporting Standards (IFRSs), interpretations and amendments to published approved accounting standards that are effective in the current year

IAS 1 IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

IAS 16 IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on financial statements of the Company.

IAS 34 IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

IAS 34 IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

IAS 32 IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

IFRIC 20 IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

IFRIC 21 IFRIC 21- Levies an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

IAS 39 IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

IAS 36 Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.



- b) International Financial Reporting Standards (IFRSs), interpretations and amendments that are effective in current year but are not relevant

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2013, but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

- c) IFRSs, IFRIC interpretations and accounting standards not yet effective and have not been early adopted by the Company

Following IFRSs, interpretations and amendments to existing accounting standards have been published that are mandatory and relevant for the accounting periods beginning on the dates mentioned below:

IAS 28 IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

IAS 19 IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss.

Currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Company.

IAS 27 IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12-Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

IFRS 7 Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 Contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

The Company expect that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than certain changes and enhancements in presentation and disclosures.

### 3 BASIS OF PREPARATION

#### 3.1 Measurement

These financial statements have been prepared under historical cost convention modified by:

- financial instruments at fair value;
- employee retirement benefits at present value; and
- revaluation of certain items of property, plant and equipment.

#### 3.2 Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on various factors that are believed to be reasonable under circumstances, results of which form the basis of making judgments about the carrying value 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. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in ensuing paragraphs.



- a) Depreciation method, rates and useful lives of property, plant and equipment (note 14)  
The management of the Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.
- b) Revaluation of property, plant and equipment (note 6)  
Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.
- c) Employee benefits (note 8.1)  
The Company's obligation under the defined benefit plan is based on valuation carried out periodically by independent actuaries. The valuation requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation.
- d) Recoverable amount of assets/cash generating units and impairment (note 14)  
The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes estimates of recoverable amount if there is such indication.
- e) Taxation (note 31)  
The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.
- f) Provisions (note 9)  
Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.
- g) Contingencies (note 13)  
The Company reviews status of all legal cases on regular basis. Based on the expected outcome and legal advisor's judgments, appropriate provision is made in the financial statements.

### 3.3 Going concern assumption

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

The Company incurred a net loss of Rs. 30.892 million (2012: Rs. 43.319 million) resulting in accumulated losses of Rs. 204.743 million (2012: Rs. 188.627 million - as restated) at the close of the year ended 30 June 2013. The Company's current liabilities exceed its current assets by Rs. 62.627 million (2012: Rs. 37.176 million).

The Company managed its liquidity constraints largely thru financing from its sponsors. The Company's ability to continue as a going concern is dependent on continued financing from sponsors.

"The management is confident that due to positive market indicators and improved efficiency, there is every likelihood that the Company will show improved performance in the coming years. To achieve the same, following measures were taken -a) Related parties of the Company have agreed to continue financing the operations; and b) Switching over from manufacturing of fine cotton yarn counts to course yarn counts. In view of the above, the management believes that the Company will continue as a going concern and hence these financial statements have been prepared accordingly."

### 3.4 Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is Company's functional and presentation currency.

## 4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been adopted and applied consistently to the period presented in the preparation of these financial statements:

### 4.1 Property, plant and equipment

Property, plant and equipment except freehold land is stated at cost / revalued amounts (if any) less accumulated depreciation and impairment in value, if any. Freehold land is stated at revalued amount. Capital work in progress and stores held for capital expenditure are stated at cost less accumulated impairment losses, if any. Cost also includes borrowing costs wherever applicable.

Assets' residual values, if significant and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. When parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

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.

Depreciation is charged to profit and loss account applying reducing balance method over estimated useful life at the rates specified in note 14 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which they are available for use while no depreciation is charged for the month in which property, plant and equipment is disposed off. The useful lives and depreciation methods are reviewed on periodic intervals to ensure that the methods and period of depreciation charged during the year are consistent with the expected pattern of economic benefits.

Surplus arising on revaluation of property, plant and equipment 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 its un-appropriated profit.

Exchange differences in respect of foreign currency loans obtained for acquisition of property, plant and equipment are incorporated in the cost of the relevant assets. Gains or losses on disposal of property, plant and equipment, if any, are recognized in the income of the relevant year, as and when incurred.

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

- a) **Current**  
The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any or minimum taxation at the rate of one half percent of the gross turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.
- b) **Deferred**  
Deferred taxation if applicable, is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amount for financial reporting purposes. In this regard the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirements of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan.  
Deferred income tax liability is recognized for all taxable temporary differences. Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.  
Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied 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.  
Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity, in that case it is included in equity.

#### 4.4 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Subsequent to initial recognition, borrowings are stated at originally recognized amount less subsequent repayments, while the difference between the original recognized amount as reduced by periodic payments and redemption value is recognized in the profit and loss account over the period of borrowings on an effective rate basis. Finance cost are accounted for on an accrual basis and are included in interest accrued on loans to the extent of amount remaining unpaid, if any.

#### 4.5 Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortized cost as the case may be.

- a) **Classification**  
The Company classifies each of its financial assets and liabilities into one of the categories provided under International Accounting Standard - 39 "Financial Instruments, Recognition and Measurement". The classifications depend on the purpose for which the financial assets and liabilities are acquired or incurred. Management of the Company determines the classification of its financial assets and liabilities at initial recognition. As at the reporting date, all financial assets and financial liabilities of the Company are classified as "Loans and Receivables" and "Financial Liabilities at Amortized Cost" respectively. The Company does not hold financial assets and liabilities in any of the other categories as at the reporting date.
- b) **Loans and receivables**  
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets. The Company's loans and receivables comprise advances, deposits, trade and other receivables, and cash equivalents. Regular way purchases and sales of financial assets are recognized on trade dates.
- c) **Financial liabilities at amortized cost**  
Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as non-current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities. The Company's financial liabilities at amortized cost comprise trade and other payables, and borrowings.
- d) **Recognition / Measurement / De-recognition**  
A financial instrument is recognized when Company becomes a party to contractual provisions of the instrument. Particular measurement method adopted is disclosed in individual policy statement associated with each instrument. A financial liability is de-recognized when the Company's obligations specified in the contract expire or are discharged or cancelled. Gains or losses arising on de-recognition are recognized in profit or loss.

- e) **Off-setting of financial assets and liabilities**  
A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.
- 4.6 **Cash and cash equivalents**  
Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.
- 4.7 **Trade debts and other receivables**
- a) **Financial assets**  
These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.
- b) **Non-financial assets**  
These on initial recognition and subsequently are measured at cost.
- 4.8 **Trade and other payables**
- a) **Financial liabilities**  
These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.
- b) **Non-financial liabilities**  
These on initial recognition and subsequently are measured at cost.
- 4.9 **Provisions**  
Provisions are recognized in the balance sheet when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.
- 4.10 **Borrowing cost**  
Borrowing costs directly attributable to acquisition, construction / production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit and loss account.
- 4.11 **Foreign currency translations**  
Transactions in currencies other than Pakistani Rupees are recorded at rates of exchange prevailing on the dates of transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities in that case, the rates contracted for are used. Gains and losses arising on translation are included in profit and loss account.
- 4.12 **Employee benefits**
- a) **Short-term employee benefits / Compensated absences**  
The Company provides for compensated absences of its employees on unavailed balance of leaves according to the Company's policy in the period in which the leaves are earned. Charge for the year is included in profit and loss account.
- b) **Post-employment benefits**  
The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss. The amount recognized on balance sheet represents the present value of defined benefit obligation. Actuarial gains or losses are recognized in profit or loss per minimum recommended approach. The details of the scheme are referred to in note 8.1 to the financial statements.
- 4.13 **Ordinary share capital**  
Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.
- 4.14 **Stores, spare parts and loose tools**  
These are normally held for internal use and valued at moving average cost less allowances for obsolete and slow moving items except stores in transit which are valued at invoice values plus other charges incurred thereon up to the balance sheet date. For items which are slow moving and/ or identified as surplus to the Company's requirements, adequate impairment is recognized. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence.
- 4.15 **Stock-in-trade**  
Basis of valuations are as follows:
- | Particulars                 | Mode of Valuation  |
|-----------------------------|--|
| Raw material - at warehouse | at lower of weighted average cost and net realizable value |
| Raw material - in transit   | at cost accumulated to the balance sheet date              |
| Work-in-process             | at estimated manufacturing cost                            |
| Finished goods              | at lower of cost and net realizable value                  |
| Waste                       | at realizable value  |
- Cost in relation to work-in-process and finished goods represents average manufacturing cost which consists of prime cost and proportion of manufacturing overheads based on normal capacity. Net realizable value signifies selling price in ordinary course of business less estimated costs of completion and estimated cost necessary to make the sale.



- 4.16 Revenue recognition  
Revenue is measured at the fair value of the consideration received or receivable and represent amounts receivable for goods and services provided in the normal course of business.
- Revenue is recognized when goods are dispatch and title has been passed to the customers.  
Export rebate is recognized on accrual basis at the time of making the export sale.  
Profit on saving account is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective profit rate applicable.
- 4.17 Impairment
- a) 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. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.
- b) Non-financial assets  
The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment losses are recognized as expense in the profit and loss account.  
An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. For nonfinancial assets, financial assets measured at amortized cost, available-for-sale financial assets that are debt securities, the reversal is recognized in profit and loss account.
- 4.18 Comprehensive income  
"Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of comprehensive income'."
- 4.19 Earnings per share ("EPS")  
The Company calculates both basic and diluted EPS in accordance with IAS 33 "Earnings per Share". Under IAS 33, basic EPS is computed using weighted average number of shares outstanding during the year. Diluted EPS is computed using weighted average number of shares outstanding plus dilutive effect of stock options outstanding during the year.
- 4.20 Dividend distribution  
Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed, in the Company's financial statements in the year in which the dividends are approved by Company's shareholders.
- 4.21 Related party transactions  
Related party transactions are carried out on an arm's length basis. Pricing for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller. The accounting methods adopted for various types of transactions and balances with related parties are as follows:
- a) Sale of goods and services  
Revenue from sale of goods and services to related parties is recognized in accordance with the revenue recognition policy of the Company for such transactions. Receivables against sale of goods outstanding at the reporting date are carried at amortized cost in accordance with the accounting policy of the Company for such balances.
- b) Purchases of goods and services  
Purchases of goods from related parties are recognized at actual cost to the Company. Payables against purchases from related parties outstanding at the reporting date are carried at amortized cost in accordance with the accounting policy of the Company for such balances.
- c) Dividend distribution  
Distribution to related parties having shareholding in the Company is recognized in accordance with the accounting policy of the Company for dividend distribution to ordinary shareholders.
- 4.22 Determination of fair value  
A number of Company's accounting policies require determination of fair value, for both financial and non-financial assets and liabilities. Fair values of assets and liabilities is determined as follows:
- a) Trade and other receivables / payables  
The fair value of trade and other receivables / payables is estimated as the present value of future net cash in / out flows, discounted at the market rate of interest at the reporting date.
- b) Borrowings  
The fair value of borrowings is determined using effective interest method.
- 4.23 Figures  
Figures have been rounded off to the nearest of rupee.



	30 / June / 2013	30 / June / 2012	30 / June / 2013	30 / June / 2012
	----- Number of shares -----		Rupees	Rupees
<b>5 SHARE CAPITAL</b>				
<b>Authorized capital</b>				
Ordinary shares of Rs. 10 each	<u>12,000,000</u>	<u>12,000,000</u>	<u>120,000,000</u>	<u>120,000,000</u>
<b>Issued subscribed and paid up capital</b>				
Ordinary shares of Rs. 10 each				
- fully paid in cash	10,000,000	10,000,000	100,000,000	100,000,000
- fully paid as bonus shares	<u>700,000</u>	<u>700,000</u>	<u>7,000,000</u>	<u>7,000,000</u>
	<u>10,700,000</u>	<u>10,700,000</u>	<u>107,000,000</u>	<u>107,000,000</u>

5.1 There is no movement in capital of the Company during the year

5.2 The Company has only one class of ordinary shares which carry no right to fixed income.

**6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**

	<i>At beginning of the year</i>	<i>Incremental depreciation (net of deferred tax)</i>	<i>At end of the year</i>
	----- Rupees -----		
<b>6.1 Reconciliation of carrying values at end of year - 30 June 2013</b>			
Freehold land	26,284,453	-	26,284,453
Building on freehold land			
- Factory	34,321,813	(3,432,181)	30,889,632
- Others	9,208,593	(460,429)	8,748,164
	43,530,406	(3,892,610)	39,637,796
Plant and machinery	98,997,206	(9,899,721)	89,097,485
Electric installations	4,435,706	(443,570)	3,992,136
Laboratory equipment	5,397,903	(539,791)	4,858,112
	<u>178,645,674</u>	<u>(14,775,692)</u>	<u>163,869,982</u>
<b>6.2 Reconciliation of carrying values at end of year - 30 June 2012 (as re-stated)</b>			
Freehold land	26,284,453	-	26,284,453
Building on freehold land			
- Factory	38,135,348	(3,813,535)	34,321,813
- Others	9,693,256	(484,663)	9,208,593
	47,828,604	(4,298,198)	43,530,406
Plant and machinery	109,996,895	(10,999,689)	98,997,206
Electric installations	4,928,563	(492,857)	4,435,706
Laboratory equipment	5,997,670	(599,767)	5,397,903
	<u>195,036,185</u>	<u>(16,390,511)</u>	<u>178,645,674</u>

6.3 The Company, revalued its freehold land, buildings on freehold land and plant and machinery on 30 June 2010. The said revaluation exercise was carried-out to replace the carrying amounts of assets with the market values / depreciated market values. Previous revaluation exercise was conducted by independent valuers on 30 September 2001 and 30 April 2008.

The revaluation exercise was carried out by independent valuers M/s. Al-Noor Consultants & Evaluators (who are on the list of approved valuers of Pakistan Banks' Association, the same revaluation exercise is also certified by M/s. Avais Hyder Liaquat Nauman, Chartered Accountants) and revaluation adjustments were incorporated.



6.4 In accordance with the amendment introduced in Section 235 of the Ordinance and subsequent notifications of SECP, an amount equal to incremental depreciation for the year has been transferred to unappropriated profit to record realization of surplus to the extent of incremental depreciation charged.

6.5 The basis of revaluation are as under:

Freehold land	The value of land is based on inquiries in the activity of land and also information obtained from different sources in the area.
Buildings on freehold land (both factory and non-factory)	The value of building is based on information of construction details, covered areas and quality of constructions were noted and new rate of construction per square foot was determined based upon estimates of balance life to arrive at new construction value.
Plant and machinery (inclusive of electric and lab equipments)	The value is based on inquiries from the local market, market based comparisons and setting price of machinery to obtain prevalent replacement values of similar local and imported machinery items.

	30 / June / 2013 Rupees	30 / June / 2012 Rupees
<b>7 LONG-TERM FINANCES</b>		
<i>From related parties (current and prior) - unsecured</i>		
Sponsors - note 7.1	30,400,000	30,400,000
Sponsors' uncalled dividends - note 7.2	24,058,182	24,058,182
Previous associated undertakings - note 7.3	32,329,798	32,329,798
	86,787,980	86,787,980
Ex-directors		
Long-term loan - note 7.5	111,602,122	114,135,612
Less: Current portion - note 12	(4,602,122)	-
	107,000,000	114,135,612
	193,787,980	200,923,592

7.1 Loan from sponsors  
These represents unsecured loan from sponsors of the Company. The terms of repayment has not yet been decided so far. The above loan along with uncalled dividends is subjudice before the Honorable Lahore High Court, Lahore (also refer note 7.2).

7.2 Sponsors' uncalled dividends  
These represents uncalled dividends by sponsors of the Company. The above uncalled dividend alongwith loans from sponsors is subjudice before the Honorable Lahore High Court, Lahore (also refer note 7.1).

7.3 Previous associated undertakings  
This represents unsecured loans from various companies which were previously associated undertakings but now have been allocated by the Honorable Lahore High Court, Lahore to other families of ex-Ittefaq group. This amount includes principal amount of Rs. 13.440 million (2012: Rs. 13.440 million) and mark-up accrued on said loans amounting to Rs. 18.890 million (2012: Rs. 18.890 million). The matter is still pending adjudication.

7.4 The legal council of the Company is of the view that these cases are not expected to be resolved / decided within next twelve months and as such the current maturities of the same have not been presented.

7.5 Long-term loans from ex-directors  
These represents unsecured and interest free loans from chief executive officer, directors and sponsors. The terms of repayment has not yet been decided so far, however, the directors and sponsors have given undertaking that they have no intention to demand such loan within period of next twelve months, as such the current maturity has not been presented.



		30 / June / 2013	30 / June / 2012
		Rupees	Rupees
<b>8 DEFERRED LIABILITIES</b>			
Employee retirement benefits	- note 8.1	10,697,535	8,538,379
Deferred taxation	- note 8.2	10,738,548	23,854,228
		<u>21,436,083</u>	<u>32,392,607</u>

**8.1 Employee retirement benefits**

*The amount recognized in balance sheet is as follows:*

Present value of defined obligation	7,689,588	8,557,124
Unrecognized actuarial gains / (losses)	3,007,947	(18,745)
Net liability at end of the year	<u>10,697,535</u>	<u>8,538,379</u>
Net liability at beginning of the year	8,538,379	7,218,446
Add: Charge to profit and loss account	4,798,106	4,184,784
Less: Payments made during the year to outgoing members	(2,638,950)	(2,864,851)
	<u>10,697,535</u>	<u>8,538,379</u>

*The movement in present value of defined benefit obligations is as under:*

At beginning of the year	8,557,124	7,237,191
Current service cost	3,600,109	3,125,292
Interest cost	1,197,997	1,059,492
Benefits paid	(2,638,950)	(2,864,851)
Actuarial (gains)	(3,026,692)	-
At end of the year	<u>7,689,588</u>	<u>8,557,124</u>

*The movement in unrecognized actuarial gains / (losses) is as under:*

At beginning of the year	(18,745)	(18,745)
Actuarial gains during the year	3,026,692	-
At end of the year	<u>3,007,947</u>	<u>(18,745)</u>

*Charge to profit and loss account*

Current service cost	3,600,109	3,125,292
Interest cost	1,197,997	1,059,492
	<u>4,798,106</u>	<u>4,184,784</u>

*Principal actuarial assumptions*

Present value of obligation has been determined using projected unit credit method. The liability is based on actuarial valuation carried out by independent valuers. The assumptions used are:

	30 / June / 2013	30 / June / 2012
Discount rate	10.50%	7.50%
Expected rates of increase in salary	9.50%	8.00%
Expected average remaining working lives of employees	4 years	5 years

*Historical information*

Comparison of present value of defined benefit obligations and experience adjustments on obligations for four years is as follows:

	30 / June / 2013	30 / June / 2012	30 June 2011	30 June 2010
	----- Rupees -----			
Present values	7,689,588	8,557,124	7,567,801	6,143,913
Experience adjustments	(3,026,692)	-	78,987	(321,876)

The Company's policy with regard to actuarial gains / losses is to follow the minimum recommended approach under IAS 19 "Employee Benefits".

		30 / June / 2013	30 / June / 2012
		Rupees	Rupees
<b>8.2</b>	<b>Deferred taxation</b>		
	This comprise of the following:		
	<b>Deferred tax liability on taxable temporary differences</b>		
	Accelerated tax depreciation on property, plant and equipment	20,208,472	19,988,324
	Surplus on revaluation of property, plant and equipment	74,084,515	82,040,658
	<b>Deferred tax asset on deductible temporary differences</b>		
	Employee retirement benefits	(3,735,900)	(2,988,433)
	Unused tax losses	(79,818,539)	(75,186,321)
		<u>10,738,548</u>	<u>23,854,228</u>
	<b>Charge to profit and loss account</b>		
	Deferred tax - note 31	<u>(13,115,680)</u>	<u>(3,279,834)</u>
<b>9</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Trade creditors - note 9.1	100,419,004	55,623,693
	Advances from customers	10,018,542	12,766,178
	Accrued liabilities	34,080,629	16,756,609
	Withholding taxes payable	1,741,041	665,142
	Securities payable	500,000	500,000
	Other payables	200,000	-
		<u>146,959,216</u>	<u>86,311,622</u>
9.1	Trade creditors		
	This includes normal trade credits against purchase of raw cotton and yarn from M/s. Barkat Textile Mills Limited amounting to Rs. Nil (2012: Rs. 14.191 million). Maximum aggregate balance outstanding at the end of any month during the year is Rs. 14.191 million (2012: Rs. 19.434 million).		
9.2	Workers profit participation fund / Workers' welfare fund		
	As the Company is in loss for the year as in last year, hence no provision for workers' profit participation fund and 'workers' welfare fund' has been provided in these financial statements.		
<b>10</b>	<b>MARK-UP ACCRUED ON BORROWINGS</b>		
	Short-term borrowings	7,461,811	3,542,234
		<u>7,461,811</u>	<u>3,542,234</u>
	----- Sanctioned Limits -----	----- Amount Availed -----	
	30 / June / 2013	30 / June / 2012	30 / June / 2013
	Rupees	Rupees	Rupees
<b>11</b>	<b>SHORT-TERM BORROWINGS</b>		
	Cash finances - note 11.1	160,000,000	160,000,000
	FATR - note 11.2	15,000,000	15,000,000
		<u>175,000,000</u>	<u>175,000,000</u>
	Book overdrawn	-	-
		<u>3,067,274</u>	<u>23,681,295</u>
		<u>175,000,000</u>	<u>175,000,000</u>
		<u>68,219,060</u>	<u>71,498,057</u>
		<u>71,286,334</u>	<u>95,179,352</u>

11.1 Cash finances

This facility has been obtained from National Bank of Pakistan for working capital requirements, and is secured by way of first pari passu charge amounting to Rs. 67.00 million over the fixed assets of the Company, ranking charge amounting to Rs. 178.33 million over the current assets of the Company, pledge of stocks of cotton bales and yarn and personal guarantees of sponsoring directors of the Company. This facility carries mark-up at the rate of 3 months KIBOR plus 300 bps (2012: 3 months KIBOR plus 300 bps) per annum with a floor of 5.50% payable on quarterly basis. This facility had expired on 31 December 2012 and had not been renewed by the bank till the authorization for issue of these financial statements.

11.2 Finance against trust receipts (FATR)

This facility has been obtained from National Bank of Pakistan for cotton procurement, and is secured by way of first pari passu charge amounting to Rs. 15.00 million on current assets of the Company, trust receipts duly executed by the Company and personal guarantees of sponsoring directors of the Company. This facility carries mark-up at the rate of 3 months KIBOR plus 300 bps (2012: 3 months KIBOR plus 300 bps) per annum. This facility had expired on 31 December 2012 and had not been renewed by the bank till the authorization for issue of these financial statements.

		<u>30 / June / 2013</u>	<u>30 / June / 2012</u>
		Rupees	Rupees
<b>12</b>	<b>CURRENT PORTION OF LONG-TERM FINANCES</b>		
	Long-term finances (from ex-directors) - note 7.5	<u>4,602,122</u>	<u>-</u>
<b>13</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
	<b>Contingencies</b>		
	Guarantees issued on behalf of the Company by financial institutions	507,100	507,100
	Unavailed letters of credit (sight) facility	20,000,000	20,000,000
		<u>20,507,100</u>	<u>20,507,100</u>

The Company is in litigation as regard to balances payable to sponsors amounting to Rs. 30.40 million (2012: Rs. 30.40 million), uncalled dividends of sponsors amounting to Rs. 24.06 million (2012: Rs. 24.06 million), previous associated undertakings amounting to Rs. 32.33 million (2012: Rs. 32.33 million) and balance receivable from previous associated undertakings amounting to Rs. 15.65 million (2012: Rs. 15.65 million). The said matters are subjudice with the Honorable Lahore High Court, Lahore.

Short-term borrowing facilities from National Bank of Pakistan have not been renewed by the financial institution during the year. The Company is in process of negotiations as to various terms of facilities and shall be renewed shortly.

Other than above, there is no known contingent liability of the Company as on year end (2012: Nil).

**Commitments**

There are no outstanding commitments of the Company as on year end (2012: Nil).

14 **PROPERTY, PLANT AND EQUIPMENT**  
14.1 Reconciliation of carrying values at end of the year - 30 June 2013

PARTICULARS	COST / REVALUED AMOUNTS			DEPRECIATION			BOOK VALUE		Annual rate of dep. % age
	As at 1/July/2012	As at 30/June/2013	As at 1/July/2012	Adjustments in depreciation	Charge for the year	As at 30/June/2013	As at 30/June/2013		
	As at 1/July/2012	As at 30/June/2013	As at 1/July/2012	Adjustments in depreciation	Charge for the year	As at 30/June/2013	As at 30/June/2013		
Freehold land									
Cost	1,064,297	1,064,297	-	-	-	-	1,064,297	-	-
Revaluation	26,284,453	26,284,453	-	-	-	-	26,284,453	-	-
	27,348,750	27,348,750	-	-	-	-	27,348,750	-	-
Factory building on freehold land									
Cost	33,735,504	32,841,298	(2,710,563)	23,415,293	834,421	23,515,151	9,326,147	10	10
Revaluation	92,860,508	92,860,508	-	40,057,719	5,280,279	45,337,998	47,522,510	10	10
	126,596,012	125,701,806	(734,563)	63,473,012	6,114,700	68,853,149	56,848,657		
Non-factory building on freehold land									
Cost	7,380,828	7,380,828	-	5,344,562	101,813	5,446,375	1,934,453	5	5
Revaluation	16,869,044	16,869,044	-	2,701,978	708,353	3,410,331	13,458,713	5	5
	24,249,872	24,249,872	-	8,046,540	810,166	8,856,706	15,393,166		
Plant and machinery									
Cost	309,667,076	315,712,974	-	240,477,958	7,124,392	247,602,350	68,110,624	10	10
Revaluation	300,795,024	300,795,024	-	148,491,629	15,230,340	163,721,969	137,073,055	10	10
	610,462,100	616,507,998	-	388,969,587	22,354,732	411,324,319	205,183,679		
Electric installations									
Cost	5,965,235	6,881,121	-	4,228,379	220,220	4,448,599	2,432,522	10	10
Revaluation	16,214,684	16,214,684	-	9,390,520	682,416	10,072,936	6,141,748	10	10
	22,179,919	23,095,805	-	13,618,899	902,636	14,521,535	8,574,270		
Laboratory equipment									
Cost	6,692,987	6,692,987	-	6,087,451	60,554	6,148,005	544,982	10	10
Revaluation	18,295,338	18,295,338	-	9,990,873	830,447	10,821,320	7,474,018	10	10
	24,988,325	24,988,325	-	16,078,324	891,001	16,969,325	8,019,000		
Tools and equipment									
Concrete mixer	154,960	154,960	-	141,284	1,368	142,652	12,308	10	10
Weighing scales	300,000	300,000	-	273,752	2,625	276,377	23,623	10	10
Furniture and fixtures	233,200	233,200	-	211,074	2,213	213,287	19,913	10	10
Tube well	6,321,807	7,609,088	-	4,389,503	239,299	4,628,802	2,980,286	10	10
Arms and ammunition	1,292,880	1,292,880	-	588,677	70,420	659,097	633,783	10	10
Bicycles	27,350	27,350	-	21,698	565	22,263	5,087	10	10
Motor vehicles	11,880	11,880	-	11,321	112	11,433	447	20	20
	13,834,767	13,834,767	-	12,254,134	237,095	12,491,229	1,343,538	15	15
<b>Total - 30/June/2013</b>	<b>858,001,822</b>	<b>865,356,681</b>	<b>(2,710,563)</b>	<b>508,077,805</b>	<b>31,626,932</b>	<b>538,970,174</b>	<b>326,386,507</b>		

14.2 Reconciliation of carrying values at beginning of the year - 30 June 2012

PARTICULARS	COST / REVALUED AMOUNTS			DEPRECIATION			BOOK VALUE		Annual rate of dep. % age
	As at 1/July/2011	As at 30/June/2012	Disposals for the year	As at 1/July/2011	Adjustments in depreciation	Charge for the year	As at 30/June/2012	As at 30/June/2012	
Freehold land									
Cost	1,064,297	1,064,297	-	-	-	-	-	1,064,297	-
Revaluation	26,284,453	26,284,453	-	-	-	-	-	26,284,453	-
	27,348,750	27,348,750	-	-	-	-	-	27,348,750	-
Factory building on freehold land									
Cost	33,735,504	33,735,504	-	22,268,603	-	1,146,690	23,415,293	10,320,211	10
Revaluation	92,860,508	92,860,508	-	34,190,742	-	5,866,977	40,057,719	52,802,789	10
	126,596,012	126,596,012	-	56,459,345	-	7,013,667	63,473,012	63,123,000	-
Non-factory building on freehold land									
Cost	7,380,828	7,380,828	-	5,237,390	-	107,171	5,344,561	2,036,267	5
Revaluation	16,869,044	16,869,044	-	1,956,343	-	745,635	2,701,978	14,167,066	5
	24,249,872	24,249,872	-	7,193,733	-	852,806	8,046,539	16,203,333	-
Plant and machinery									
Cost	314,402,076	309,667,076	(5,000,000)	233,523,219	(599,680)	7,554,418	240,477,957	69,189,119	10
Revaluation	300,795,024	300,795,024	-	131,569,031	-	16,922,598	148,491,629	152,303,395	10
	615,197,100	610,462,100	(5,000,000)	365,092,250	(599,680)	24,477,016	388,969,586	221,492,514	-
Electric installations									
Cost	5,965,235	5,965,235	-	4,035,396	-	192,984	4,228,380	1,736,855	10
Revaluation	16,214,684	16,214,684	-	8,632,279	-	758,240	9,390,519	6,824,165	10
	22,179,919	22,179,919	-	12,667,675	-	951,224	13,618,899	8,561,020	-
Laboratory equipment									
Cost	6,692,986	6,692,986	-	6,020,170	-	67,282	6,087,452	605,534	10
Revaluation	18,295,338	18,295,338	-	9,068,154	-	922,719	9,990,873	8,304,465	10
	24,988,324	24,988,324	-	15,088,324	-	990,001	16,078,325	8,909,999	-
Tools and equipment									
Concrete mixer	154,960	154,960	-	139,764	-	1,520	141,284	13,676	10
Weighing scales	300,000	300,000	-	270,835	-	2,916	273,751	26,249	10
Furniture and fixtures	233,200	233,200	-	208,615	-	2,458	211,073	22,127	10
Tube well	6,260,307	6,321,807	61,500	4,174,802	-	214,701	4,389,503	1,932,304	10
Arms and ammunition	1,292,880	1,292,880	-	510,432	-	78,246	588,678	704,202	10
Bicycles	27,350	27,350	-	21,070	-	628	21,698	5,652	10
Motor vehicles	11,880	11,880	-	11,181	-	140	11,321	559	20
	13,834,767	13,834,767	-	11,975,199	-	278,935	12,254,134	1,580,633	15
Total - 30/June/2012	862,675,321	858,001,821	(5,000,000)	473,813,225	(599,680)	34,864,258	508,077,803	349,924,018	-

----- Rupees -----

		30 / June / 2013	30 / June / 2012
		Rupees	Rupees
<b>14.3 Depreciation for the year has been allocated as -</b>			
Cost of sales	- note 25	30,678,124	33,818,330
Selling and distribution cost	- note 27	316,269	348,643
Administrative and general expenses	- note 28	632,539	697,285
		<u>31,626,932</u>	<u>34,864,258</u>

**14.4** Had there been no revaluation, the cost, accumulated depreciation and book value of revalued assets at 30 June 2013 and 30 June 2012 would be as under:

**As at 30 June 2013**

	Cost	Accumulated depreciation	Book value
	----- Rupees -----		
Freehold land	1,064,297	-	1,064,297
Buildings on freehold land			
- Factory	32,841,298	23,515,151	9,326,147
- Non factory	7,380,828	5,446,375	1,934,453
Plant and machinery	315,712,974	247,602,350	68,110,624
Electric installations	6,881,121	4,448,599	2,432,522
Laboratory equipment	6,692,987	6,148,005	544,982
	<u>370,573,505</u>	<u>287,160,480</u>	<u>83,413,025</u>

**As at 30 June 2012**

	Cost	Accumulated depreciation	Book value
	----- Rupees -----		
Freehold land	1,064,297	-	1,064,297
Buildings on freehold land			
- Factory	33,735,504	23,415,293	10,320,211
- Non factory	7,380,828	5,344,561	2,036,267
Plant and machinery	309,667,076	240,477,957	69,189,119
Electric installations	5,965,235	4,228,380	1,736,855
Laboratory equipment	6,692,986	6,087,452	605,534
	<u>364,505,926</u>	<u>279,553,643</u>	<u>84,952,283</u>

**14.5** Disposals of property, plant and equipment

*There are no disposals during the year 2013*

*For the year ended 30 June 2012*

Sold to	Cost	Book value	Sale proceeds	Mode of disposal
	----- Rupees -----			
<b>Plant and machinery</b>				
Multipower Engineering	2,500,000	2,200,160	1,650,000	- Negotiations -
Power CAT Systems	2,500,000	2,200,160	2,100,000	- Negotiations -
	<u>5,000,000</u>	<u>4,400,320</u>	<u>3,750,000</u>	





		30 / June / 2013	30 / June / 2012
		Rupees	Rupees
<b>14.6</b>	<b>Impairment loss on property, plant and equipment</b>		
	Book Value		
	Cost	2,710,563	-
	Accumulated depreciation	(734,563)	-
	Net carrying value	1,976,000	-
	Less: Recoverable value	765,000	-
	Impairment loss recognized - note 29	<u>(1,211,000)</u>	-
<b>15</b>	<b>LONG-TERM DEPOSITS</b>		
	Deposits with various institutions - note 15.1	<u>1,941,000</u>	<u>1,936,000</u>
<b>15.1</b>	<b>Deposits with various institutions</b>		
	At beginning of the year	1,936,000	1,979,700
	Add: Deposits during the year	5,000	-
	Less: Refunds received during the year	-	(43,700)
	At end of the year	<u>1,941,000</u>	<u>1,936,000</u>
<p>These are interest free refundable deposits with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.</p>			
<b>16</b>	<b>LONG-TERM ADVANCES</b>		
	Due from previously associated undertakings - note 16.1	<u>15,650,727</u>	<u>15,650,727</u>
<b>16.1</b>	<p>This represents the amount receivable from various companies which were previously associated undertakings but have been allocated by the Honorable Lahore High Court, Lahore to other families involved in ex-Ittefaq group. The matter is still pending adjudication.</p> <p>These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date as discussed above, are carried at cost as their amortized cost is impracticable to determine.</p>		
<b>17</b>	<b>STORES, SPARE PARTS AND LOOSE TOOLS</b>		
	Stores	3,009,060	1,825,232
	Spare parts and loose tools	19,312,175	22,144,078
	Packing material	13,838,090	13,679,752
		<u>36,159,325</u>	<u>37,649,062</u>
<b>18</b>	<b>STOCK IN TRADE</b>		
	Raw material	31,926,614	36,817,987
	Work in process	9,220,112	15,804,380
	Finished goods	28,817,824	6,430,569
		<u>69,964,550</u>	<u>59,052,936</u>
<b>18.1</b>	<p>Stock in trade is pledged with National Bank of Pakistan against short-term borrowings.</p>		



		<u>30 / June / 2013</u> Rupees	<u>30 / June / 2012</u> Rupees
<b>19</b>	<b>TRADE DEBTS</b>		
	Local debts - unsecured but considered good - note 19.1	<u>9,324,768</u>	<u>8,519,036</u>
<b>19.1</b>	This includes normal trade receivables against sale of yarn and cotton from M/s. Barkat Textile Mills Limited amounting to Rs. 2.35 million (2012: Rs. 7.07 million). Maximum aggregate outstanding balance at the end of any month during the year is Rs. 11.32 million (2012: Rs. 21.85 million).		
<b>19.2</b>	As at 30 June 2013, none of the past due trade receivables were impaired as these relate to a number of independent customers for whom there is no recent history of default. All these past due receivables fall under the bracket of 0 to 6 months of aged analysis.		
<b>20</b>	<b>LOANS AND ADVANCES</b>		
	Advances to - unsecured but considered good		
	Employees - note 20.1	20,000	-
	Suppliers	<u>647,993</u>	<u>922,591</u>
		<u>667,993</u>	<u>922,591</u>
<b>20.1</b>	<b>Advances to employees</b>		
	The advances to employees are given to meet business expenses and are settled when expenses are incurred.		
<b>21</b>	<b>TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>		
	Bank guarantee deposits	507,100	507,100
	Prepayments	<u>375,715</u>	<u>408,145</u>
		<u>882,815</u>	<u>915,245</u>
<b>22</b>	<b>BALANCES DUE FROM GOVERNMENT</b>		
	Income tax recoverable - note 22.1	41,423,502	34,152,737
	Sales tax refundable - note 22.2	2,908,835	2,499,736
	Excise duty	<u>300,713</u>	<u>300,713</u>
		<u>44,633,050</u>	<u>36,953,186</u>
<b>22.1</b>	<b>Income tax recoverable</b>		
	At beginning of the year	34,152,737	39,621,457
	Add: Income tax deducted / paid during the year	<u>12,752,877</u>	<u>2,505,445</u>
		46,905,614	42,126,902
	Less: Provision for taxation - note 31.1	<u>(5,482,112)</u>	<u>(7,974,165)</u>
	At end of the year	<u>41,423,502</u>	<u>34,152,737</u>
<b>22.2</b>	<b>Sales tax refundable</b>		
	It represents accumulated differences of input tax on purchases and sales tax payable.		
<b>23</b>	<b>CASH AND BANK BALANCES</b>		
	In hand	563,696	1,103,220
	With banks (on current accounts)	<u>5,486,017</u>	<u>2,742,135</u>
		<u>6,049,713</u>	<u>3,845,355</u>

24 SALES (NET)	----- Aggregate -----			
	<i>Export</i> Rupees	<i>Local</i> Rupees	30 / June / 2013 Rupees	30 / June / 2012 Rupees
Gross sales				
Fabric	2,402,599	-	2,402,599	-
Yarn	-	1,069,039,053	1,069,039,053	780,701,041
Polyester	-	-	-	677,790
Waste	-	22,574,741	22,574,741	16,037,651
	<u>2,402,599</u>	<u>1,091,613,794</u>	<u>1,094,016,393</u>	<u>797,416,482</u>
Less: Sales tax - note 24.1	-	(8,024,487)	(8,024,487)	-
Sales commission	-	(1,521,546)	(1,521,546)	(974,797)
Net sales	<u>2,402,599</u>	<u>1,082,067,761</u>	<u>1,084,470,360</u>	<u>796,441,685</u>

**24.1 Sales tax**

This includes sales tax of Rs. 0.732 million paid on supplies amounting to Rs. 36.614 million from July 2011 to March 2013 to non-textile sector. Government of Pakistan thru notification SRO 179(I)/2013 dated 7 March 2013 has allowed all textile companies to deposit sales tax at the rate of 2% of the value of such supplies without any default surcharge or penalty, such sales tax could not be claimed for refund or adjustment against any sales tax paid on such supplies at a higher rate.

**25 COST OF SALES**

Raw material consumed	- note 25.1	806,520,069	600,724,555
Salaries, wages and other benefits	- note 25.2	94,612,118	64,826,702
Stores and spare parts consumed		24,686,633	15,572,465
Power and fuel		140,860,393	96,614,241
Repair and maintenance		1,731,050	1,270,719
Insurance		1,373,171	1,283,260
Depreciation on property, plant and equipment	- note 14.3	30,678,124	33,818,330
Other manufacturing overheads		3,500,284	1,536,167
		<u>1,103,961,842</u>	<u>815,646,439</u>
Adjustment of work in process			
Opening stocks		15,804,380	7,396,933
Less: Closing stocks		(9,220,112)	(15,804,380)
		<u>6,584,268</u>	<u>(8,407,447)</u>
Adjustment of finished goods			
Opening stocks		6,430,569	4,351,172
Less: Closing stocks		(28,817,824)	(6,430,569)
		<u>(22,387,255)</u>	<u>(2,079,397)</u>
Total cost of sales		<u>1,088,158,855</u>	<u>805,159,595</u>

**25.1 Raw material consumed**

Opening stocks		36,817,987	13,243,737
Add: Purchases and direct expenses		877,863,696	624,298,805
Less: Stocks lost due to fire	- note 25.1.1	(76,235,000)	-
Less: Closing stocks		(31,926,614)	(36,817,987)
		<u>806,520,069</u>	<u>600,724,555</u>

**25.1.1 Stocks lost due to fire**

Stocks of cotton bales were lost due to accidental fire incident. Insurance claim was lodged amounting to Rs. 90.047 million against which the Company recovered Rs. 76.235 million from insurance companies.

**25.2 Salaries, wages and other benefits**

Salaries, wages and benefits include employee retirement benefits amounting to Rs. 3.217 Million (2012: Rs. 3.662 Million).



		30 / June / 2013 Rupees	30 / June / 2012 Rupees
<b>26 OTHER OPERATING INCOME</b>			
<i>On financial assets</i>			
Exchange gain on translation of foreign currency		3,447	-
<b>27 DISTRIBUTION AND MARKETING COST</b>			
Salaries and allowances		997,325	1,196,476
Electricity, gas and water		153,706	147,773
Communications		220,868	186,922
Advertisements		286,665	82,395
Exports related expenses		13,222	-
Depreciation on property, plant and equipment	- note 14.3	316,269	348,643
		<u>1,988,055</u>	<u>1,962,209</u>
<b>28 ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Directors remuneration		2,289,900	2,173,200
Salaries and allowances	- note 28.1	6,709,112	5,325,952
Vehicle running and maintenance		905,104	695,536
Repairs and maintenance		467,974	341,573
Traveling and conveyance		227,922	140,825
Printing and stationery		350,188	331,773
Communications		362,527	239,842
Electricity, gas and water		372,399	363,295
Entertainment		409,976	301,081
Legal and professional charges		318,500	162,138
Auditors' remuneration	- note 28.2	600,000	597,400
Fee and subscription		421,305	911,349
Depreciation on property, plant and equipment	- note 14.3	632,539	697,285
Other expenses		278,839	194,377
		<u>14,346,285</u>	<u>12,475,626</u>
<b>28.1 Salaries and allowances</b>			
Salaries and allowances include employee retirement benefits amounting to Rs. 1.581 Million (2012: Rs. 0.523 Million).			
<b>28.2 Auditors' remuneration</b>			
Audit fee		500,000	500,000
Fee for interim review		40,000	40,000
Review of Code of Corporate Governance		30,000	30,000
Out of pocket expenses		30,000	27,400
		<u>600,000</u>	<u>597,400</u>
<b>29 OTHER OPERATING EXPENSES</b>			
Loss on disposals of property, plant and equipment	- note 14.5	-	650,320
Impairment loss on property, plant and equipment	- note 14.6	1,211,000	-
		<u>1,211,000</u>	<u>650,320</u>
<b>30 FINANCE COST</b>			
Mark-up on:			
- Long-term finances	- note 30.1	-	1,996
- Short-term borrowings		16,697,104	14,401,481
		<u>16,697,104</u>	<u>14,403,477</u>
Bank charges and commission		597,923	414,665
		<u>17,295,027</u>	<u>14,818,142</u>

**30.1 Mark-up on long-term finances**

This represents mark-up on long-term finance from National Bank of Pakistan which was repaid during the year ended 30 June 2011.



		<u>30 / June / 2013</u>	<u>30 / June / 2012</u>
		Rupees	Rupees
<b>31 TAXATION</b>			
Current	- note 22.1	5,482,112	7,974,165
Deferred	- note 8.2	<u>(13,115,680)</u>	<u>(3,279,834)</u>
		<u><u>(7,633,568)</u></u>	<u><u>4,694,331</u></u>

**31.1 Current year's taxation**

Provision for current year's taxation represents minimum tax payable under section 113 of the Income Tax Ordinance, 2001.

**31.2 Prior period assessments**

While framing the assessment for tax year 2011 under section 221 of the Income Tax Ordinance 2001, the Deputy Commissioner Inland Revenue has disallowed adjustment of prior periods' refunds amounting to Rs. 5.491 million against which the Company has deposited an amount of Rs. 0.812 million in current year. The Company has filed an appeal against above order.

The tax council of the Company is of the view that there is every likelihood of the case to be decided in favour of the Company.

**31.3 Numerical reconciliation between the average tax rate and the applicable tax rate**

	<u>30 / June / 2013</u>	<u>30 / June / 2012</u>	<u>30 / June / 2013</u>	<u>30 / June / 2012</u>
	% age	% age	Rupees	Rupees
Applicable tax rate	<u>35.00%</u>	<u>35.00%</u>	<u>(13,483,895)</u>	<u>(13,518,472)</u>
<i>Tax effects of amounts that are:</i>				
Inadmissible expenses	-22.91%	-28.13%	8,827,880	10,866,151
Difference in tax rates	<u>7.73%</u>	<u>-19.02%</u>	<u>(2,977,553)</u>	<u>7,346,652</u>
Effective tax rate/tax	<u>19.82%</u>	<u>-12.15%</u>	<u>(7,633,568)</u>	<u>4,694,331</u>

		<u>30 / June / 2013</u>	<u>30 / June / 2012</u>
<b>32 LOSS PER SHARE (BASIC AND ANTI-DILUTIVE)</b>			
Loss attributable to ordinary equity holders of the Company	(Rupees)	(30,891,847)	(43,318,538)
Weighted average number of ordinary shares	(Number)	<u>10,700,000</u>	<u>10,700,000</u>
Loss per share - basic and antidilutive	(Rupees)	<u>(2.89)</u>	<u>(4.05)</u>

**32.1** There is no antidilutive effect on the basic earnings per share of the Company. Moreover, there are no antidilutive potential ordinary shares outstanding as at 30 June 2013 and 2012.

**33 PRIOR PERIOD ERROR**

As per the latest exercise of revaluation of property, plant and equipment carried out by Company during year ended 30 June 2010, the revaluation surplus remained understated with an amount of Rs. 13.998 million which inadvertently has been charged to un-appropriated profits of the Company. Financial statements for the year ended 30 June 2012 have been restated, to incorporate the impact of surplus realized on disposal of revalued land, which has been applied retrospectively and the comparative information has also been restated in accordance with the treatment specified in International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The effect of restatement is summarized below.

30 / June / 2012

Rupees

**Balance as at 30 June 2011**

Accumulated loss as at 30 June 2011 - as previously stated	(147,700,267)
Increase in accumulated loss due to excess transfer of revaluation surplus	(13,998,631)
Un-appropriated profit as at 30 June 2011 - as restated	(161,698,898)
Increase in revaluation surplus	13,998,631

**Year ended 30 June 2012**

This prior period restatement has no impact on profits of the Company for the year 2012.

**Effect on loss per share**

This prior period restatement has no impact on earnings per share as previously reported.

**Effect on income tax expense**

There is no impact on income tax of the Company as the transaction relates only with the movement in reserves.

**Amendments' to IAS 1 Presentation of financial statements regarding disclosures for comparative information**

The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as required by IAS 8 'Accounting policies, changes in accounting estimates and errors' the balance sheet should be as at the beginning of the preceding period i.e. the opening position. No notes are required to support this balance sheet.

	<u>30 / June / 2013</u>	<u>30 / June / 2012</u>
<b>34 PLANT CAPACITY AND ACTUAL PRODUCTION</b>		
Number of spindles installed	17,280	17,280
Number of shifts worked	1,083	1,068
Number of spindles shifts worked during the year	17,349,120	17,850,240
Installed capacity after conversion into 20 / 5 counts (Kgs.)	4,668,224	4,668,224
Actual production of yarn after conversion into 20 / 5 counts (Kgs.)	4,447,991	3,764,484

It is difficult to determine precisely production / rated capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, twist per inch and raw materials used etc.

**35 FINANCIAL RISK MANAGEMENT**

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

**35.1 Credit risk and concentration of credit risk**

"Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering application for credit approvals, granting, renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes, financial viability of all counterparties is regularly monitored/assessed.

Concentration of credit risk arise when a number of counterparties are engaged in a similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Credit risk primarily arises from long-term advances, trade debts, loans and advances and balances with banks. To manage exposures to credit risk in respect of trade debts, management performs credit reviews taking into account the customers' financial position, past experience and other relevant factors. Where considered necessary advance payments are obtained from certain parties."

The management has set a maximum credit period of 30 days to reduce credit risk. Credit risk on bank balances is limited as the counterparties are banks with reasonably high credit ratings.

#### **Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	30 / June / 2013 Rupees	30 / June / 2012 Rupees
Long-term advances	15,650,727	15,650,727
Trade debts	9,324,768	8,519,036
Loans and advances	667,993	922,591
Bank balances	5,486,017	2,742,135
	<u>31,129,505</u>	<u>27,834,489</u>

Geographically, there is no concentration of credit risk. All trade debts at balance sheet date represents domestic parties.

There is no single significant customer in the trade debts of the Company.

The aging of trade debts at the balance sheet date was as follows:

Falling within 1 to 30 days	6,059,308	5,540,580
Falling within 30 to 90 days and over	3,265,460	2,978,456
	<u>9,324,768</u>	<u>8,519,036</u>

#### **Impairment losses**

Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required in this regard.

### **35.2 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 management requirements. The 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. Included in note 13 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

#### **Liquidity and interest risk table**

The following table detail the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing agreements based on the earliest date on which the Company can be required to pay. For effective markup rate please see note 11 to these financial statements. Carrying amount and contractual cashflows of trade and other financial liabilities are approximately same.

<b>30 / June / 2013</b>					
<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Not later than 1 year</b>	<b>Later than 1 year</b>		
----- Rupees -----					
Long-term finances	198,390,102	198,390,102	4,602,122	193,787,980	
Trade payables	146,959,216	146,959,216	146,959,216	-	
Short-term borrowings	71,286,334	78,748,145	78,748,145	-	
	<u>416,635,652</u>	<u>424,097,463</u>	<u>230,309,483</u>	<u>193,787,980</u>	
<b>30 / June / 2012</b>					
<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Not later than 1 year</b>	<b>Later than 1 year</b>		
----- Rupees -----					
Long-term finances	200,923,592	200,923,592	-	200,923,592	
Trade payables	86,311,622	86,311,622	86,311,622	-	
Short-term borrowings	95,179,352	98,721,586	98,721,586	-	
	<u>382,414,566</u>	<u>385,956,800</u>	<u>185,033,208</u>	<u>200,923,592</u>	

### 35.3 Market risk

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

#### a) Foreign currency risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of raw materials and plant and machinery, if any. The Company is not exposed to any foreign currency risk as there are very minimal such transactions.

#### b) Interest rate risk

The interest rate risk is the risk that value of financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and liabilities that mature in given period. At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

<b>Variable rate instruments</b>	<b>30 / June / 2013</b>	<b>30 / June / 2012</b>	<b>30 / June / 2013</b>	<b>30 / June / 2012</b>
	-----%-----		----- Rupees -----	
Short-term borrowings	<u>3M KIBOR + 3%</u>	<u>3M KIBOR + 3%</u>	<u>71,286,334</u>	<u>95,179,352</u>

#### Fair value sensitivity analysis for floating rate instruments

The Company does not account for any fixed / floating rate financial assets and liabilities at fair value through profit and loss therefore, a change in interest rate would not affect profit or loss.

#### Cash flow sensitivity analysis for floating rate instruments

At 30 June 2013, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, the Company's profit before tax for the year would have been Rs. 1.670 million (2012: Rs. 1.440 million) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities. There is only an immaterial impact on the Company's equity.

#### c) Price risk management

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuates as a result 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 traded in the market. The Company is not exposed to any significant price risk.



### 35.4 Determination of fair values of financial instruments

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.

### 36 CAPITAL RISK MANAGEMENT

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

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for maintenance of debt to equity ratio under the financing agreements.

### 37 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of holding company, subsidiaries and associated undertakings, other related group companies, directors of the Company and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amount due from related parties is shown under note 19 to the financial statements.

Nature and description of related party transactions during the year along with monetary value are as follows:

Nature of relation	Nature of transactions	30 / June / 2013	30 / June / 2012
		Rupees	Rupees
Companies under common management of control	Sale of cotton / yarn	31,027,178	95,759,420
	Purchase of yarn	2,252,023	-
	Other purchases	1,391,063	266,676
Key management personnel	Remuneration and other benefits	4,689,900	4,573,200

### 38 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year as remuneration and benefits of the chief executive officer, directors and executives of the Company are as follows:

	30 / June / 2013		
	Directors	Executives	Aggregate
	Rupees.....		
Managerial remuneration	1,526,603	1,600,000	3,126,603
House rent allowance	686,970	720,000	1,406,970
Utilities	76,327	80,000	156,327
<b>Total 2013</b>	<b>2,289,900</b>	<b>2,400,000</b>	<b>4,689,900</b>
Number of persons	2	2	4
	30 / June / 2012		
	Directors	Executives	Aggregate
	Rupees.....		
Managerial remuneration	1,448,804	1,600,000	3,048,804
House rent allowance	623,960	720,000	1,343,960
Utilities	100,436	80,000	180,436
<b>Total 2012</b>	<b>2,173,200</b>	<b>2,400,000</b>	<b>4,573,200</b>
Number of persons	2	2	4



- 38.1 Chief executive officer of the Company had not drawn salary during the year as well as last year.
- 38.1 The chief executive officer, directors and certain executives of the Company have been provided with Company maintained cars.
- 38.2 Meeting fee amounting to Rs. 25,000 (2012: Rs. 10,000) has been paid to directors of the Company.

	<u>30 / June / 2013</u>	<u>30 / June / 2012</u>
<b>NUMBER OF EMPLOYEES</b>		
Total number of employees (inclusive of contractual staff)	<u>534</u>	<u>557</u>

#### RECLASSIFICATIONS AND RE-ARRANGEMENTS

Corresponding figures have been re-classified and re-arranged, wherever necessary, to reflect more appropriate presentation of events and transactions for the purpose of comparison. However, no significant re-classification and re-arrangements except as detailed below, were made in financial statements during the year ended 30 June 2013.

<i>From</i>	<i>To</i>	<i>Reason</i>	<i>Amount</i>
Administrative expenses	Other operating expenses	Better presentation	
Loss on disposal of assets	Loss on disposal of assets		650,320
Prepayments	Advances to suppliers	Better presentation	863,031
Other receivables	Balances due from government	Better presentation	
Sales tax receivable	Sales tax receivable		2,499,736
Excise duty recoverable	Excise duty recoverable		300,713

#### 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 07, 2013.



## FORM OF PROXY

No. of Shares

Please Quote Folio No.

I/We \_\_\_\_\_ of \_\_\_\_\_

a member(s) of KHALID SIRAJ TEXTILE MILLS LIMITED and holding \_\_\_\_\_

ordinary shares, as per Register folio / CDC A/c No. \_\_\_\_\_

hereby appoint Mr. \_\_\_\_\_ of \_\_\_\_\_

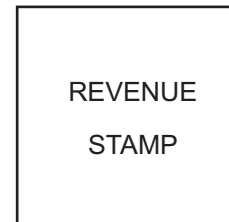
of failing his \_\_\_\_\_ of \_\_\_\_\_

who is also a member of the company vide Register Folio / CDC A/c No. \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the 26th Annual General Meeting of the Company to held on 31st October 2013 at 10:30 a.m. and at any adjournment thereof

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

1. Witness \_\_\_\_\_

2. Witness \_\_\_\_\_



SIGNATURE OF MEMBER (S)

A member entitled to attend a General Meeting is entitled to appoint a proxy to attend and vote instead of his behalf. No person shall act as proxy (except for a corporation) unless he is entitled to be present and vote in his own right.

The instrument appointing a proxy should be signed by the member or by his attorney duly authorised in writing. If the member is a corporation its common seal (if any) should be affixed to the instrument.

The proxies shall be lodged with the company not later than 48 hours before the time of meeting.

For CDC account holders:

- The proxy form shall be witnessed by two persons where names, addresses and CNIC number shall be mentioned on the form.
- Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- The proxy shall produce his/her original CNIC or original passport at the time of meeting.